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Report No: 80780- ZR

PROJECT PAPER

ON

A PROPOSED ADDITIONAL IDA GRANT

IN THE AMOUNT OF SDR 2.0 MILLION (US\$3.0 MILLION EQUIVALENT)

AND A PROPOSED GRANT

FROM THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$11.64 MILLION

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR THE

NATIONAL PARKS NETWORK REHABILITATION PROJECT

November 14, 2013

Environment, Natural Resources, Water and  
Disaster Risk Management Unit  
Sustainable Development Department  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective August 15, 2013)

Currency Unit = US\$  
CDF 993 = US\$1  
US\$0.001 = CDF 1

FISCAL YEAR  
January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

APN	African Parks Network
CDF	Congolese franc
CQS	Selection based on Consultants' Qualifications
CTF	Conservation trust fund
DRC	Democratic Republic of Congo
ESIA	Environmental and social impact assessment
ESMP	Environmental and social management plan
EU	European Union
FCPF	Forest Carbon Partnership Facility
FZS	Frankfurt Zoological Society
GDP	Gross domestic product
GEF	Global Environment Facility
GEO	Global Environmental Objective
GIS	Geographic information system
GIZ	German Agency for International Cooperation ( <i>Gesellschaft für technische Zusammenarbeit</i> )
IC	Individual Consultant
ICB	International Competitive Bidding
ICCN	Congolese Institute for Nature Conservation ( <i>Institut Congolais pour la Conservation de la Nature</i> )
IPDP	Indigenous Peoples Development Plan
IDA	International Development Association
LCS	Least Cost Selection
MECNT	Ministry of Environment, Nature Conservation and Tourism ( <i>Ministère de l'Environnement, Conservation de la Nature et Tourisme</i> )
METT	Management Effectiveness Tracking Tool
N/A	Not applicable
NCB	National Competitive Bidding
ORAF	Operational Risk Assessment Framework
PA	Protected area
PAR	Support project for ICCN reform ( <i>Projet d'appui à la réforme de l'ICCN</i> )
PARAP	Support Program for the Protected Area Network ( <i>Programme d'Appui au Réseau des Aires Protégées – PARAP</i> )
PDO	Project Development Objective
PF	Process Framework

PIM	Project Implementation Manual
PMU	Project Management Unit
PP	Procurement Plan
PREPAN	National Parks Network Rehabilitation Project ( <i>Projet de Réhabilitation du Réseau des Parcs nationaux</i> )
PSC	Project Steering Committee
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
REDD+	Reducing emissions from deforestation and forest degradation
RPF	Resettlement Policy Framework
SDR	Special Drawing Right
TBD	To be determined
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WCS	Wildlife Conservation Society
WWF	Worldwide Fund for Nature

Vice President:	Makhtar Diop
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Sector Director:	Jamal Saghir
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Task Team Leader:	Douglas J. Graham



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**DEMOCRATIC REPUBLIC OF CONGO**

**NATIONAL PARKS NETWORK REHABILITATION PROJECT  
ADDITIONAL FINANCING DATA SHEET**

<b>Basic Information - Additional Financing (AF)</b>	
Country Director: Eustache Ouayoro Sector Manager/Director: Benoît Bosquet/Jamal Saghir Team Leader: Douglas J. Graham Project ID: P127437 (GEF AF) & P148199 (IDA AF) Expected Effectiveness Date: Feb. 1, 2014 Lending Instrument: IPF Additional Financing Type: Scaling-up and New Activities	Sectors: Public administration: agriculture, fishing and forestry (100%) Themes: Biodiversity Environmental category: A Expected Closing Date: Dec. 31, 2018 Joint IFC: No Joint Level:
<b>Basic Information - Original Project</b>	
Project ID: P083813 Project Name: National Parks Network Rehabilitation Project Joint Level: Lending Instrument: SIL	Environmental category: A Current Closing Date: Jan. 31, 2014 (to be extended to Dec. 31, 2018) Joint IFC: No Fragility or Capacity Constraints [X] Financial Intermediary [ ] Series of Projects [ ]
<b>AF Project Financing Data</b>	
[ ] Loan [ ] Credit [X] Grant [ ] Guarantee [X] Other: GEF Grant Proposed terms:	
<b>AF Financing Plan (US\$m)</b>	
<b>Source</b>	<b>Total Amount (US\$m)</b>
Total Project Cost:	<b>60.14<sup>1</sup></b>
Cofinancing (KfW):	<b>45.50<sup>2</sup></b>
Borrower:	
Total Bank Financing:	
GEF	<b>11.64</b>
IDA	<b>SDR2.0 m (US\$3.0 m Equivalent)</b>

<sup>1</sup> This amount does not include in-kind co-financing from the Government.

<sup>2</sup> The amount of KfW cofinancing includes US\$19.2 million direct contributions to Component 4, as well as other German cooperation support to DRC protected area system through parallel projects.

Client Information						
<b>Recipient: Democratic Republic of Congo</b> <b>Responsible Agency: ICCN</b> Contact Person: Cosma Wilungula Balongelwa (Director) Email: <a href="mailto:pdg.iccn@yahoo.fr">pdg.iccn@yahoo.fr</a>						
AF Estimated Disbursements (Bank FY/US\$m)						
FY	14	15	16	17	18	
Annual	0.2	9.0	1.8	1.8	1.8	
Cumulative	0.2	9.2	11.0	12.8	14.6	
Project Development Objective and Description						
<p>Original project development objective (PDO): To enhance the capacity of the Congolese Institute for Nature Conservation (ICCN) for management of targeted protected areas.</p> <p>Revised project development objective: PDO has not been revised. The Global Environmental Objective (GEO) is the same as the PDO.</p> <p>Project description: Only new component is Component 4 for the creation and capitalization of the Okapi Fund, a conservation trust fund.</p>						
Safeguard and Exception to Policies						
Safeguard policies triggered: Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Forests (OP/BP 4.36) Pest Management (OP 4.09) Physical Cultural Resources (OP/BP 4.11) Indigenous Peoples (OP/BP 4.10) Involuntary Resettlement (OP/BP 4.12) Safety of Dams (OP/BP 4.37) Projects on International Waterways (OP/BP 7.50) Projects in Disputed Areas (OP/BP 7.60)				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Is approval of any policy waiver sought from the Board (or MD if RETF operation is RVP approved)? Has this been endorsed by Bank Management? ( <i>Only applies to Board approved operations</i> ) Does the project require any exception to Bank policy? Has this been approved by Bank Management?				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No		



<b>Conditions and Legal Covenants:</b>		
<b>Legal Agreement Reference</b>	<b>Description of Condition/Covenant</b>	<b>Date Due</b>
5.01 (a)	Effectiveness condition: The execution and delivery of the GEF Grant Agreement on behalf of the Recipient and the GEF Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.	90 days after signing.
5.01 (c)	Effectiveness condition: The Subsidiary Agreement referred to in Section [I.A] of Schedule 2 to the GEF Grant Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.	90 days after signing.
5.01 (d)	Effectiveness condition: the Co-financing Agreement dated the same date as this Agreement, between the Recipient and the International Development Association, providing a grant in support of the Project (“Financing Agreement”), has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.	90 days after signing.

