March 5, 2014

Response from IBRD—Approval by mail: Democratic Republic of the Congo (DRC) Improved Forested

Landscape Management Project (FIP)

Proposed SCF- FIP Grant (US$36.9 MILLION)
TO THE DEMOCRATIC REPUBLIC OF CONGO FOR A
IMPROVED FORESTED LANDSCAPE MANAGEMENT PROJECT

Executed by IBRD

Responses to Requests for Clarification raised by FIP SC Members from the USA and UK

A- Link with the Emission Reductions Program (ER-Program) in the Bandundu Province to be submitted to the FCPF Carbon Fund (also see Annex 1 for more details)

The DRC is currently developing an Emission Reductions Program Idea Note (ER-PIN) to be submitted to the Participants of the FCPF Carbon Fund at the next Carbon Fund meeting in April 2014. The envisaged program will cover both the Plateau District and the Mai N'dombe District of the Bandundu Province and will therefore (in case of successful selection) include the FIP activities to be implemented under component 1.

The spirit of the ER-Program is that it is intended to rely upon emission reductions payment agreements (ERPAs) to promote and aggregate a series of investments at the scale of the jurisdiction (the Bandundu Province) aiming at reducing emissions from deforestation and forest degradation.

Unfortunately, ERPA payments are mainly based on observed performance once avoided deforestation is verified on the ground. Upfront payments are limited. In this context, only project owners with strong financial capabilities (logging companies, cattle ranching companies, etc.) or big international NGOs can stand to benefit from such carbon finance mechanisms. Because of financial barriers, remote rural poor communities will be excluded from such innovative financing schemes unless the donor community supports them in initiating the first series of investments through start-up financing. Thanks to reinvestment of the carbon sale revenues from these initial investments, the FIP impact will be sustained and amplified (**see section B below**).

For this reason, FIP activities (component 1) will help rural communities in the Plateau District complete their land management plans while identifying and implementing priority investments. As a result, rural communities will have the opportunity to reduce emissions and be potential beneficiaries of the ER-Program through the benefit sharing plan as requested by the Methodological Framework of the FCPF.

Priority investments, supported by the FIP under Component 1, likely to impact the carbon stock of the Plateau District will amount to $5 million (or $1 million per annum over a five year period) whereas enabling activities (**see Annex 2** for more details about activities and associated outputs and outcomes) will amount to $9.2 million. Eleven million tons of emission reductions are expected from these investments over the period 2015-2029. As a result, if the FIP considers itself the owner of these tons, the acquisition price would be $0.45 per ton of "raw CO_2", which is far below a possible market price. For this reason, we believe that the $5 million investment should be considered an input to help the poorest communities gain access to additional funding instead of as an acquisition price. It is of critical importance to note that any GHG emission reduction (or removal) generated under FIP activities is not bankable or transferable as is. Nevertheless the team acknowledges this methodological aspect to be addressed during negotiations of future ERPA with the DRC.

A transformation is needed through the application of the rules of the national REDD+ implementation framework as well as its legal framework.

B- Sustainability of Component 1 with or without payments from the FCPF Carbon Fund

The IFLMP has been designed as a stand-alone project with expected outputs / outcomes likely to yield substantial development benefits. The Project Development Objective and the results framework presented in the PAD specify and quantify the range of expected benefits.

The possible signature of an ERPA with the FCPF Carbon Fund based on the development of an ER-Program encompassing component 1 has to be considered as long-term benefit for rural communities. Rural communities would benefit from additional financing beyond the lifetime of the project and this would therefore help secure the permanence of established assets. Carbon payments would also expand to additional areas not included in this project by benefiting from the momentum and proactivity created among farmers and communities. Carbon revenues (in cash or in kind depending on the benefit sharing plan to be developed) would be invested in the field to complement the priority investments supported by the FIP with a new set of outputs and outcomes. Civil society organizations (REPALEF, GTCR, etc.) will continue their strong support of the virtuous cycle that the FIP could initiate (**see Annex 1**).

C- Benefit sharing plan

Options for the communities to benefit from carbon revenues under a possible ERPA to be signed with the FCPF must not postpone the decision about the proposed IFLMP. The ERPA benefit sharing plan remains to be developed through building on achievements in the field under this FIP project. The proposed virtuous cycle (see Annex 1) is seen as the transformational break-through to overcome barriers for poor rural communities and farmers to participate in climate change mitigation and adaptation efforts.

The methodological framework (MF) of the FCPF Carbon Fund (December 20, 2013) includes a specific section (refer to the box below) describing the principles of the benefit sharing plan to be annexed to the ERPA. If a final Benefit Sharing Plan is not provided at the time of ERPA signature, it becomes a condition precedent which must be fulfilled in order for the sale and purchase obligations under the ERPA to become effective. As stipulated in the MF, beneficiaries are those who develop "emission reduction strategies to effectively address drivers of net emissions". FIP activities (component 1) aim to support the rural communities in the Plateau District in designing their own strategies to be part of the benefit sharing plan. Without such a support, rural communities would be excluded from the ERPA.

Criterion 29: The ER-Program provides a description of the benefit sharing arrangements for the ER-Program, including information specified in Indicator 30.1, to the extent known at the time.

Criterion 30: The Benefit Sharing Plan will elaborate on the benefit sharing arrangements for Monetary and Non-Monetary Benefits, building on the description in the ER Program Document, and taking into account the importance of managing expectations among potential Beneficiaries.

<u>Indicator 30.1:</u> The Benefit Sharing Plan is made publicly available prior to ERPA signature, at least as an advanced draft, and is disclosed in a form, manner and language understandable to the affected stakeholders for the ER-Program. The Benefit Sharing Plan contains the following information:

. The categories of potential Beneficiaries, describing their eligibility to receive potential Monetary and Non-Monetary Benefits under the ER Program and the types and scale of such potential Monetary and Non-Monetary Benefits that may be received. Such Monetary and Non-Monetary Benefits should be culturally appropriate and gender and inter-generationally inclusive. The identification of such potential Beneficiaries takes into account emission reduction strategies to effectively address drivers of net emissions, anticipated implementers and geographical distribution of those strategies, land and resource tenure rights (including legal and customary rights of use, access, management, ownership, etc. identified in the assessments carried out under Criterion 28), and Title to ERs, among other considerations;

. Criteria, processes, and timelines for the distribution of Monetary and Non-Monetary Benefits;

. Monitoring provisions for the implementation of the Benefit Sharing Plan, including, as appropriate, an opportunity for participation in the monitoring and/or validation process by the Beneficiaries themselves.

Criterion 31: The benefit sharing arrangements are designed in a consultative, transparent, and participatory manner appropriate to the country context. This process is informed by and builds upon the national readiness process, including the SESA, and taking into account existing benefit sharing arrangements, where appropriate.

Indicator 31.1: The Benefit Sharing Plan is prepared as part of the consultative, transparent and participatory process for the ER Program, and reflects inputs by relevant stakeholders, including broad community support by affected Indigenous Peoples. The Benefit Sharing Plan is designed to facilitate the delivery and sharing of Monetary and Non-Monetary Benefits that promote successful ER Program implementation. The Benefit Sharing Plan is disclosed in a form, manner and language understandable to the affected stakeholders of the ER Program.

Criterion 32: The implementation of the Benefit Sharing Plan is transparent.

Indicator 32.1: Information on the implementation of the Benefit Sharing Plan is annexed to each ER Program monitoring report and interim progress report and is made publicly available.

Criterion 33: The benefit sharing arrangement for the ER Program reflects the legal context.

Indicator 33.1: The design and implementation of the Benefit Sharing Plan comply with relevant applicable laws, including national laws and any legally binding national obligations under relevant international laws.

