I. Project Context

Country Context

1. The Republic of Congo is classified as a lower-middle income country, with a population of 3.8 million, nearly 70% of whom live in urban areas, and a per capita Gross National Income (GNI) of over US$2,000. Affected by a civil conflict in the 1990s and sporadic fighting until 2007, presidential elections were held in 2009 and stability has improved. Gross Domestic Product (GDP) growth has recovered reaching up to 8.8% in 2010. Growth has been bolstered by high oil prices and expanded production. Oil accounts for almost 70% of GDP, 85% of government revenue and 90% of exports.

2. Oil sector dominance increased during the civil unrest since it was not directly targeted during the fighting, while other businesses were destroyed. Furthermore the high level of indebtedness, as reflected by a debt-to-GDP ratio of 63% in 2009, affected capacity to move towards a more sustainable, inclusive growth path. The approval in January 2010 of a full debt relief program under the Heavily indebted Poor Countries (HIPC) initiative is expected to facilitate Government efforts to improve growth and social outcomes. But Congo currently rates 181 out of 183 countries in the World Bank Doing Business Report, based on existing business regulations, their enforcement, and administrative bottlenecks. Formal sector employment is limited outside the oil sector and government.

3. Economic diversification, private-sector led growth and employment creation are now priorities for Congo, whose 2012-2016 Growth, Employment and Poverty reduction Strategy (“DSCERP”) includes ambitious objectives in this regard. Strong growth potential has been identified around four major sectors: transport, agriculture, forestry and mining. Congo possesses the largest deep-water port in the region at Pointe Noire and has the potential to become a transport hub; it has substantial agricultural land, rich forests, large areas of savannah land suitable for afforestation and considerable mining potential. There are opportunities for growth and poverty reduction from sustainable management of these resources; but poor management would jeopardize long term development.

4. An Economic Diversification Project approved in 2010 aims to promote private sector growth and investment in the non-oil sectors through improving the business climate, institutional and regulatory reforms, establishment of a platform for public-private sector dialogues, drafting of a Small and Medium Enterprise law, capacity building for enhanced access to finance, professional training and promotion of entrepreneurship. Congo is also working to improve broad public sector management, for example through a Public Sector Governance and Transparency Program under way. It has also instituted systematic use of medium term expenditure frameworks to improve expenditure planning. Congo, because of the structure of its economy, has substantial fiscal space, which provides an opportunity to improve the environment for responsible private-sector led growth and employment generation. The recently completed Growth and employment study showed that there are only 130,000 formal sector jobs, and more than 80,000 are in government. The forest sector, with 12,000 formal jobs, is the largest private sector employer; there are many more informal sector jobs but no accurate estimates of their number.

II. Sectoral and Institutional Context

5. Congo lies in the heart of the Congo basin, the second largest area of tropical rainforest in the world after Brazil, and Congo’s forests cover over 22 million hectares, 65% of the land area. With sparse rural population density and nearly 6 hectares of forest per person, Congo is one of the most “forest-rich” countries in Africa. In 2010, the forestry sector provided 11,000 direct jobs and 5,000 indirect ones. The sector contributed 4% of total export value, a share that is in gradual decline given the increased dominance of the oil sector in the economy. The relative contribution of the forestry sector to the national economy has also declined but some activities are not yet captured by statistics, including bushmeat (which plays a large part in the nutrition of the rural poor), wood for domestic energy and building materials, as well as a range of non-timber forest products, used for food, medicine and other purposes. These activities generate numerous informal jobs. Fuel wood and charcoal are the principal energy source for cooking, in both rural and urban areas.

6. The Republic of Congo is leading the region in a number of indicators related to sustainable forest management. Deforestation rates, at only 0.07% per annum, are currently among the lowest in Africa. Over 50% of concessions in Congo have approved management plans, and it is estimated that by 2012 about 75% of Congo’s 13.5 million ha of production forests will have approved plans. By February 2012, approximately
2.5 million hectares have been certified by the Forest Stewardship Council (FSC), accounting for nearly half of all FSC-certified forests in the Congo Basin. FSC certification provides improved access to European markets, where consumers are increasingly demanding timber from sustainably managed forests. At present, however, local communities derive uneven benefits from forest concessions. They derive more from the larger, better managed concessions in Northern Congo, many of which generate significant employment and are FSC certified or in the process of becoming so, and less from the smaller concessions in the more densely populated areas in the south, whose facilities were also harder hit during the period of civil disturbance.