<p>III A (2)</p>	<p>Disbursement condition for endowment fund contribution:</p> <p>1. 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 (see table in Annex 3 for details).</p> <p>2. Receipt of evidence satisfactory to the World Bank (<i>inter alia</i> bank account statements), showing that a minimum amount of US\$7,400,000 has been deposited into the Okapi Fund as co-financing (share).</p>	<p>June 30, 2014</p>
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## I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide additional financing (AF) through a Global Environment Facility (GEF) grant in the amount of US\$11.64 million and an International Development Association (IDA) grant of US\$3.0 million equivalent to the Democratic Republic of Congo (DRC) National Parks Network Rehabilitation Project (PREPAN, for its name in French, *Projet de Réhabilitation du Réseau des Parcs Nationaux*) (P083813).
2. The proposed AF would support scaled-up activities of the existing project and finance new activities to enhance its impact and the achievement of its project development objective (PDO). The major new activity to be supported under the proposed AF is the creation and capitalization of a national conservation trust fund, the Okapi Fund for Nature Conservation in the DRC (hereafter “Okapi Fund”). The Government of the DRC has completed most of the steps required for the start-up of the UK-registered trust fund, and it is expected to be fully operational and able to receive funds by the first half of 2014. Of the total US\$11.64 million of the new GEF funds, US\$7.4 million would be committed to the endowment fund window of the Okapi Fund. About US\$4.0 million in GEF funding would provide direct support in the lifetime of the project to high-priority national protected areas (PAs) of the DRC, through the Congolese Institute for Nature Conservation (ICCN)<sup>3</sup>. The remainder of the GEF AF funds would strengthen ICCN’s management of the PA system and cover project management costs. The new IDA grant funds would help strengthen ICCN, continue limited support to Virunga National Park to complete activities already underway, support the botanical gardens network of ICCN, and provide technical assistance and support to the establishment and management of the Okapi Fund.
3. The PDO/Global Environmental Objective (GEO) of PREPAN remains unchanged and is “to enhance the capacity of the Congolese Institute for Nature Conservation (*Institut Congolais pour la Conservation de la Nature* – ICCN) for management of targeted protected areas”. The experience of PREPAN in its first four years of implementation has highlighted the need for continuing support to the capacity development of ICCN to manage one of the world’s most extensive and fragile protected area systems. Given weak budgetary support from the state, long-term financing for basic operating costs of the highest priority parks has emerged as the single most important constraint to saving these outstanding areas of globally critical biodiversity. The creation and capitalization of the Okapi Fund is intended to meet this need; working in the highest priority parks over the next decades, it will both directly finance ICCN and provide incremental funding to other organizations such as national or international NGOs in order to finance operating costs of key protected areas.
4. The Okapi Fund is expected to raise funding from diverse sources; the German development Bank KfW will initially provide about US\$19.5 million to co-finance its creation and initial capitalization. Various other donors, such as the Government of Belgium, have followed the development of the Okapi Fund with interest, and it is expected that a well-functioning Fund will become an attractive vehicle for donor funding to support protected areas in the DRC.

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<sup>3</sup> These funds, initially managed by ICCN, could be later moved into a sinking fund window of the Okapi Fund, to enhance its size and impact.

## **II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING IN THE AMOUNT OF US\$14.64 MILLION**

### **COUNTRY CONTEXT AND SECTOR ISSUES**

5. The Democratic Republic of the Congo (DRC) is the second largest country of the continent with an area of 2.34 million km<sup>2</sup>, 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 one of the world's poorest countries, with a 2012 GDP per capita (US\$272)<sup>4</sup>, less than half of the level it was at its high point in 1979.
6. Although insecurity persists in the Eastern Congo, the DRC is now slowly emerging from decades of major conflicts and mismanagement, with their devastating impacts on its economy, institutions, and social fabric. Most sectors are showing modest improvements, such as in the health sector and in education (e.g., gross enrollment rates of primary education increased from 64 percent in 2007 to 93 percent in 2011).
7. 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, including the eastern lowland gorilla, bonobo, okapi, and the Congo peacock. Furthermore there are significant populations of important large mammals not unique to the DRC, such as mountain gorillas, hippopotami, lions, elephants, chimpanzees, and giant elands. The DRC's forests also constitute a vast carbon storage reservoir, a globally important public good, and provide an important source of livelihoods for a substantial number of Congolese. However, the DRC's biodiversity resources are threatened by illegal logging, encroachment by surrounding communities, and artisanal and commercial poaching.
8. Intended to protect the country's rich biodiversity, the DRC's national network of protected areas (PAs), covering 11 percent of the country, constitutes seven 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 seven 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

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<sup>4</sup> All numbers from data.worldbank.org, unless otherwise cited.

its more limited tourism resources, generated some US\$202 million in foreign exchange earnings in 2008 from the largely nature-based tourism sector.<sup>5</sup>

9. 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. However, ICCN faces a number of governance challenges, in particular with respect to financial management, budgeting and planning, and human resource management. The DRC's development partners are seeking to address and monitor them through, among other channels, a governance matrix for the "green" sector that would be agreed between the Government and the donor community.
10. The financial situation of ICCN is precarious and highly dependent on donors. In 2011, it spent US\$32.6 million on conservation (US\$21.4 million on operating costs, US\$11.2 on investment costs). Eighty-five percent (US\$27.2 million) of this amount came from external partners (45 percent of which came from the European Union), while Congolese resources constituted only 15 percent of the total. Of these 15 percent, about half (7.2 percent) was designated for salaries and operating costs from the state budget. The remaining 7.8 percent were generated by tourism revenues and other income streams.
11. 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.<sup>6</sup> The ongoing PREPAN Project provides critical support to two of the World Heritage Sites: Garamba National Park and Virunga National Park (Mikeno Sector).
12. ICCN and the Ministry of Environment, Nature Conservation and Tourism (MECNT, *Ministère de l'Environnement, Conservation de la Nature et Tourisme*) are seeking to replace ad hoc area-specific funding support with the establishment of a more sustainable funding strategy, in particular through ecotourism promotion and the creation of a conservation trust fund ("Okapi Fund"). The Government's intention is that the Okapi Fund's capital would mostly be invested in international markets to generate a sustainable flow of income for PAs in the DRC, while a portion will be designated as sinking funds that finance selected national priorities. In this context, ICCN and the MECNT have commissioned and completed two supporting studies: i) a legal analysis for the establishment of a fund,<sup>7</sup> ii) a profile that presents the concept of the fund, the legal, institutional and technical context of the PA network, the key elements of the fund's feasibility, creation and operation, and

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<sup>5</sup> Nielsen, Hannah and Anna Spenceley (2010): The success of tourism in Rwanda – Gorillas and more. World Bank / SNV Background Paper.