D- Coherence among components (Refer to Annex 2) and programmatic approach (links with the Integrated REDD+ Project in the Mbuji-Mayi / Kananga and Kisangani basins implemented through the African Development Bank)

The design of the project is directly derived from the investment plan that was reviewed and approved by the FIP sub-committee in June 2011. It was then agreed that, “the full FIP envelope for DRC, although relatively substantial, is still limited in the face of the enormous needs in DRC. Therefore, the financial resources should not be spread over a too large number of activities.” As a result, it was decided “to only target the main drivers of deforestation and forest degradation by supporting consensual activities in whose domain DRC has some experience” and to “finance projects concentrated in smaller geographic areas rather than to provide co-financing spread throughout the entire country in order to maximize their impact and lessons learned, while developing a replicable model for other areas in the country”.

The programmatic approach as described in the Investment Plan:

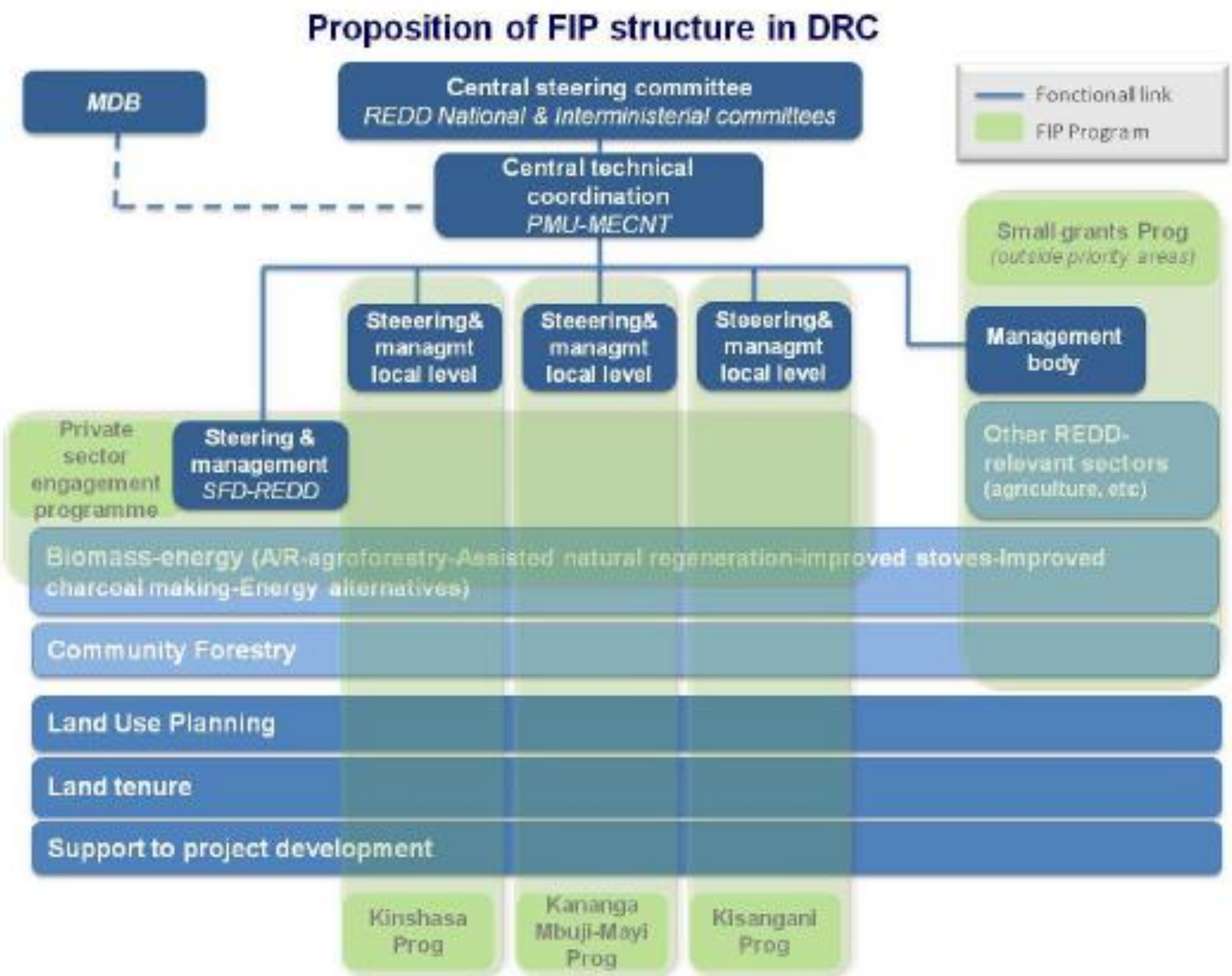
At the programmatic level, three priority geographic areas were selected using a multi-criteria matrix listing the six FIP investment criteria that have been broken down into sub-criteria relevant at the geographic level. The logic of “supply areas to large urban centers” has been used, which permits the development of a wide array of activities, all designed to reduce demand and increase the sustainable supply over various types of landscapes.

This selection led to the design of subsequent projects (or ‘project components’, as they later became known as) in each of these areas. The three supply areas present roughly three main types of landscapes, namely: i) urban zones; ii) savanna lands; iii) forest zones.

In addition to this “geographic approach” which is primarily led by the government, two specific tools were considered to directly address the concerns of other actors: the private sector and the smallholder farmers. It was then agreed in the Investment plan that one component of the FIP (as a Program) would support the investments from the formal private sector while another would support local initiatives targeting the smallholder farmers.

The programmatic approach of the FIP lies in the design of these five complementary components: three components with a geographic approach in food and fuelwood “supply basins”, and two components with an actor-based approach. The latter two components would operate where the most promising projects could be identified, and therefore could operate outside the 3 priority zones.

The diagram below, from the Investment Plan, summarizes the programmatic approach:



The two projects aim at supporting the activities defined in the Investment Plan –to both directly have an effect on the drivers of deforestation and to implement enabling activities. The different approaches will help identify the most efficient activities; implementing them in different areas will allow the assessment of the conditions for their success.

Complementarity of the various approaches within the IFLM project:
Component 1 is an integrated landscape management project, called PIREDD (in French for integrated project for REDD+). It focuses on establishing, implementing and enforcing the land use plans that would reduce deforestation, through:

- A voluntary commitment from smallholder farmers (for which incentives based on results are provided to help them change their behaviors) to reduce the deforestation from slash and burn and ensure the success of the afforestation/reforestation/regeneration activities,

- A voluntary commitment from the communities regarding their land use (micro-zoning) and choice of development path (collective socio-economic investments to promote/support an alternative development triggered by the compliance with the agreed development plan and land-use mapping),
- Support to local government, smallholder farmers representatives, inter-sectoral dialog entities, and to the decentralized technical services from the government (Forest, Agriculture and Rural Development) in order to improve governance and law enforcement, and to create a working relationship between all of these actors.

This component includes priority Investments (for the communities) and the participatory establishment of land management plans and their enforcement. It is essentially a public policy approach.

Component 2 focuses on the formal private sector to develop the production of sustainable charcoal and the production of improved cookstoves. However, while sub-component 2a will directly support the charcoal production with matching grants, component 2b will help structure the sector with enabling activities along with matching grants to expand the current production of cookstoves to demonstrate their impact.

In both cases, in accordance with the private sector focus, only profitable activities will be financed.

Finally, component 3 tests another approach, using small local NGOs to promote innovative techniques with farmers and provide technical advisory services and financial support.

Assessment and Lessons learned:
Under Component 4, several activities will ensure these 3 approaches are reviewed and coordinated, and that the appropriate lessons learned are studied. An analysis by mid-term review of the implementation results of each component is budgeted; this exercise may result in a reallocation of the project resources within the components or in mobilizing additional resources for the approach that is the most successful.