7. With support provided under the Heavily Indebted Poor Countries (HIPC) initiative, the Ministry of Sustainable Development, Forest Economy and Environment (MSDFEE) adopted a number of ambitious policy reforms, aimed at increasing the transparency in the attribution of timber concessions, strengthening environmental and social impact assessment requirements, and giving local people and indigenous communities more of a voice in the establishment of forest reserves and protected areas. MSDFEE is working in partnership with the French Development Agency (AFD - Agence Française de Développement) on strengthening the National Forest Inventory, and forest management planning, and with the European Union on FLEGT (Forest Law Enforcement, Governance and Trade), timber traceability, and timber tracking. The European Union is also supporting an Independent Observer of forestry, implemented by the NGOs Resource Extraction Monitoring and Forests Monitor. Congo has also adopted, in early 2010, a new law on the rights of indigenous peoples.

8. The Republic of Congo is not densely populated and has considerable areas of low-productivity savannah lands that are of limited interest for biodiversity conservation, especially in the center and south which could potentially be afforested, to serve regional markets for charcoal and other wood products. Afforestation technologies in these areas generally support mixed tree-food-crop systems which enhance soil fertility, thus also contributing to increased agricultural production (Congo, despite abundant agricultural land, currently imports much of its food). The challenge is to create an enabling environment for private sector and small-holder investment and to ensure that the rights of local people are respected and that they share in any benefits. These planted forests could also relieve pressures on natural forests, which are expected to grow as the economy develops, infrastructure and communications improve and the Republic’s potentials for mineral resource extraction are realized. The Congolese Government is aware that their capacity at present to address potential impacts of such developments is limited, and aware that a sound enabling environment in these areas will reduce investment risks and increase the attractiveness of Congo to responsible, reputable investors.

9. The Republic of Congo also intends to position itself as a provider of environmental services in emerging global markets. It is participating in FCPF (Forest Carbon Partnership Facility), a program to facilitate access to funds under REDD+ (Reduced Emissions from Deforestation and forest Degradation), an emerging program which will enable developing countries to be paid for conserving or restoring forests which store carbon and help to mitigate the impact of climate change. It is also participating in a Regional Program implemented through COMIFAC (Central Africa Forests Commission) aimed at enhancing the capacities of the Congo Basins countries on REDD+ issues and on forest carbon stock measurements, in particular. The program is supported by the GEF (Global Environment Facility). Congo also has a substantial system of protected areas. Over 12% of the land area has been classified as national parks; protected area management and conservation landscapes are supported through the Regional Congo Basin Forest Fund, administered by the African Development Bank (ADB), the EU and the United Nations Development Programme (UNDP). But there are challenges in making Congo an international tourist destination, and challenges for local communities to derive benefits from national parks.

10. There are opportunities for increasing the contribution that the forest sector makes to the national economy, and to employment in particular, by increasing value added and domestic processing of timber products, and enhancing the value chain of both timber and non-timber products. But this will require capacity building, strengthening the enabling environment for private sector involvement, and enhanced support for transparency and benefit sharing in forest concession management, including an increase in forest area that is FSC certified and has access to European markets. There are also opportunities for Congo to benefit as a provider of global public services, specifically in REDD+ and biodiversity. An in-depth strategic study of the socio-economic and environmental potential of the Forest Sector was undertaken in 2007, which highlighted core strategic challenges and opportunities.

11. The Ministry of Sustainable Development, Forest Economy and Environment (MSDFEE) currently has three general Directorates (Forest Economy, Sustainable Development, and Environment), a General Inspectorate, and five departments (for Studies and Planning, International Cooperation, the Forest Fund, the Fund Environmental Protection, and Communications and Extension). It also has six semi-autonomous agencies (National Reeforestation Service (SNR); the National Centre for Forest Inventory and Management (CNIAF); the Service for Control of Cooperation, the Forest Fund, the Fund Environmental Protection, and Communications and Extension). It also has six semi-autonomous agencies (National Reeforestation Service (SNR); the National Centre for Forest Inventory and Management (CNIAF); the Service for Control of Forest Products Exports (SCPF); the Agency for Wildlife Conservation and Protected Areas (ACFAP), the National Environmental Protection Agency (ANPE), the National Centre for Disaster and Risk Prevention (CNPRC); and the National Program for Afforestation and Restorafion (ProNAR). The Ministry’s investment budget for 2012 is US$ 20.5 million and its recurrent budget is US$ 47.8 million. This budget reflects the development and infrastructure and communications improve and the Republic’s potentials for mineral resource extraction are realized. The Congolese Government is aware that their capacity at present to address potential impacts of such developments is limited, and aware that a sound enabling environment in these areas will reduce investment risks and increase the attractiveness of Congo to responsible, reputable investors.

12. The Ministry is represented at the “Département” and District level primarily through the General Directorate of Forest Economy and its associated agencies. The Ministry currently has a staff of about 1300, of whom half are based in Brazzaville and half in the provinces. About 30% are within five years of retirement; for forest engineers in the General Directorate of Forest Economy this figure is 42%. As the responsibilities of the Ministry have grown and changed, its current staff is increasingly challenged to meet the social, economic and environmental challenges.