<sup>6</sup> <http://whc.unesco.org/en/danger>

<sup>7</sup> MGI Strong NKV and FTHM Conseils (2010): Etude juridique pour la définition du profil d'un fonds fiduciaire environnemental en République Démocratique du Congo.

recommendations for the success of such a mechanism in the DRC.<sup>8</sup> Both these studies recommended that the Okapi Fund be established as a private charity under UK law, with a Board of Directors in which the Government, the private sector, and civil society are represented, with Government-nominated directors in a minority.

13. Based on these initial studies, the Government of the DRC and its development partners, including the World Bank, are proceeding with the preparation of the Okapi Fund, including preparation of: (a) the terms of reference of the Founding Members and the Board Directors (the minimal number of both required for start-up have already been nominated and have accepted their positions); (b) the legal documents creating the fund (including its statutes and by-laws); (c) business plans for the PAs to receive financing in the initial phase of the CTF; (d) a grants and operations manual; and (e) safeguard documents covering Okapi Fund investments.
14. The present additional financing proposal provides support for the establishment and capitalization of the Okapi Fund in order to help reduce ICCN's financing gap for the targeted PAs by establishing a secure, predictable source of funding and enabling ICCN to more effectively manage and expand the DRC's PA system. The AF is also designed to fill certain capacity gaps remaining at ICCN at the end of the PREPAN project, notably with respect to financial and human resource management, and to planning and budgeting. The AF would be an important step in better achieving the project development objective and supports an ongoing reform process within ICCN.

#### **DESCRIPTION AND PERFORMANCE OF THE ORIGINAL PROJECT**

15. The original project, a GEF grant of US\$7.0 million, was approved by the Board on April 2, 2009. The Grant became effective on September 25, 2009. Its current closing date is 31 January 2014. The project was restructured on June 12, 2013, changing allocations to disbursement categories and modifying indicators. The project has three components: (i) Support to Institutional Rehabilitation (reallocated amount of US\$2.6 million); (ii) Support to National Parks (US\$3.9 million); and (iii) Technical Studies and Consultations (US\$0.5 million).
16. The project has faced challenges in implementation, particularly related to conflict in the eastern Congo, which has resulted in major delays in funding to Garamba and Virunga National Parks. Institutional weaknesses in ICCN, particularly on procurement and financial management, have delayed implementation. A sustained effort of institutional strengthening of ICCN, under PREPAN and other projects has however born fruit and implementation progress is currently moderately satisfactory. Of note are some of the following reforms: procurement functions under PREPAN were originally outsourced but, beginning in 2012, were returned to ICCN as they established sufficient internal capacity. Financial management in ICCN has been supported by a contracted international firm (FINORG), which will continue for the next two years (with KfW funding). FINORG will increasingly focus on

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<sup>8</sup> Carr-Derrick, Brigitte and Klaus Falkenberg (2011) *Processus de création d'une Fondation pour les Aires Protégées de la République Démocratique du Congo: Proposition de profil de la fondation et plan d'action pour sa création et son démarrage.*

capacity building to improve financial management in ICCN. In spite of the security challenges, Garamba National Park has been able to increase its Management Effectiveness Track Tool (METT) score from 39 at project start to 78, and Virunga/Mikeno from 39 to 68. Surveillance and anti-poaching efforts have increased, equipment has been provided to park rangers, park infrastructure has been improved, biomonitoring has been intensified, and infrastructure has been strengthened in surrounding communities.

17. The current disbursement total of the project (as of October 9, 2013) is US\$4.72 million (67 percent). Procurement and financial management are rated moderately satisfactory. External audits have been carried out in a timely manner. The audits have revealed internal weaknesses in the management of funds. ICCN has proposed an action plan to counter remaining weaknesses in procurement and financial management capacity.

### **RATIONALE FOR ADDITIONAL FINANCING**

18. The World Bank supports a broad range of projects and interventions relating to management and conservation of forests in the DRC. These include forestry projects with funding from IDA and the BioCarbon Fund, a support program for readiness for reducing emissions from deforestation and forest degradation (REDD+) under the Forest Carbon Partnership Facility (FCPF), the PREPAN Project, and support to ICCN or national parks through several other projects. Taken together these reflect the position taken in the Bank's most recent Country Partnership Strategy (CPS) that better management of natural resources and protected areas remains fundamental to the development of rural areas, and particularly to the Eastern Congo. The Economic Governance Matrix has similarly highlighted the importance of improved governance of forests and REDD+ as being important for the DRC's economic development, as well as of governance reforms of state-owned enterprises. Moreover, the AF is closely aligned with the biodiversity indicators in the forthcoming governance matrix for the "green" sector, and would enable ICCN to make progress on actions contained therein. The processing of the GEF and IDA funding as additional financing – rather than as a stand-alone project – both reduces transaction costs and allows for the consolidation of the Bank's natural resource management portfolio. It will further work begun under PREPAN, increasing the long-term sustainability of results already achieved, while conserving the baseline structure and results committed to under the previous GEF project.

### **III. PROPOSED CHANGES**

19. 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 and make operational a conservation trust fund, the Okapi Fund. Component 3 will remain unaffected by the AF. Residual funds from the parent project for Components 1 through 3 will be made available by extending the closing date of the parent project to December 30, 2018. The PDO/GEO will remain to "enhance the capacity of ICCN for management of targeted protected areas." The table below summarizes changes in the amounts allocated to each component.

## COSTS BY COMPONENT

<i>Component</i>	<i>Original Allocation</i>	<i>Restructured Allocation</i>	<i>AF from IDA</i>	<i>AF from GEF</i>	<i>Revised Allocation</i>
<b>1: Support to Institutional Rehabilitation</b>	<b>1,300,000</b>	<b>2,600,000</b>	<b>750,000</b>	<b>236,363</b>	<b>3,586,363</b>
<b>2: Support to National Parks</b>	<b>4,500,000</b>	<b>3,900,000</b>	<b>750,000</b>	<b>4,000,000</b>	<b>8,650,000</b>
2.1 – Virunga	2,400,000	1,800,000	400,000	0	2,200,000
2.2 – Garamba	2,100,000	2,100,000	0	2,000,000	4,100,000
2.3 – Additional Priority PAs <sup>9</sup>	0	0	0	2,000,000	2,000,000
2.4 - Botanical Gardens	0	0	350,000	0	350,000
<b>3: Technical Studies and Consultations</b>	<b>1,200,000</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>500,000</b>
<b>4: Okapi Fund Establishment and Capitalization</b>	<b>0</b>	<b>0</b>	<b>1,500,000</b>	<b>7,400,000</b>	<b>8,900,000</b>
4.1 – Okapi Fund Establishment	0	0	100,000	0	100,000
4.2 – Okapi Fund Capacity Building	0	0	1,400,000	0	1,400,000
4.3 – Okapi Fund Capitalization	0	0	0	7,400,000	7,400,000
<b>Total</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>3,000,000</b>	<b>11,636,363</b>	<b>21,636,363</b>

20. *Component 1: Support to Institutional Rehabilitation (GEF additional financing of US\$0.24 million, IDA additional financing of US\$0.75 million).* This component will benefit from additional funds to further the capacity building work already carried out, enabling ICCN to better coordinate with external partners, and helping promote an integrated approach to biodiversity conservation. While ICCN has made progress under PREPAN and parallel support from Germany and other donors, capacity gaps remain with respect to effective monitoring of park management, financial and human resource management, 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. It will also help ICCN respond to those portions of the Economic Governance Matrix that apply to state-owned enterprises. In this regard, the possibility of developing a performance contract will be studied. The combination of these steps is expected to improve the long-term viability of the DRC’s national parks system.