E- Complementarity between the 2 FIP projects
The project financed through the AfDB is in fact composed of 2 other PIREDD similar to Component 1 of the project financed through the World Bank. Therefore the approach is very similar.

However, the content and the implementation modalities are different. Regarding the content, the table below summarizes the main differences between the 3 supply basins that were selected. Those differences are a good way to cover the various agro-ecological zones in DRC and to see various ways a REDD+ program can be adapted.

Regarding the implementation, implementation partners are not yet known. As of now, it appears that the Local Implementing Agencies in Kananga and Kisangani will have a more local focus and operate in smaller territories than the Implementing Agency in the Plateau District. The supervision and cash management in the 3 areas will also be very different due to the differences in the accessibility for the project teams.

Intervention area	Characteristics of the area	Identification of priority activities
Kinshasa	- 1 huge urban center - Vast areas of degraded savannah with receding forest remnants - Limited area of forest-savannah mosaic	- Energy-efficient stoves & energy alternatives: +++ - Afforestation/Reforestation (agroforestry, assisted natural regeneration): +++ - Community Forestry + - Enabling activities (land tenure, land use planning, support to project development): +++
Kananga / Mbuji-Mayi	- 2 big urban centers (transition savannah/forest area) - Vast areas of savannah in the South with strongly receding forest remnants - Vast areas of forest in the North	- Energy-efficient stoves & energy alternatives: ++ - Afforestation/Reforestation (agroforestry, assisted natural regeneration): ++ - Community Forestry:++ - Enabling activities (land tenure, land use planning, support to project development): +++
Kisangani	- 1 relatively big urban center (but abundant wood resource) - Small enthropized areas around the town & along the roads - Very vast forest areas (Congo Basin dense rainforest)	- Energy-efficient stoves & energy alternatives: Ø - Afforestation/Reforestation (agroforestry, assisted natural regeneration): + - Community Forestry (incl. Management of old plantations) : +++ - Enabling activities (land tenure, land use planning, support to project development): +++

Legend (+): relevant, (++): very relevant, (+++): extremely relevant, Ø: not relevant

Figure 24: Main characteristics and proposed activities for each intervention area

Assessment and lessons learnt:

Similarly, one component of each project will support the assessment of each PIREDD and determine the lesson learned in order to feed the national REDD+ strategy and replicate the most efficient projects.

For this purpose, both projects are supervised by the same FIP Coordination Unit, which will also monitor the “Set aside” initiatives and be an observer in the DGM Steering Committee. This Coordination Unit is directly integrated in the MECNT, under the supervision of the General Secretary – who is the program coordinator. Therefore, the integration of these 2 projects within one single program, and more globally as a core part of the REDD+ development, is not seen as a risk.

F- Financing modalities

The financial support provided to individuals, villages or private sector participants under components 1, 2 and 3 will be detailed here. Financing will be delivered in several forms depending on the project component:

Component 1: Enabling activities (capacity building, management planning, etc.) will be entrusted to a delegated implementing agency which will procure goods, works and services according to the World Bank rules. Investments at the territory and village levels will be made according to the same rules. Performance-based incentives and investments will be implemented through the signature of contracts between the MECNT and beneficiaries (usually smallholders) committed to specific activities reducing deforestation and forest degradation such as through tree planting ($X per tree duly planted), combatting bush fires ($Y per hectare saved), etc.

Component 2a: The private sector entities will include: entrepreneurs interested in agro-forestry plantations and private companies investing in agroforestry as an alternative to deforestation. The terms of support will be financing in the form of matching grants designed to subsidize sub-projects selected through a public call for proposals. This support, until such time as funds are exhausted, will be offered after a call for proposals on a first come, first serve basis, as long as the proposed plan meets eligibility criteria which will be defined in the Project Implementation Manual. Candidates for FIP support will be required to present their project proposal, a short note stating whether the project has already commenced or is in the planning phase, and the anticipated impact on local communities. The Screening Committee will review the proposals, and ask, if need be, for further information such as a detailed business plans and Environmental and Social impact assessments, and determine the terms of support.

Component 2b: The private sector entities will include: manufacturers and distributors of cookstoves. Activities will be split between technical assistance (procurement performed by the FIP Coordination Unit), and support to modernize cookstove production (matching grants).

Component 3: Activities to be developed under component 3 will be entrusted to various delegated implementing agencies which will procure goods, works and services according to the World Bank rules.

G- Addressing the FIP principles for private sector investments

In the case of the principle of minimum concessionality, the WB project team will seek out the minimum concessionality required on a case by case basis within components 2a and 2b to make private sector investment worthwhile.

The PAD outlines that this project's financing arrangements for the private sector avoid distortion and crowding out. Within components 2a and 2b, to make private sector investment worthwhile, following FIP principles, project funds will be used to "crowd in" private sector investment by creating an enabling environment to expand upon project activities in terms of agroforestry and improved cookstove investments to scale up both. The promotion of private sector investment in agroforestry activities may be hampered by the existing business environment in DRC as well as by the difficult investment climate. The FIP activities aim to remove some of these barriers by: 1) generating business information on the activity (including the preparation of simplified business plans); 2) providing technical assistance in all elements of the business; 3) improving access to finance; 4) working with the administration to facilitate business registration and operation, including increasing land tenure security.

The main barriers we intend to overcome with this financing is that of access to start up finance as well as overcoming the time lag related to accessing loans in the agroforestry/agriculture/forestry sector. Customarily, banks in DRC do not allocate long-term loans in this sector; they are usually restricted to a maximum three year period with high (above 15%) interest rates. Agroforestry business models, however, have a break-even point at the end of a six year period in the best case scenario according to a preparatory study completed by ONF International[1]. This start up finance provided through the project is intended to make agroforestry projects more attractive for investment. The initial start-up grants provided will facilitate investment in a business approach that will be sustainable beyond the initial 6-year start-up period that is currently the major hurdle for investment in the sector. Following, proving the profitability of the investment will attract more private investment funds.

The project incorporates the FIP principle of financial sustainability through promoting private investment in agroforestry and to set up a business value chain for high-quality charcoal stoves; if these activities can demonstrate profitability, the project's results will

[1] Etude de préfaisabilité sur les potentialités de développement des filières agroforesterie et bois-énergie dans le bassin d'approvisionnement de Kinshasa (ONF International, 2012).

be sustainable. In addition, by building fiduciary management capacity within the Environment Ministry, the project will encourage more cost effective use of the Ministry's existing investment and operating budgets.

The support, until such time as funds are exhausted, will be offered after a call for proposals on a first come, first serve basis, as long as the proposed plan meets eligibility criteria. Most of the expected activities will (i) replicate the methodologies used in successful pilots such as Mampu, Ibi Bateke and Makala or (2) build on strategies combining introduction of high value forest species, natural regeneration and 'mise en défens'.

Candidates for FIP support will be required to present their project proposal, a short note stating whether the project has already commenced or is in the planning phase, and the anticipated impact on local communities. The Screening Committee will review the proposals, and ask, if need be, for further information such as a detailed business plan and an Environmental and Social impact assessment, and determine the terms of support. The exact terms of access to the project funds and the criteria for project selection will be detailed in the Project Implementation Manual. Eligibility criteria will include land tenure, socioeconomic co-benefits, biomass energy, and GHG emissions reductions, among others.