Table 1 - Ministry of Sustainable Development, Forest Economy, and Environment – Budget Execution (base ordonnancement, hors dons et emprunts) (in USD*)

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast</th>
<th>Staff</th>
<th>Goods and Services</th>
<th>Transfers Operational Costs</th>
<th>Investment</th>
<th>Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>17,028,719</td>
<td>2,973,327,908,740</td>
<td>1,553,271,15,435,374,452,412,887,749</td>
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<tr>
<td>2010</td>
<td>22,414,196</td>
<td>3,474,024,1,777,813,133,697,385,532</td>
<td>8,991,951,117,377,483</td>
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<tr>
<td>2011</td>
<td>26,388,962</td>
<td>4,480,093,1,410,763,751,7130,642,569</td>
<td>8,445,370,19,857,939</td>
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<tr>
<td>2012 forecast</td>
<td>70,410,616</td>
<td>5,292,2904,054,19336,362,191</td>
<td>45,708,675</td>
<td>19,578,853</td>
<td>65,287,528</td>
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</table>
imposed by its responsibilities. There is a need to enhance its capacity substantially in many areas including improved information, monitoring tools for enhanced transparency and implementation of FLEGT (the European Union’s Forest Law Enforcement, Governance and Trade Action Plan), enhanced land use mapping, improved communication with local communities, civil society and the private sector, and more effective approaches for working with local communities. Communities need also to understand their rights better and enhance their planning and negotiations capacity to ensure benefit sharing.

13. The proposed operation will thus seek to enhance the capacity of the government to fulfill its mandate in forestry and selected areas of environmental management, thus also improving the enabling environment for private sector investment and local communities increased involvement.


III. Project Development Objectives

The project development objective is to increase the capacity of the Republic of Congo to: (i) promote better implementation of its forestry legislation; and (ii) enhance the policy environment for participation of local communities and the private sector in sustainable forest management and reforestation.

IV. Project Description

Component Name

Component 1 - Capacity building and institutional strengthening of the Ministry of Sustainable Development, Forest Economy and Environment
Component 2 - Improving the Enabling Environment for Private Sector and Smallholder activities in the Forest Sector
Component 3 - Enhancing the Participation of Local Communities in Forest Management

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
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<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>22.60</td>
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<tr>
<td>International Development Association (IDA)</td>
<td>10.00</td>
</tr>
<tr>
<td>Total</td>
<td>32.60</td>
</tr>
</tbody>
</table>

VI. Implementation

28. The project will be implemented through the Ministry of Sustainable Development, Forest Economy and Environment (MSDFEE). The Project Coordination Unit in the Directorate of Studies and Planning (DSP) will have overall responsibility for project coordination and will submit annual work plans to be approved by the Association. For the fiduciary aspects, it will be assisted by the Project Management Unit of the Transparency and Governance Capacity Building Project (TGCBP II) until the MSDFEE has built satisfactory capacity in procurement and financial management. The capacity of the Public Procurement Management Unit in the DSP will be strengthened by the recruitment of a procurement specialist and an accountant (both, conditions of effectiveness), as well as the following staff, who are already in place: a social scientist with experience in communications and monitoring & evaluation (responsible for social safeguards), and a national technical assistant (responsible for environmental safeguards), starting from project preparation and into project implementation. The procurement specialist will be hired on renewable term contracts until World Bank financial management and procurement specialists’ evaluate the Ministry’s Procurement Management Unit as capable of independently managing procurement aspects of project implementation. A project preparation advance has been provided to the Government for purposes of project preparation, for which the Project Management Unit of the Transparency and Governance Capacity Building Project (TGCBP II) has fiduciary oversight. The Advance also provides training in fiduciary management for staff of the MSDFEE. Further support will be needed, however, in the first years of the project and this is provided for.

29. The technical directors in the General Directorate (GD) of Forest Economy, the GD of Environment, and the National Program for Afforestation and Reforestation will play a lead role in the technical oversight of the project. However the DSP will have overall responsibility for component 1.1, GD Forest Economy for component 1.2, 2.2 and 2.3 and component 3, GD Environment for component 1.3 and the National Afforestation and Reforestation Program (ProNAR) Coordination for component 2.1.

30. The Project Preparation Advance (PPA) is also financing preparation of a Project Implementation Manual (which is a condition of effectiveness), detailing administrative and financial management, procurement and reporting procedures, preparation of monthly reports, and communications. Computing and internet hardware and financial management software is also provided for under the PPA, together with a minor refurbishment of the MSDFEE electrical circuits to assure safety of the computer equipment.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
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</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
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<td>Forests OP/BP 4.36</td>
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<tr>
<td>Pest Management OP 4.09</td>
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</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
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VIII. Contact point

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