<sup>9</sup> To be confirmed in the first 6 months of the AF phase and identified from the remaining UNESCO World Heritage Sites in DRC (Kahuzi-Biega and Salona National Parks and the Okapi Reserve).



21. 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 conduct and publication of a yearly internal audit (an audit of all ICCN-managed funds, not only those of PREPAN).
22. *Component 2: Support to National Parks (GEF additional financing of US\$4.0 million, IDA additional financing of US\$0.75 million, KfW parallel financing of US\$26 million).* The AF will add funding to existing activities in Virunga National Park and Garamba National Park (Sub-Components 2.1 and 2.2), and extend funding to an additional priority PA (Sub-Component 2.3). Virunga and Garamba National Parks were selected as they are UNESCO World Heritage Sites, and both have been classified as being in danger and are a priority for conservation. They have functioning management structures that have demonstrated (through PREPAN) their effectiveness in challenging circumstances, as well as a capacity to dramatically improve their management. Thus, Garamba's METT Score improved from 39 to 78 during PREPAN's current phase, while Virunga (Mikeno Sector) showed similar progress. They are thus judged to hold promise to further improve their management given adequate support.<sup>10</sup>
23. Under this component, the parks will receive direct support that will be channeled initially through ICCN. Garamba National Park will receive a total of about US\$2 million over the five years of the project's lifetime, or about US\$400,000/year. About US\$400,000 of support is planned for Virunga National Park (Mikeno Sector) to complete unfinished investments from the parent project. PREPAN already provides support to Garamba and Virunga National Parks, so the project will be able to continue with existing procedures and operational manuals.. An additional US\$2 million is planned for support to additional priority PAs which will be selected in the first 6 months of the AF phase.
24. When the Okapi Fund is operational, expected shortly after effectiveness of the project, it will channel most funds of Component 2 into the Okapi Fund endowment fund. 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 ensuring an optimal use of the funds, and of increasing the overall capital and prestige of the Fund, which would be positive for its reputation and for seeking additional financial support.
25. *Sub-Component 2.1: Support to Virunga National Park (IDA additional financing of US\$0.4 million)* will remain largely unchanged. PREPAN funds for Virunga (Mikeno Sector) 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

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<sup>10</sup> At the project concept stage, the proposal also included financing for Salonga National Park, a very large park (36,000 km<sup>2</sup>) where the limited support the AF could provide would have limited impact. In addition, the park already benefits from support from KfW and WWF, and will benefit from USAID's Central Africa Regional Program for the Environment. Once the Okapi Fund is sufficiently capitalized at some time in the future, Salonga National Park could be among the priority sites to receive funding.

sector due to security issues. The exception will be US\$0.4 million in additional financing to allow for the finalization of works for pygmy communities, the planning of which is underway, but which cannot be implemented under current security conditions. The final arrangements for managing and implementing this activity will be determined at a later time.

26. *Sub-Component 2.2: Support to Garamba National Park (GEF additional financing of US\$2 million).* An international NGO, African Parks Network (APN), currently manages Garamba National Park under an agreement with ICCN and they successfully manage the PREPAN funds for this sub-component. Activities to be supported derive from the park's management and business plans, and address the strategic ability of park management to safeguard Garamba's rich biological diversity. They would include park protection and ecosystem monitoring, community conservation, general and financial management, and the development of modest ecotourism and income-generation plans. The new agreement between ICCN and APN for the AF funds will be subject to prior review of the World Bank.
27. *Sub-Component 2.3: Additional Priority PAs (GEF additional financing of US\$2.0 million).* An additional US\$2 million will be allocated in the first months of the AF phase to priority PAs identified by ICCN and considered satisfactory by the World Bank. Appropriate technical studies and safeguard studies will need to be carried out and implementing arrangements identified in the first 6 months of the implementation phase. The most likely candidate is Kahuzi-Biega National Park, another World Heritage Site.
28. *Sub-Component 2.4: Support to the Botanical Garden System (IDA additional financing of US\$0.35 million).* While the DRC's four botanical gardens, recently transferred to ICCN management, have potential as draws for local ecotourism, and thus to strengthen ICCN's financial situation, they are currently not maximizing their revenue generation due in part to a lack of planning and investment. This sub-component would provide assistance by developing business plans and limited investments for revenue-generating activities.
29. *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. It is expected that the remaining funds will be used for support to Lomami and Itombwe parks, as currently supported under PREPAN.
30. *Component 4: Okapi Fund Establishment and Capitalization (GEF additional financing of US\$7.4 million, IDA additional financing of US\$1.5 million, KfW co-financing of US\$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.
31. *Sub-Component 4.1: Okapi Fund Establishment (IDA additional financing of US\$0.1 million).* To ensure an adequate legal structure, the Fund is being registered as a charity under UK law and will be recognized as a foreign charity with legal capacity to operate in the DRC. The Fund will be governed by an independent Board comprised of directors with relevant competencies (science, law, business and with a majority civil society and private sector membership). Its statutes specify duties and powers of its governance bodies, 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, 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 the 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 to the parks will be made on the basis of eligibility criteria and a process set out in the Fund's operations manual.

32. *Sub-Component 4.2: Okapi Fund Capacity Building (IDA additional financing of US\$1.4 million, KfW co-financing of US\$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 ministerial 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 law firm, and selection of the Fund's Members and Board Directors.
33. 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: legal registration 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 (see table in Annex 3 for details). These activities are ongoing, financed by the Government through PREPAN and by KfW, and many or all may be completed before additional financing start-up in early 2014; satisfactory completion is a disbursement condition for the Bank's contribution to the Okapi Fund endowment fund.
34. Once the Okapi Fund is established, this sub-component will continue to provide capacity building and support to the new Fund for the duration of the project (up to five years). 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 Fund's staff. 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.
35. *Sub-Component 4.3: Okapi Fund Capitalization (GEF additional financing of US\$7.4 million, KfW co-financing of US\$18.2 million)* The fund will be structured as a hybrid fund, US\$14.8 million of which will be endowed capital (with US\$7.4 million contributed by each of the

GEF and KfW), with another US\$10.8 million of endowed capital that can be accessed if earnings in the financial markets are not adequate to generate a pre-determined annual amount of funding (exclusively from KfW), for a total of US\$25.6 million. This sub-component's disbursement will be subject to the condition that the Okapi Fund can legally receive funds. See Annex 3 for a detailed timetable of remaining steps. The Fund will use the forthcoming Practice Standards for CTFs as guidance for its optimal operationalization and effective and orderly functioning.