H- Other

See matrix below

Questions	Responses
Where do you see the FCPF-Carbon Fund building on FIP work? Have you taken into account the Methodological Framework of the Carbon Fund when calculating expected results? How strongly does the sustainability of the activities depend on securing Performance Based Payments from FCPF-C or the Bio-Carbon Fund?	The FIP is a major building block of the ER-Program under development, which will be submitted to the FCPF Carbon Fund on March 17. In principle, the FCPF methodological framework validated in November 2013 refers to historical deforestation rates with a possibility for adjustment for HFLD countries. Adjustment has to be justified nevertheless. As discussions have been ongoing for more than a year regarding the adjustment for the Bandundu province, we used historical deforestation rates for the baseline. This is a conservative approach. Performance-based payments from the FCPF Carbon Fund (Component 1) will complement FIP efforts to increase the amount of emission reductions, but changes of agricultural practices as the result of the FIP implementation might survive without any ERPA beyond the FIP lifetime.
Under component 1 of the project, support for tree plantations is also a programme activity of the forthcoming ER Program, so the IFLM Project funds are contributing to the overall ER Program budget that is in the ER PIN being prepared for resubmission to the Carbon Fund. What are the implications of delays to the FCPF process for the sustainability of the IFLM project?	Refer to the answer above
We have some points concerning the extent to which the various components of the project are linked to maximise impact. There is a "gap" between the supply of sustainably managed fuelwood and the promotion of efficient and clean charcoal stoves. The conversion of wood to charcoal is only	Performance-based incentives and investments will encourage villages and individuals currently engaged in unsustainable wood harvesting within project areas to invest in more sustainable approaches through their support (component 1). Similar approaches will be promoted under components 2a and 3.

addressed briefly in the annexes. We would like to know more about if and how the project will address the charcoal value chain, and have a clearer understanding of the way in which the project's work on wood supply links through to the focus on improved cook stoves. For example: will the project encourage actors currently engaged in unsustainable wood harvesting within project areas, potentially identified under component 1, to invest in more sustainable approaches through the support of component 2a?	
1. How much FIP money will be devoted to components 2a and 2b? 2. Are there specific activities that will be eligible for support, or will the screening committee have significant leeway in this regard? 3. What are expectations regarding the potential recipients of this funding? Could large companies be eligible? Companies working in DRC but registered outside? Logging companies? (A related question on that point: i seem to recall the pad says that concessions, etc, could be eligible for pay for performance under component 1. Is that the case?).	Component 2a: $5.9M Component 2b: $2.1M Component 2a (see paras 56 to 59 of the PAD) will support the <u>sustainable production of charcoal</u>. It is expected that most of the selected activities will replicate the methodologies used in successful pilots such as Mampu, Ibi Bateke and Makala. Annex 10 of the PAD will be complemented to provide the reader with additional information regarding potential activities. The core role of the screening committee will be to identify the most promising (cost efficient, sustainable, respectful of the communities, etc.) initiatives submitted to the project through the call for proposals. As stipulated in para 59 of the PAD, "The exact terms of access to the project funds and the criteria for project selection will be detailed in the Project Implementation Manual. Eligibility criteria will include land tenure, socioeconomic co-benefits, biomass energy, and GHG emissions reductions, among others". It is expected that most of the beneficiaries will be Small- and Medium-sized Enterprises (SMEs) incorporated in the DRC. Component 1 (see paras 50 to 53 of the PAD) is exclusively dedicated to smallholder

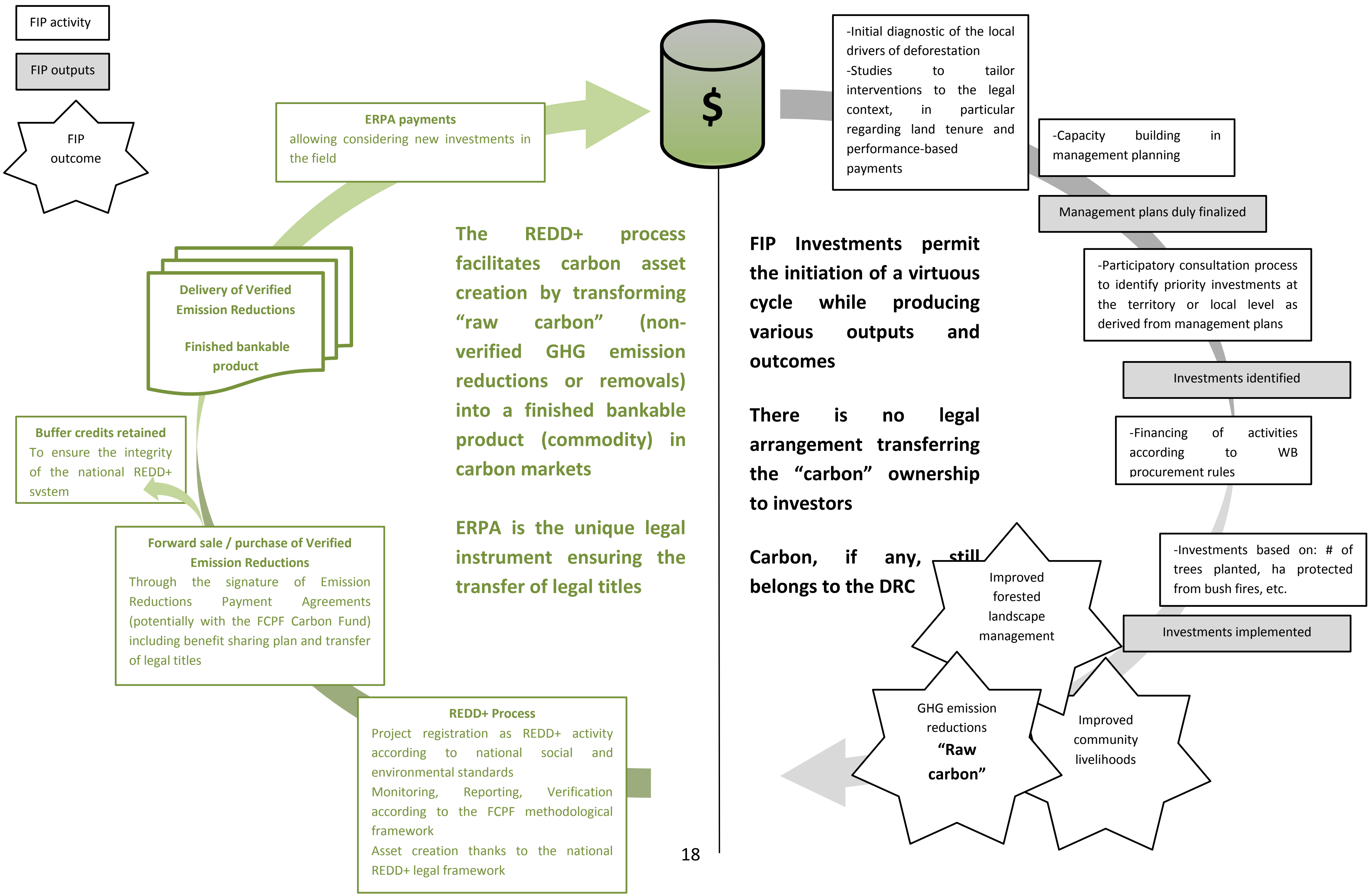
4. When discussing "matching grants," what precisely is meant here? What other resources will the FIP fund "match?" How much of a match should be required? For what financial purposes will the match potentially be used? How will we avoid subsidizing business lines that are simply not viable? Are matching grants the right type of financial support, given the barriers faced by private companies? Should other types of financing be considered?	farmers and communities. As elaborated in the PAD (see para 56 of the PAD), SME investments are difficult due to high interest rates and the lack of long-term loans. Agroforestry projects have a break-even point over a six year period in the best case scenario whereas only short-term loans are proposed in the DRC. Matching grants aim to facilitate investments by lifting upfront financial barriers. Sustainability will be guaranteed by the revenue flows (sale of sustainable charcoal, agricultural products, etc.) generated under investments. The FIP will support viable business lines already identified in a study completed by ONF International (see page 8). Matching grants will be lump sums allocated as a percentage (from 30% to 40% in accordance with the type of activities) of the overall investment costs. SMEs will finance the difference from their own resources (equity, working capital). Other types of financing were considered such as soft loans granted by commercial banks, but commercial banks did not want to engage in such an arrangement.
5. Please clarify the role of the world bank in assisting, overseeing (?) etc, the steering committee in making grant decisions.	The World Bank will ensure that decisions taken by the MECNT upon the advice of the screening committee are strongly supported by relevant due diligence, including audits completed by independent third parties. Due diligence will focus on the SMEs' ability to complement the matching grant among others. World Bank decisions will be taken on a no-objection basis.
Re the demonstration value of this project, who is the intended audience? My understanding is that the local banks will not be involved. The answers below suggest that private investors are the target to convince. What private investors, in particular? What type of financing do we expect these investors bring to bear after FIP subsidies disappear? Is this realistic, and has the FIP subsidy program been set up in a way to maximize the demonstration potential ?	In DRC, there are many private investors (SMEs) looking for investment opportunities, including investors (farmers) with land titles. During the preparation of the FIP, many of them were identified. Most often, the reason for investors not investing is due to a lack of profitability. Returns are considered too low. Matching grants proposed under the FIP will improve the financials of the investments (NPV) and allow for investments to move forward.