36. The capital 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 and ICCN operations. The parks to be supported by Component 2 during the lifetime of the Bank project would only need to have their operating expenses covered after the close of the project. 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 a substantial part of the protected area network of the country.

#### **EXPECTED OUTCOMES**

37. Consistent with the original project, the AF will be used to finance activities to achieve the PDO of ensuring that the capacity of ICCN for management of targeted protected areas is improved. In line with the overall objectives, an additional outcome of the AF will be the creation and effective operation of a national conservation trust fund, the Okapi Fund.

#### **IMPLEMENTATION ARRANGEMENTS**

38. Implementation arrangements for Components 1-3 remain unchanged from the existing PREPAN project. Specific arrangements for support to protected areas that remain to be identified would be similar to those currently used under PREPAN and all would be subject to prior approval by the World Bank.
39. Funds for Component 4b, providing support to the creation and management of the Fund, will be managed by ICCN under administrative arrangements similar to those now in effect for PREPAN. The funds under Component 4c, for the capitalization of the Fund, will be disbursed to the DA from which a transfer will be made to the Okapi Fund's bank account, once disbursement conditions have been met.
40. The actual functioning of the Okapi Fund will be governed by its own procedures and statutes, independent of the PREPAN Project and of ICCN, but in line with Paragraph 8 of OP/BP 10. Annex 3 provides further information on the Okapi Fund.

### **IV. APPRAISAL SUMMARY**

41. *Technical.* The Appraisal confirmed the technical design of the proposed Additional Financing. In particular, the future structure of the Okapi Fund was discussed at length between the representatives of the Government, KfW, and the Bank. A financial structure was

agreed whereby an endowment fund of US\$25.6 million will be created of which US\$14.8 million will be permanent capital that can never be accessed and the remainder of which is available to provide a guaranteed minimal yearly spending, calculated at an amount such that with expected yields to the Fund, the entire amount should remain as endowment capital. There are also provisions for the Okapi Fund to manage funds through sinking fund windows.

42. The technical viability of the proposed investments, both scaling-up and new, was confirmed. The addition of US\$3.0 million of IDA grant funding provided the possibility of supporting additional investments which had not previously been considered. These include moderate support to the Botanical Gardens Network, under ICCN's management, as these represent an excellent potential source of self-generated income for ICCN. In addition, some additional support will be provided to ICCN to further strengthen their managerial capacity.
43. *Financial Management and Procurement.* The Appraisal mission included a separate financial supervision mission of PREPAN which confirmed the FM arrangements as proposed in this document. This mission also reviewed in detail potentially ineligible expenses of PREPAN as reported in the 2011 and 2012 audits and concluded that no funds need to be reimbursed to the Bank, and that the financial management rating can be raised to "moderately satisfactory". The procurement arrangements were considered adequate.
44. *Economic Analysis.* An incremental cost analysis for the new additional financing from the GEF is included in Annex 5. No analysis of economic returns is typically carried out for a GEF project but the addition of IDA funds necessitated an economic analysis of the use of the additional US\$3 million IDA credit. Based on the estimates and assumptions listed in Annex 5, the project's ERR over a 20-year period is 18 percent, and net welfare benefits of US\$8.67 million will be generated for the country.
45. *Safeguards.* The original project prepared, consulted upon, and disclosed: an Environmental and Social Impact Assessment (ESIA), which included an environmental and social management plan (ESMP), a Resettlement Policy Framework (RPF), an Indigenous Peoples Development Plan (IPDP), and a Process Framework (PF). The project has implemented environmental and social measures according to the ESMP; no significant environmental or social impacts have been identified from any project investment. To date, no involuntary resettlement has resulted from any project activity. The Recipient prepared in 2012 an updated IPDP, which has been disclosed in-country and at the InfoShop. The Appraisal noted that the Recipient was preparing an update of the ESIA/ESMP, RPF, and Process Framework and agreed that it would be completed, consulted upon, reviewed by the Bank, and disclosed once project investments and sites were definitively identified and finalized in the first month of the AF phase. Site-specific environmental and social studies and ESMPs will also be prepared, consulted upon, and disclosed during project implementation. This will also be the case for any additional Indigenous Peoples Plans. RAPs will be prepared as and when necessary during project implementation. The Okapi Fund itself will need to develop adequate safeguard frameworks. These will be part of its Operations Manual and will need to be found satisfactory to the Bank.

## ANNEX 1: RESULTS FRAMEWORK AND MONITORING

### DEMOCRATIC REPUBLIC OF THE CONGO: Additional Financing for the National Parks Network Rehabilitation Project Results Framework

Revisions to the Results Framework		Comments/ Rationale for Change
<b>PDO/GEO</b>		
<i>Current (PAD<sup>11</sup>)</i>	<i>Proposed</i>	
Enhance the capacity of ICCN for management of targeted protected areas	Continued	n/a
<b>PDO indicators</b>		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
ICCN able to execute the budget received from both the Government and the project and produces annual financial reports on overall execution in accordance with international accounting standards	<i>ICCN publishes annual internal audits covering all funds managed by ICCN in accordance with international accounting standards</i>	Indicator changed to facilitate measurement and interpretation, and to eliminate redundancies with basic project requirements
Five key bio-indicator species (rhinos, giraffes, gorillas, elephants, hippos) remain stable compared with baseline at start of project in targeted protected areas	Continued	Not all species are monitored in each park, depending on the species' presence
	<i>New: Percentage of overall conservation ODA for the DRC directed to the Okapi Fund(Comp. 4)</i>	Indicator introduced to measure the Okapi Fund's fundraising success, management soundness, and ability to communicate its successes
<b>Intermediate Results indicators</b>		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
	<i>New: Percentage of ICCN staff that have a written job description and are evaluated on its basis (Comp. 1)</i>	Indicator added measure improvements in human resource management
	<i>New : ICCN publishes all agreements, contracts and protocols entered into with its public and private partners for the financing of all centralized or decentralized ICCN operations (Comp.1)</i>	Indicator added to measure funding transparency, financial management, and ICCN's capacity to lead and coordinate its partners
ICCN securing sufficient funding for basic budgeted activities for 3 years post-project (Comp. 1)	Dropped	Indicator is not measurable and depends on state budget allocations out of the control of the project

<sup>11</sup> In some cases the current indicator will be the indicator formally agreed as part of the June 2013 restructuring.

Revisions to the Results Framework		Comments/ Rationale for Change
A strategy on sustainable financing mechanisms for the national PA system is developed (Comp. 1)	Dropped	The development of the Okapi Fund is itself the financial mechanisms strategy so the indicator is not very informative
Increase in management effectiveness in the three selected PAs and buffer zones (Comp. 2)	Continued: Change in METT score in each protected area	Indicator disaggregated for each of the three PAs
	New: <i>Areas (ha) brought under enhanced biodiversity protection in Virunga (Mikeno Sector)</i>  <i>Areas (ha) brought under enhanced biodiversity protection in Garamba</i>  <i>Areas (ha) brought under enhanced biodiversity protection in additional NP (to be confirmed)</i>	Indicator disaggregated for each of the PAs, and in line with now obligatory World Bank Core Sector Indicators
Increased use by local people of community infrastructure in targeted protected areas (Comp. 2)	Dropped	Indicator is unclear and not measurable
Implementation of environmental and social safeguards in two selected PAs is satisfactory (Comp. 2)	Dropped	Satisfactory implementation of safeguard measures is a legal requirement of the project and not an appropriate indicator
	New: <i>Botanical gardens producing a satisfactory annual report and business plan each year (Comp. 2d)</i>	Indicator added to account for new sub-component
	New: <i>Project supports necessary studies for establishment of at least 2 new PAs (Comp. 3)</i>	Replaces an ineffective indicator for Component 3 suppressed during the Restructuring in June 2013
	New: <i>Percentage of disbursements programmed by the Okapi Fund Board actually made (Comp. 4)</i>	Indicator added to measure effectiveness of Okapi Fund management and ability of targeted beneficiaries to make sound funding proposals and absorb financing

\* Indicate if the indicator is Dropped, Continued, New, Revised, or if there is a change in the end of project target value

## Revised Project Results Framework

Project Development Objective (PDO):													
Enhance the capacity of ICCN for management of targeted protected areas													
PDO Level Results Indicators	Core	UOM <sup>12</sup>	Baseline Original Project Start (2009)	Progress To Date (2013) <sup>13</sup>	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014	2015	2016	2017	2018				
1. ICCN publishes annual internal audits covering all funds managed by ICCN in accordance with international accounting standards	<input type="checkbox"/>	Internal audits	No	No	Yes	Yes	Yes	Yes	Yes	Yearly	ICCN internal audit reports	ICCN	
2. Five key bio-indicator species (rhinos, giraffes, gorillas, elephants, hippos) remain stable compared with baseline at start of project in targeted protected areas	<input type="checkbox"/>	No. of individuals	Mixed	Mixed	Mixed	Stable	Stable	Stable	Stable	Yearly or as feasible	Wardens and NGO partners' reports based on objective information sources	ICCN	Data are disaggregated by species and by PA; details in Operational Manual
3. Percentage of overall conservation ODA for the DRC directed to the Okapi Fund	<input type="checkbox"/>	%	N/A	0	0	0	10	20	25 <sup>14</sup>	Yearly	CTF/ICCN reports	CTF Management with inputs from ICCN on overall conservation ODA	
<b>Beneficiaries</b>													
Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	N/A	0	0	500	1,000	1,500	2,000	Yearly	ICCN reports	ICCN	

<sup>12</sup> UOM = Unit of Measurement.

<sup>13</sup> For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value.

<sup>14</sup> TBC: the indicator targets are preliminary estimates only and will be refined during the first year of implementation.



Direct project female beneficiaries	<input checked="" type="checkbox"/>	%	N/A	0	0	50	50	50750	50	Yearly	ICCN reports	ICCN	
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Intermediate Results and Indicators													
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2009)	Progress To Date (2013)	Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014	2015	2016	2017	2018				
<b>Intermediate Result 1: Strengthened institutional capacities of ICCN for administrative and financial management, coordination and advocacy at central level</b>													
1. Percentage of ICCN staff that have a written job description and are evaluated on its basis.	<input type="checkbox"/>	%	N/A	No system exists	N/A	PMS is in place	50%	75%	100%	Yearly	ICCN, PMS and its reports	ICCN	
2. ICCN publishes all agreements, contracts and protocols entered into for the financing of all centralized or decentralized ICCN operations	<input type="checkbox"/>	Y/N	N/A	No reports published	Report published	Report published	Report published	Report published	Report published	Yearly	ICCN reports published on website and/or distributed to donors	ICCN	
<b>Intermediate Result 2: Management of three key PAs and their buffer zones (Garamba, Virunga/Mikeno, and another priority PA) strengthened</b>													
3. Increasing METT score for Virunga (Mikeno Sector)	<input type="checkbox"/>	METT	39	68	N/A	68	N/A	N/A	N/A	Every two years	Monitoring visits to PAs	ICCN/CTF Management	Final measurement expected in 2015 when funding will end for this PA
4. Increasing METT score for Garamba	<input type="checkbox"/>	METT	39	78	N/A	82	N/A	N/A	85	Every two years	Monitoring visits to PAs	ICCN/CTF Management	
4. Increasing METT score for an additional PA <sup>15</sup>	<input type="checkbox"/>	METT	TBD	TBD	N/A	TBD	N/A	N/A	TBD	Every two years	Monitoring visits to PAs	ICCN/CTF Management	
6. Areas brought under enhanced biodiversity protection in Virunga (Mikeno Sector)	<input checked="" type="checkbox"/>	ha	0	TBD	N/A	25,000	N/A	N/A	N/A	Every two years	Monitoring visits to PAs	ICCN/CTF Management	Hectares of PAs with improved management effectiveness (shift in

<sup>15</sup> The most likely candidate is the Kahuzi-Biega National Park, another World Heritage Site.

Intermediate Results and Indicators													
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2009)	Progress To Date (2013)	Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014	2015	2016	2017	2018				
													one of three possible classes), as per METT methodology
7. Areas brought under enhanced biodiversity protection in Garamba	<input checked="" type="checkbox"/>	ha	0	TBD	TBD	350,000	N/A	N/A	490,000	Every two years	Monitoring visits to PAs	ICCN/CTF Management	As above
8. Areas brought under enhanced biodiversity protection in an additional PA (to be identified)	<input checked="" type="checkbox"/>	ha	0 (2013)	TBD	N/A	TBD	N/A	N/A	TBD	Every two years	Monitoring visits to PAs	ICCN/CTF Management	As above
9. Botanical gardens producing a satisfactory annual report and business plan for each year	<input type="checkbox"/>	%	0 (2013)	0	50	50	75	100	100	Annual	ICCN Reports	ICCN	
<b>Intermediate Result 3: Technical Studies and Consultations Supported</b>													
10. Project supports necessary studies and investments for establishment of at least 2 new PAs	<input type="checkbox"/>	Y/N	N	In progress	N	N	Y	Y	Y	Every year	Studies to be produced	ICCN	
<b>Intermediate Result 4: Effective functioning of the CTF</b>													
12. Percentage of disbursements programmed by the Okapi Fund Board actually made	<input type="checkbox"/>	%	N/A	Fund does not exist	50	60	60	60	80	Yearly	Okapi Fund reports	Okapi Fund Management	