	Once the investment is done, SMEs will benefit from the revenues generated under their project (sale of sustainable charcoal, agricultural products, etc.) and will have the opportunity to reinvest in additional projects without any subsidy. FIP support aims at catalyzing virtuous cycles through start-up finance. The DRC will seek to have commercial banks as members of the screening committee with an interest in maximizing the demonstration potential. Dissemination of lessons learnt (Component 4) will also be essential in this regard.
What sort of scale of company does the project envision supporting? Are we talking about small/medium scale?	It is expected that most of the beneficiaries will be Small- and Medium-sized Enterprises (SMEs) incorporated in the DRC; however, the call for proposals will remain open to larger companies in order to select the most promising initiatives.
It would be good to have an explanation in writing as to why the project will not use local lending institutions to channel the funds for the private sector work. I got the impression from the phone call that this was considered outside the scope of the project, but didn't fully understand the reasons. At first glance one might think that if the intention is to demonstrate that investing in AF and plantations can pay, you might want to do this alongside the financial institutions that you would like to influence	During the preparation of the project, the World Bank team considered the use of local lending institutions to support the implementation of Component 2a. Many meetings were arranged with local commercial banks to envision soft loans financially supported by the FIP. Unfortunately, local lending institutions did not accept an extension of the length of currently proposed short-term loans which are not relevant for agroforestry projects. For that reason, matching grants have been retained. The World Bank team agree with the necessary involvement of the financial institutions to scale up agroforestry projects in DRC. For that reason, commercial banks will be invited as members of the screening committee in order that they see successful pilots first-hand, with an interest in convincing them to adapt their products to the agroforestry sector.
Under component 2, will funds be channelled through commercial lenders or administered by the project? Is it possible to provide some indication of expected contributions from the private sector?	Grants allocated to private sector will be administered by the project. The Project Implementation Manual will specify eligibility criteria for activities to be selected and the level of support. In principle, grants will facilitate reaching positive / attractive NPV for proposed investments.
Could you clarify whether the call for proposals	Nationwide as it is proposed in the Investment Plan

envisaged under component 2 is nationwide or restricted to the project area.	
Can you clarify why the year 2000 is considered the appropriate baseline year. Have you tested what it would mean to use a more recent/an earlier baseline (e.g. 2010)? Is this agreed across all the REDD+ initiatives in DRC?	As stipulated by the MF, reference levels (historic trend) usually refer to a 10 year period of time. As we used the FACET data set, we had no choice for the reference period.
Why is GHG emission reduction NOT considered a core indicator in the logframe/results matrix?	Core indicators are WB indicator types aimed at aggregating data for the annual report.
Could you provide an explanation for the 0 baseline for GHG emissions. Do we infer from this that there are no other land use related interventions in the project areas?	We will measure net emission reductions. As we expect no reduction without project activities, the baseline is set at zero. For information: based on the findings of the last technical mission in the DRC (January 2014), end targets of the results framework will be revised accordingly.
Reporting against the GHG indicators relies on the FAO supported MRV system. Can we have an update on whether this is going to be up and running for use by the project.	Discussions are underway with FAO. The methodological approach has been validated. They understand the needs to have something operational in the short run at least at the Bandundu province level.
Will there be an element of work on behavioural/cultural issues in the dissemination of cookstoves component?	This component is market driven; the project will support private business specialized in improved-cookstoves to upscale their market. The choices on marketing will be up to the entrepreneurs that will be supported. If the cultural/ behavioral element is a key success factor, we can consider that it will be taken into account.
The proposal could benefit from having a few more details on what the investments in infrastructure might entail, and where. We have some concern with the statement on page 41 para 126 "The project will operate in areas with potential natural habitats, but will not include activities that involve significant conversion or degradation of these natural habitats". Can we have clarity on how "significant conversion" is	Well noted. The PAD will be updated accordingly

defined by the project?	
Reference to women's participation in various processes, and inclusion in benefit sharing systems is addressed well. Reference to sex disaggregation of monitoring information is made. However, are there any examples of activities that will proactively target women as primary beneficiaries?	Activities will be defined in the course of project implementation. Since the women will have a significant role in the definition of the villages' management plan, they will identify the kind of activities they can develop to reduce the drivers of deforestation themselves. The solutions will come from the communities and we do not want to influence with pre-packaged activities.
Who are the implementing agencies going to be? There is reference to potentially the same group described under the AfDB project. Since there is a limited number of international organisations, what is the absorptive capacity of these organisations?	This will be procured according to the WB rules.
Could we hear a bit more about the proportion of disbursements that are likely to come through government systems (pg 76).	100% of the grant is signed with the government. Technically, 100% of the money will be channeled through the government.

Annex 1: Making the Rural Communities in the Plateau district (Component 1 of the IFLMP) beneficiaries of the ER-Program



Annex 2: Information on changes in the FIP Investment Plan for the Democratic Republic of Congo

Climate Investment Funds

February 12, 2013

Information on Changes in the FIP Investment Plan for the Democratic Republic of Congo

Introduction

1. During its meeting in June 2011, the FIP Sub-Committee reviewed the investment plan for the Democratic Republic of Congo and took the following decision:

"The FIP Sub-Committee, having reviewed document FIP/SC.6/4, *Investment Plan for the Democratic Republic of Congo*,

a) endorses the Investment Plan as a basis for the further development of the projects foreseen in the plan and takes note of the requested funding of USD60 million in grant funding. The Sub-Committee requests the Government of the Democratic Republic of Congo and the MDBs, in the further development of the proposed projects, to take into account comments made by the Sub-Committee during the meeting and all written comments submitted by Sub-Committee members by July 15, 2011, and in particular:

   i. to prepare an analysis of barriers to private sector engagement in sectors relevant to achieving the objectives of FIP and to take into account such analysis in the further development of program component of the plan, "Engaging private sector in REDD+ in DRC"; and
   ii. to ensure that the components of the plan are coordinated, both with each other and with other initiatives in the country, so as to promote synergies and the achievement of sustainable impacts contributing to the objectives of FIP.

b) reconfirms its decision on the allocation of resources, adopted at its meeting in November 2010, that a range of funding for the country should be used as a planning tool in the further development of project and program proposals to be submitted to the FIP Sub-Committee for FIP funding approval. The range of funding agreed for the Democratic Republic of Congo is USD 40-60 million in FIP resources.

c) approves a total of USD1.6 million in FIP funding as preparation grants for the following projects to be developed under the investment plan:

   i. USD 300,000 for the project "*Addressing Deforestation and Degradation in the Kinshasa Supply Area,*" (World Bank);

ii. USD 400,000 for the project "*Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area,*" (AfDB);
iii. USD 400,000 for the project "*Addressing Deforestation and Degradation in the Kisangani Supply Area,*" (AfDB);
iv. USD 250,000 for the project "*Small Grants Program to Promising Small-scale REDD+ Initiatives,*" (World Bank);
v. USD 250,000 for the project "*Engaging private sector in REDD+ in DRC,*" (World Bank).

d) takes note of the estimated budget for project preparation and supervision services for the projects referenced above and approves a first tranche of funding for MDB preparation and supervision services as follows[1]:

i. USD 300,000 for the project "*Addressing Deforestation and Degradation in the Kinshasa Supply Area,*" (World Bank);
ii. US 300,000 for the project "*Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area,*" (AfDB);
iii. USD 300,000 for the project "*Addressing Deforestation and Degradation in the Kisangani Supply Area,*" (AfDB);
iv. USD 300,000 for the project "*Small Grants Program to Promising Small-scale REDD+ Initiatives,*" (World Bank);
v. USD 250,000 for the project "*Engaging private sector in REDD+ in DRC,*" (World Bank).

One of the civil society observers to the FIP Sub-Committee noted that a range of enabling activities identified in the investment plan will be important to the effectiveness of its implementation, and invited the Government to provide additional information on such activities."

2. During the past months, the Government of the Democratic Republic of Congo and the MDBs have further discussed the preparation of the investments agreed under the endorsed investment plan and have concluded that merging the proposed operations for each MDB would be a more cost-effective way of achieving the objectives of the FIP investment plan. The AfDB and the World Bank have requested, on behalf of the Government of the Democratic Republic of Congo, the CIF Administrative Unit to inform the FIP Sub-Committee of the agreed changes.

3. The changes affect the:
   a. number of projects to be prepared and implemented under the investment plan;
   b. distribution of funding by project component; and
   c. budget for covering the costs for MDB project preparation and supervision (MPIS).

The changes do not affect the:
   a. size of the allocation of resources to DRC's investment plan;

[1] For private sector projects, MDB preparation and supervision costs are determined at investment development stage and requested at a later point in time.

b. type of drivers of deforestation and forest degradation addressed by the proposed investments and its allocated resources; or

c. distribution of FIP resources between projects.

4. The purpose of this note is to inform the FIP Sub-Committee of the changes to the investment plan for the Democratic Republic of Congo together with a detailed explanation of the rationale behind merging the proposed operations to be implemented by the AfDB and the World Bank.

5. Based on the approved policy on *Pipeline Management for Targeted Programs under the SCF* (November 2011), these changes to the investment plan for the Democratic Republic of Congo are not deemed to be strategic and hence would not need to be endorsed by the FIP Sub-Committee.

6. The Government of the Democratic Republic of Congo has confirmed its support for the changes.

Summary of Changes

African Development Bank

7. The following two projects to be implemented through the AfDB were proposed in the investment plan :

i. *Addressing Deforestation and Degradation in the Mbuji Mayi/Kananga Supply Area* (USD 11.7 million in FIP funding; estimated costs for project preparation and supervision: USD 600,000)

ii. *Addressing Deforestation and Degradation in the Kisangani Supply Area* (USD 9.8 million in FIP funding; estimated costs for project preparation and supervision: USD 600,000)

8. These two projects will be merged into one project "*REDD + in the basins of Mbuji-Mayi / Kananga and Kisangani (PIREDD/MBKIS)*" (USD 21.5 million in FIP funding; estimated costs for project preparation and supervision: USD 900,000).

9. There are no changes in the total amount of FIP resources allocated to the merged project. The estimated costs for project preparation and supervision for the merged project is USD 300,000 less than the combined estimate for the two projects at the time of IP endorsement.

10. The project is expected for FIP Sub-Committee approval of FIP resources in April, 2013.

World Bank

11. The following three projects to be implemented through the World Bank were proposed in the investment plan:

i. Addressing Deforestation and Degradation in the Kinshasa Supply Area (USD 13.7 million in FIP funding; estimated costs for project preparation and supervision: USD 600,000)
ii. Engaging private sector in REDD+ in DRC (USD 18.15 million in FIP funding; estimated costs for project preparation and supervision: USD 500,000)
iii. Small Grants Program to Promising Small-scale REDD+ Initiatives (USD 5.05 million in FIP funding; estimated costs for project preparation and supervision: USD 600,000)

12. These three projects will be merged into one investment program USD (USD 36.9 million in FIP funding; estimated costs for project preparation and supervision: USD 1,275,000) with the following four components:

i. Component 1 – Promotion of community-based natural resources management in the Plateau District (USD 13 million)
ii. Component 2 – Promotion of private sector engagement in REDD+ (USD 10 million)
iii. Component 3 – Small grants to promising REDD+ initiatives (USD 12.4 million)
iv. Component 4 – Project management, monitoring and knowledge management (USD 1.5 million)

13. There are no changes in the total amount of FIP resources allocated to the merged program. The allocation to the program components have changed compared to the respective project concept notes in the endorsed investment plan:

i. Component 1 – Promotion of community-based natural resources management in the Plateau District (USD 13 million; reduced by USD700,000)
ii. Component 2 – Promotion of private sector engagement in REDD+ (USD 10 million; reduced by USD 8.15 million)
iii. Component 3 – Small grants to promising REDD+ initiatives (USD 12.4 million; increased by USD 7.35 million)
iv. Component 4 – Project management, monitoring and knowledge management (USD 1.5 million; new component)

14. The estimated cost for program preparation and supervision is USD 425,000 less than the combined estimate for the three projects at the time of IP endorsement. However, the amount of USD 1,275 million exceeds the benchmark established by the SCF Trust fund Committee for stand-alone operations by USD 498,000.

15. The program is expected for FIP Sub-Committee approval of FIP resources in June, 2013.

Information provided by AfDB and the World Bank on changes to their merged operations

a) African Development Bank

Arguments supporting the merge of the two AfDB projects into an integrated single project REDD + in the basins of Mbuji-Mayi / Kananga and Kisangani (PIREDD/MBKIS)

16. The Forest Investment Program projects to be implemented by the African Development Bank and the World Bank in DRC will support activities that address some of the main drivers of deforestation and forest degradation in the country, thereby creating intervention models that can be scaled up in the future. The FIP interventions will therefore (i) concentrate on investing in the "hotspots" of deforestation located in the supply areas of the large cities; (ii) channel investments towards sectoral activities that address the immediate causes of deforestation and that generate measurable emissions reductions and co-benefits (mainly biomass energy and agriculture); and (iii) improve the enabling conditions allowing such activities to flourish and to start addressing some of the underlying causes of deforestation.

17. The enabling interventions will take place on two levels: at the national level to initiate an in-depth transformation of the DRC governance, and at the local level, providing concrete support to the development of projects spearheaded by the local communities, Indigenous Peoples and the private sector. It is hoped that the combination of activities of a "sectoral" and "enabling" nature within a given geographical area will make it possible for the DRC to obtain a transformational result through the FIP.

18. The AfDB had initially planned to support two REDD + integrated projects, one in the Kisangani basin (PIREDD-KIS, of USD 17.1 M) and the other in the Mbuji-Mayi / Kananga basin (PIREDD-MBK, USD 17.8 M). Some of the key principles applied in the design of these activities are: i) ensuring simple implementation arrangements, ii) building on lessons learned from past interventions; iii) focusing interventions across sectors in a given landscape; iv) supporting development models with a high potential of scaling up; and v) supporting transformational investments. Upon initiation of the field work to prepare the projects, it was found appropriate to merge the two projects for the following reasons:

- Transformational impact: the two initial projects share the same components, namely (i) support to the clarification and land security, (ii) support to sustainable forest management, (iii) promotion of alternatives to the slash and burn practices, and (iv) project management. The only noticeable difference between the two initial projects is that the PIREDD-KIS, situated in dense forest, places more emphasis on sustainable forest management; whereas PIREDD-MBK, located in a zone of mosaic forest cultures, places more emphasis on the promotion of alternatives to slash-and-burn practices. Merging the two projects, while balancing the weight of components based on local ecosystems, will result in having a more relevant project, that will enhance the transformational impact in the country

- Economies of scale: as a corollary to the above, having a unified activity management and be able to move quickly from one basin to another human or financial means should allow economies of scale in terms of project implementation costs. It is also expected that the merge should promote gains in terms of speed and flexibility in execution and help simplify the monitoring and evaluation process.