## ANNEX 2: OPERATIONAL RISK ASSESSMENT FRAMEWORK (ORAF)

### DEMOCRATIC REPUBLIC OF THE CONGO: Additional Financing for National Parks Network Rehabilitation Project

1. Project Stakeholder Risks				
<b>1.1. Stakeholder Risk</b>	<b>Rating</b>	<b>Moderate</b>		
Description: Lack of understanding or acceptance of the different institutional roles to be played, specifically by the Okapi Fund, MECNT, ICCN, donors, and other stakeholder groups associated with specific parks.	<b>Risk Management:</b>			
	Agree institutional roles at an early stage, and specify in project documentation and in the Articles and Operations Manual of the Okapi Fund.			
	<b>Resp:</b> ICCN/Bank	<b>Stage:</b> Preparation	<b>Due Date:</b> 31-Dec-2013	<b>Status:</b> Underway
2. Implementing Agency Risks (including fiduciary)				
<b>2.1. Capacity</b>	<b>Rating</b>	<b>Substantial</b>		
Description: Lack of capacity for procurement and financial management in ICCN may result in delays and/or inappropriate decisions regarding the implementation of activities financed by the Project through ICCN.	<b>Risk Management:</b>			
	ICCN is receiving technical assistance for procurement and financial management under the ongoing PREPAN Project. Although these remain in need of strengthening, good progress has been made. Continuing support and capacity enhancement will be provided under the project. Appropriate staffing of ICCN's financial management and procurement departments were agreed during appraisal, as reflected in the Financial Supervision report of October 2013.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> Ongoing	<b>Status:</b> Ongoing
<b>2.2. Governance</b>	<b>Rating</b>	<b>Substantial</b>		
Description: The DRC has a poor track record for corruption. The fraud and corruption risks related to the proposed project are: (i) that CTF resources will be diverted for uses other than for management of PAs by ICCN or for agreed administrative costs; and (ii) that ICCN will misuse funds received directly from the project.	<b>Risk Management:</b>			
	The CTF will be established as a company limited by guarantee with charitable recognition that is registered in the United Kingdom, and subject to rigorous UK regulation. The Board of the CTF will be majority non-Government, and will include members with a variety of competencies. The CTF and ICCN will be subject to audits, and at the park level, local communities will be involved in the planning and use of funds allocated for local development activities. The failure of ICCN to improve governance, will result in increased flow of funds through the Okapi Fund and will result in the Fund itself favoring non-government recipients.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> 30-Jun-2014	<b>Status:</b> Ongoing

3. Project Risks				
<b>3.1. Design</b>	<b>Rating</b>	<b>Moderate</b>		
<p>Description:</p> <p>Insufficient capitalization of the Okapi Fund endowment window could occur, resulting in limited guaranteed long-term returns to the fund. Low investment returns could limit endowment fund payouts. Delays in the creation of the CTF because of potential institutional or legal obstacles could also mean a delay in capitalizing the endowment fund.</p> <p>At the level of the target parks, there is a risk to conservation outcomes as a result of threats including: (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 PA system.</p>	<b>Risk Management:</b>			
	Donor decisions have been made. The hybrid fund of \$10.8 million, contributed by KfW is designed to be able to make up for shortfalls in investment returns in case of need. Moreover, the CTF will be seeking additional donors over the medium-term to supplement its capital. As much work as possible is being done during preparation to prepare the Fund, and this work has been proceeding ahead of schedule.			
	<b>Resp:</b> Client/Bank	<b>Stage:</b> Implementation	<b>Due Date:</b> By effectiveness	<b>Status:</b> Not yet due
	<b>Risk Management:</b>			
The selection criteria for the target parks include an assessment of the likely success in managing threats to conservation. Management of these threats will be detailed in annual park management plans, and monitored through the Protected Areas Management Effectiveness Tracking Tool (PAMETT).				
<b>Resp:</b> Both	<b>Stage:</b> Preparation	<b>Due Date:</b> By effectiveness	<b>Status:</b> Ongoing	
<b>3.2. Social and Environmental</b>	<b>Rating</b>	<b>Moderate</b>		
<p>Description:</p> <p>Insufficient participation in consultations, park management, and development programs by local communities lead to their marginalization, and opposition to ICCN's objectives.</p>	<b>Risk Management:</b>			
	Several safeguards documents have been prepared for the parent project (ESIA/ESMP, RPF, IPDP, and Process Framework) and will be updated and re-disclosed once sites and works have been finalized. An IPP has also been prepared, consulted upon, and disclosed in-country and at the InfoShop. ICCN is receiving technical assistance for social development under the ongoing PREPAN Project. The review and approval process for the use of income generated by the CTF will include specific consideration of the adequacy of proposed social and environmental safeguards.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> By effectiveness	<b>Status:</b> Not Yet Due
	<b>Risk Management:</b>			
<b>3.3. Program and Donor</b>	<b>Rating</b>	<b>Substantial</b>		
<p>Description:</p> <p>Adequate capitalization of the CTF, in the first years, will depend on significant contributions from other donors. There is a risk of inadequate procedural harmonization or of the funds not being provided.</p>	<b>Risk Management:</b>			
	Good donor coordination has already been established and will be maintained throughout project preparation. Provision will be made for the CTF to include sub-accounts allowing for separate treatment of donor contributions where necessary to accommodate specific requirements.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> By appraisal	<b>Status:</b> Not Yet Due
	<b>Risk Management:</b>			
<b>3.4. Delivery Monitoring and Sustainability</b>	<b>Rating</b>	<b>Moderate</b>		
<p>Description:</p> <p>Difficult access to PAs in DRC makes monitoring of biodiversity and social outcomes challenging. Sustainability of outcomes is less of a risk, as the Project will endow a Conservation Trust Fund.</p> <p>A poorly designed investment strategy (or simply low returns because of prevailing market environment) could lead to the erosion or insufficient capitalization of CTF endowment fund.</p>	<b>Risk Management:</b>			
	The CTF operations manual will include the requirement that sufficient Trust Fund resources are allocated each year to adequately finance travel to sites for monitoring of outcomes.			
	A professional fund manager will be retained to manage the CTF's capital. Equity investments will represent slightly less than one-third of the CTFs' portfolio, whereas fixed income investments will represent almost 50% of the portfolio. Based on these allocations, CTFs have performed reasonably well. In fact, during the last five years, CTFs have recorded an average return of 7.82%. Low market returns are beyond the control of the project, however, for a substantial amount of time, the sinking fund provides some insurance against low returns.			
	<b>Risk Management:</b>			

	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> N/A	<b>Status:</b> Ongoing
<b>3.5. Other (Optional)</b>	<b>Rating</b>	<b>Moderate</b>		
Description: The Government could permit exploration and/or development of hydrocarbon or mineral resources inside targeted parks. Such a decision could throw into question the viability of the country's protected area system.	<b>Risk Management:</b> The two national parks selected for support under the project are both UNESCO World Heritage sites. As such, the DRC has made repeated commitments to maintain their conservation status. The legal agreement for the PREPAN project requires the Government of the DRC to inform the World Bank and the Okapi Fund Board of any concessions granted for commercial activities inside the target PAs. The articles and/or bylaws of the Okapi Fund will empower the Board to reduce or cease support for a PA if its conservation status is put at risk by a decision of the Government.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> Ongoing	<b>Status:</b> Ongoing
<b>3.6. Other (Optional)</b>	<b>Rating</b>			
Description:	<b>Risk Management:</b>			
	<b>Resp:</b>	<b>Stage:</b>	<b>Due Date:</b>	<b>Status:</b>
<b>4. Overall Risk Following Review</b>				
<b>Preparation Risk Rating: Substantial</b>		<b>Implementation Risk Rating: Substantial</b>		
Comments: The significant country, sector and implementing agency risks lead to the determination of an overall substantial risk rating, even though Project preparation will draw on extensive Bank experience with the establishment of conservation trust funds.	Comments: The significant country, sector and implementing agency risks, and lack of national experience with similar trust funds in DRC, lead to the determination of an overall substantial risk rating for Project implementation, which will require close Bank supervision during the initial years of the CTF's creation.			