19. As far as AfDB's costs for project preparation and supervision are concerned if this merge is going forward AfDB will be requesting a second tranche according to needs estimated prior to project submission to the FIP Sub-Committee for approval. A first tranche of US$300,000 per project was approved at the time of IP endorsement (total US$600,000). It is our estimate that there is need for US$900,000 instead of US$1.2 million given that despite the merge, the project will cover 2 different locations and the teams will have to fly to both sites while preparing and supervising the project.

b) World Bank

Background

20. The DRC FIP investment plan was composed of 5 projects; 3 of which were to be executed by the World Bank:

- Addressing Deforestation and Degradation in the Kinshasa Supply Area;
- Small Grants Program to Promising Small-scale REDD+ initiatives;
- Engaging private sector in REDD+ in DRC.

21. The on-going preparation work, performed through an inclusive participatory approach, suggests some modifications in terms of geographical targets, specifically for the two last projects. The proposed modifications aim at taking into consideration other projects under development and more specifically a potential Performance-based Project in the Bandundu Province. Indeed, the DRC, WWF, ERA (….) and Wildlife Works are currently discussing a possible cooperation to jointly submit to the Forest Carbon Partnership Facility (FCPF) an Emission Reduction Program (ER-Program) that would be developed in the Bandundu Province. This ER-Program might lead to signing an Emission Reduction Purchase Agreement (ERPA) with the FCPF. In this new context, the DRC would like the FIP financing to support this initiative (refer to annex 1).

22. The rationale for the proposed modifications is based on the following considerations:

- Proposed changes remain in line with the scope of the Investment Plan;
- Proposed changes optimize FIP financing utilization.

Changes

Concept as in Investment Plan	Geographical focus	Proposed New Project design	New Geographical focus
Addressing deforestation and degradation in the	Kinshasa supply area	Component1: Promotion of community-based	Plateau District, located in the Kinshasa supply area

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Kinshasa supply area		natural resources management in the Plateau District Component 2: Small grants to promising REDD+ initiatives in the Kinshasa supply area Component 3: Promotion of private sector engagement in REDD+ in the Kinshasa supply area	and Kinshasa supply area,
Small grants program to promising small-scale REDD+ initiatives	National		
Engaging private sector in REDD+ in the DRC	National		

Description

1 - "Promotion of community-based natural resources management in the Plateau District"

23. The location and type of project activities to be developed under the previous generic title of the project had to be specified. This proposal is a first attempt towards these necessary clarifications. It is derived from the preparation work performed so far.

2 - "Small Grants Program to Promising Small-scale REDD+ initiatives"

24. This operation was initially a nationwide initiative although it is acknowledged that dispersing activities throughout the country could minimize their impact in the field. The national-level scope of the program was adopted so as to allow the program to take advantage of any opportunities that might arise and to produce lessons learned.

25. The development of an ER-Program in the Bandundu Province is viewed by all stakeholders involved in the program design as a great opportunity to build on, before expanding the program to other regions.

3 - "Engaging private sector in REDD+ in DRC"

26. The preparation work done so far has placed special emphasis on three key success factors for transformational change: i) Good governance prior to private investments; ii) Embedding private investments into local rural development; iii) Access to financing.

27. These observations are an initial response to the recommendations of the Sub-Committee which endorsed the Investment Plan, where it requested an analysis of barriers to private sector engagement in sectors relevant to achieving the objectives of FIP in DRC. The Sub-Committee requested that such analysis be taken into account in the further development of the program. The analysis of barriers is underway and has to be finalized, but a first set of conclusions confirm

the points above, while highlighting the lack of private actors outside the Kinshasa supply basin. Based on that, the World Bank team and the Government of DRC proposes to limit the scope of this program to the Kinshasa supply basin, bearing in mind that some changes might still be accepted according to the findings of the preparation mission to take place in January 2013 and/or the output of the barrier analysis.

Modalities of Implementation

28. The three projects will focus on the same geographical region (Kinshasa supply area), complementing each other as part of an integrated approach. **This is an opportunity to reduce the preparation and supervision costs by benefiting from synergies.** This is why the DRC (FIP Team) and the World Bank task team are proposing to merge the 3 projects into a single program comprised of four components:

- Component 1: Promotion of community-based natural resources management in the Plateau District;
- Component 2: Promotion of private sector engagement in REDD+ in the Kinshasa supply area;
- Component 3: Small grants to promising REDD+ initiatives in the Kinshasa supply area;
- Component 4: Project management, monitoring and knowledge management.

29. Annex 1 presents the four components, as described in the Project Concept Note (PCN) approved during the PCN review meeting which took place on October 1, 2012.

World Bank preparation and supervision services – Budget

30. A first tranche in the amount of USD 850,000 dollars for covering the costs for preparing and supervising the three investment projects by the World Bank was approved by the FIP Sub-Committee in June 2011. The second tranche for each project will be approved by the FIP Sub-Committee at the time of FIP funding approval for the project.

31. Activities to be covered from the project preparation and supervision budget include:

- Management and monitoring processes, including knowledge management;
- Technical expertise.

32. Merging the three projects into a one program allows economy of scale, but this will remain partial as it will mainly affect management and monitoring processes, and to a lesser extent knowledge management.

33. At the technical level, the diversity of tasks remains unchanged. Consequently, the same level of technical expertise for assistance will be required.

34. When designing the FIP Investment Plan, we estimated the costs of preparing and supervising the three World Bank projects at USD 1.7 million. It could be assumed that the integration of the three projects could generate savings of up to two-thirds in the MDB

preparation and supervision costs, however the anticipated cost savings are estimated at 50 percent.

35. Based on this conservative estimate, the World Bank intends to submit a second tranche request for covering the MDB preparation and supervision costs in the amount of USD 425,000 bringing the total cost for World Bank project preparation and supervision down from USD 1.7 million to USD 1.275 million.

Annex 1: Activities for each component of the Program (as of 11 December 2012)

Component 1 – Promotion of community-based natural resources management in the <u>Plateau District</u>– *(FIP allocation of US$ 13 million) (Amount in Investment Plan- $14 million)*

1. This component will support community-level natural resource management in the Plateau District in Bandundu Province. Activities will target key drivers of deforestation and forest degradation in this agricultural frontier area of high deforestation rates, high levels of poverty and significant biodiversity importance. Activities will include support to local land use planning, piloting forest management agreements and benefit sharing between local forest communities and the administration, capacity strengthening of local community entities, promotion of alternatives to slash and burn agriculture and testing a mechanism to incentivize the adoption of new land use practices and of forest conservation (payment for ecosystem services). The project will work in close collaboration with ongoing initiatives in the targeted zone, funded by USAID/CARPE/WWF, NORAD, and the European Union.

Component 2 – Promotion of private sector engagement in REDD+ *(FIP allocation of US$ 10 million) (Amount in Investment Plan – $18.4million)*

2. This component aims to address urban biomass energy needs from the supply and demand by: i) promoting agro-forestry as an alternative to slash-and-burn agriculture and a source of sustainable woodfuel; and ii) disseminating improved cook stoves, promoting more efficient charcoal production techniques, and testing the use of alternative energy sources so as to reduce overall woodfuel use.

3. This component will be focused around the larger Kinshasa supply area. Biomass provides energy needs for over 90% of DRC's population. Given increasing population, urban migration and low access to alternative sources of energy, reliance on biomass energy is expected to increase in the medium-term. In Kinshasa alone, over 5 million people consume biomass energy, resulting in a consumption of around 4.7 million m^3 of wood and in the exploitation of around 60,000 hectares of peri-urban forests yearly[2], generating around US$ 150 million in business and involving over 300,000 people. DRC's legal framework for forest management is not conducive to the sustainable exploitation of this energy source. At present, no incentives exist for the establishment of planted forests to buffer the demand for charcoal production from natural ecosystems. In addition, capacity to enforce the law is extremely limited due to lack of human resources and equipment, particularly at the local level. If sustainably managed, the biomass sector could generate additional employment through the promotion of labor-intensive plantations and charcoal making. However, various barriers hinder the development of this sector: i) lack of credit; ii) land tenure insecurity; iii) lack of technical knowledge; iv) cash flow problems due to the long pay-back time for forest plantations. The component is structured around two main interventions:

Component 2a – Promotion of woodfuel plantations *(FIP allocation of US$ 6 million)*

[2]CIRAD, 2011. Notes perspectives du projet Makala – La filière bois énergie des villes de Kinshasa et Kisangani. Project Makala.

4. This sub-component will provide potential beneficiaries with financial support, technical assistance and support in addressing the barriers to planting. Different business models will be promoted, including small and medium-scale private farms and community planting through agroforestry systems. Three streams of revenues are expected from the planting: agricultural and livestock products, wood for fuel (fuelwood and charcoal), and carbon credits from GHG sequestration. The support mechanisms to be implemented by the project would be adapted to the type of beneficiary (private landholder or community). The exact terms of access to the scheme, as well as the proportion of funds that would support private landholders and communities, will be defined during project preparation (including through consultations with potential beneficiaries) and detailed in the Project Implementation Manual.

Component 2b – Promotion of efficient biomass energy transformation and use in Kinshasa *(FIP allocation of US$ 4 million)*

5. This sub-component will promote two main types of activities: a) Support the dissemination and adoption of improved cooking stoves and testing alternative energy sources in Kinshasa (around US$ 3 million); and b) support the adoption of more efficient charcoal making techniques around Kinshasa (around US$ 1 million); c) test alternative energy sources (biogas, butane gas, chardust, briquettes).

6. Although there have been many failures with efforts to promote improved cook stoves, the conditions for success are now better understood.[3] In the past, most cook stove programs and efforts have been public sector- and supply- driven with little attention to user needs, ignoring market development including long-term business development, sustainable value-chains and access to finance to facilitate scale-up[4]. While ultimately the solutions are market-based, public support is essential especially in the earlier stages, e.g. for research and development and other business support services, public awareness campaigns and support to micro-finance (whether or not linked to carbon finance). An estimated 4% of households in Kinshasa already use improved stoves (CIFOR 2011) so there are lessons to be learned from local experience as well as from good practice examples elsewhere.

7. This sub-component will support Small and Medium Enterprises (SME) to produce and market improved cook stoves in urban areas in DRC.[5] A research and development activity will be supported with the goal of assessing the potential and risks associated with the different alternative energy sources (*biogas, butane gas, chardust, briquettes*) that could be promoted by the project.

[3] See for example "Household Energy Access for Cooking and Heating: lessons learned and the way forward, World Bank Energy and Mining Sector Board Discussion Paper No. 23, June 2011 and "Igniting change: a strategy for universal adoption of clean cook stoves and fuels", Global Alliance for Clean Cook Stoves, November 2011.

[4] The World Bank launched the "Africa Clean Cooking Initiative (ACCI)" whose goal is to promote enterprise-based, large-scale dissemination and adoption of clean cooking solutions in Sub-Saharan Africa in order to improve access to clean household energy, and make biomass use and supply more sustainable for women and men.

[5] A preparatory study will identify the most appropriate mechanisms.

8. Promoting energy efficient solutions such as improved cook stoves (ICS) under this component would result in potential reduction in greenhouse gas emissions. The Bank will work with MECNT to develop appropriate technical and methodological tools to quantify greenhouse gas reductions. Since access to this technology will be achieved over a period of time, potential for availing the carbon benefits through a programmatic approach could be studied and piloted. The Carbon Initiative for Development (Ci-Dev), a new carbon instrument that the Bank launched in Durban in December 2011, has shown interest in supporting the development of a carbon finance program through which the carbon benefits could be realized.

Component 3 – Small grants to promising REDD+ initiatives[6] *(FIP allocation: US$ 12.4 million) (Amount in Investment Plan-$ 5.3million)*

9. This component will support promising small-scale local initiatives led by local stakeholders aiming to address deforestation and forest degradation, including agroforestry and woodfuel plantations at community level. The support will be delivered through small grants to local communities and NGOs in a competitive process. The component will support activities that test innovative ways to address deforestation and forest degradation at the local level. The targeted intervention zones will be defined through a consultative process during project preparation. During the initial years of the project, emphasis will be placed on activities in the Kinshasa supply zone, to complement the activities supported under components 1 and 2 above.

10. The knowledge gathered through these practical on-the-ground interventions will be consolidated, documented and disseminated broadly so that it can serve as a building block for further interventions throughout the country and the region. The component will also support nascent civil society organizations in DRC involved in natural resources management, and their networks, to play an important role in promoting activities that contribute to REDD+. Examples of activities that could be supported include support to local-level land use planning, promotion of income-generating activities as alternative to those causing deforestation (such as improved farming systems, alternative methods for producing energy, etc.), capacity building on REDD+, among others.[7]

Component 4 – Project management, monitoring and knowledge management *(FIP allocation: 1.5 million)*

11. The **National REDD Coordination** Unit at the Ministry of the Environment, Nature Conservation and Tourism (MECNT) will be in charge of overseeing the implementation of the three components and ensuring full consistency with and integration into the ongoing REDD+ process. The Coordination will ensure that all knowledge and lessons learned generated through

[6] A REDD initiative is any activity aimed to contribute to reducing deforestation and forest degradation and in line with the national REDD+ strategy. These initiatives do not necessarily seek to generate, monitor and report on verified emission reductions for receiving carbon payments.

[7] The governance and operation of the grant-giving scheme will be detailed during project preparation and included in a detailed Operations Manual. Issues to be determined during project preparation, through studies and stakeholder consultation, include: details of the grant selection process, eligibility criteria for beneficiaries, grant size, fiduciary management rules, geographic scope of the scheme and procedures for complying with the Bank's environmental and social safeguards policies.

the design and implementation of these components is disseminated as they are gathered. They will also ensure that the 'programmatic' nature of the overall FIP interventions is respected, by working closely with the African Development Bank.

12. **Overall project monitoring and evaluation will be ensured by the National REDD Coordination Unit**. The Project's Results Framework will be in line with the FIP results framework at the Program level. At the national level, strong links are being built between the FIP interventions and the "Measurement, Reporting and Verification (MRV)" system under preparation. The country already has in place an online system that provides information on forest cover change (supported by FAO). A national registry where all REDD+ projects and interventions are to be registered will soon be online, allowing for public access to all data related to REDD+ in the country. Finally, the National REDD Coordination Unit will oversee knowledge generation and dissemination associated with the FIP, in close collaboration with the ongoing REDD Readiness activities. South-South exchange will be promoted throughout the project.

13. **Methodologies for measuring, reporting and verifying carbon emissions reductions will be followed and/or developed.** A particular concern of the proposed project is that the Emission Reductions generated by each of its components are measured and reported against a reference level. Internationally recognized methodologies will be used to achieve this goal.[8]

[8] This will include methodologies developed by the UNFCCC, the Verified Carbon Standards and the Forest Carbon Partnership Facility.