## **ANNEX 3: DETAILED DESCRIPTION OF MODIFIED OR NEW PROJECT ACTIVITIES**

### **COMPONENT 1: SUPPORT TO INSTITUTIONAL REHABILITATION.**

1. While ICCN has made progress under PREPAN and with parallel support from Germany and other partners in recent years, it still faces considerable governance and capacity challenges, and 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. Nevertheless, capacity gaps remain with respect to effective monitoring of park management, financial management, human resource management, 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. In addition to its capacity constraints, ICCN also faces a precarious financial situation, with conservation funding highly unstable and grossly inadequate. 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 east of the country, and project-based flows to individual parks remain unpredictable.
2. This component will continue PREPAN's work to enhance ICCN's overall capacity and profile, enable it to better coordinate with external partners, and help promote an integrated approach to biodiversity conservation. This is of vital importance to the conservation agenda in the DRC. Moreover, a stronger ICCN that is in a position to provide national leadership and improved park management services will be better placed to be an effective government partner for the Okapi Fund. ICCN is also expected to improve its credibility among the international community, increasing opportunities for leveraging new funding sources, and thus building its potential to improve biodiversity conservation of the Congo Basin as a whole.
3. The central functions of ICCN to be supported under this component include in particular: (i) the monitoring, reporting, financial oversight, planning and budgeting that the Fund will require from ICCN; and (ii) ICCN's ongoing efforts to enhance protection of ecosystems and threatened species in new and existing PAs.<sup>16</sup> This component will complement external

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<sup>16</sup> Work to identify new PAs in the DRC is currently ongoing with support of the World Bank (PREPAN project) and the German government (PARAP through WWF). The Government has made a public commitment to eventually increase the total coverage of protected areas from 11% of the country to 17%. A gap analysis has already been completed (*National Strategic Evaluation of Biodiversity in the Democratic Republic of the Congo*). Designating new PAs, while far from assuring total protection due to limited management capacities, will 1) nevertheless result in legal protection against large-scale activities such as mineral and oil exploration, forestry and agricultural concessions, each of which require government approval, and 2) confers "critical natural habitat" status

technical assistance provided by other development partners by building ICCN's own capacity to identify and establish new PAs.

4. This component supports ICCN's Strategic Action Plan (Program 7, Activity 7.4.1, Finalizing institutional reform). New investments are grouped into six sub-components:

Sub-Component 1.1: Support for institutional reform and strategic planning

5. Reform Workshop: It is well-recognized that there is a mismatch between ICCN's institutional and operational capacity constraints and the institution's mandate. To put ICCN's reform process on a more promising track to success, the AF would finance a participatory multi-stakeholder workshop to analyze and prioritize challenges and solutions, thereby improving the institution's strategic planning of the reform process. This is expected to improve ICCN's ownership of the reform process, improve transparency in decision-making, improve cooperation with stakeholders, and would help the institution adopt and prioritize the forthcoming "green" governance matrix's recommendations as well as its own Strategic Action Plan. It is also expected to improve the organizational vision and accountabilities for agreed-upon actions.
6. Tentatively, a three-day workshop is foreseen, facilitated by an outside third party. Participants would include no more than thirty representatives of managers and technical specialists from ICCN, relevant donors, and other partners (NGOs, private sector, community representatives).
7. To ensure accountability for results, the workshop will produce a roadmap which will set forth the agreed-upon priority actions and results. The ICCN's current Strategic Action Plan is more of a check list than an operational document, and the organization requires more concrete measures. A task force will develop the roadmap, which, together with a dashboard, will be subjected to annual review and, where necessary, adaptation. The goal is to provide ICCN and the DRC's broader conservation community with a strategic planning tool that can be rendered into annual operational plans, that develops clear accountability for results, and that can focus development partners' and the NGO community's support and actions.
8. Support Program for the Protected Area Network (*Programme d'Appui au Réseau des Aires Protégées* – PARAP). PARAP – jointly implemented between ICCN and WWF – is conducting an evaluation of the national protected areas network. Scheduled to end in 2015, support for this program will allow ICCN – in particular the planning, monitoring and evaluation division and the technical and scientific directorate – to complete this ongoing work and to reach the following operational goals: 1) the implementation of a pilot protected areas management tool to facilitate decision-making and increase its efficiency, and to more quickly respond to individual protected areas' needs; and 2) enable site-level data collection and entry into a central database.
9. The contribution to PARAP complements the efforts of the European Commission (through the Biodiversity and Protected Areas Management and the Network of Central African

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under World Bank safeguard policies, leading to increased protection against donor-funded infrastructure and other development projects.

Protected Areas projects (*Réseau d'aires protégées en Afrique Centrale-Suivi du réseau en RDC*)), UNESCO, and the German Government (KfW/GIZ in 12 protected areas), which, given the size of the protected area network, requires additional support.

10. Support to the planning, monitoring and evaluation unit: The planning, monitoring and evaluation unit, which is charged with coordinating PREPAN, would continue to receive support for project management, an internal auditor, a procurement specialist, technical specialists, and monitoring visits to the field.
11. Support to coordination and communications: To make the annual coordination meetings of the Coalition for Conservation in Congo (*Coalition pour la Conservation au Congo – CoCoCongo*) more efficient, the AF would finance the organization of restricted working groups.
12. In coordination with other donors, support would also be granted for internal (networks, documentation center, improvement of the flow of information) and external communications (launch and management of the website, support for engagement of external stakeholders and policy dialogue).

#### Sub-Component 1.2: Support for human resource management

13. This sub-component would focus on human resource management, which PREPAN has only implemented in a rudimentary manner to date. It will contribute to efforts underway by other donors, in particular by the German government (through KfW and the PBF/GIZ program). This element accompanies the workforce reduction ICCN has initiated as part of the *Projet d'appui à la réforme de l'ICCN - PAR* (2009 – 2012), which has put 300 staff into retirement and significantly optimized the human resource base, allowing for the integration of new competencies. However, much remains to be done to implement this reform: the finalization of the enumeration of staff, and an independent verification; improved usage of human resource software; and the implementation of the new organogram using transparent and open recruitment processes. The AF would support three principal elements of the reform: 1) the implementation of a performance management system, 2) training for provincial and field units, and 3) staff mobility.
14. Performance management system: A performance management system would be implemented. For senior management, the system would be tied to the implementation of the institutional roadmap to be developed in Sub-Component 1.1, but also to the execution of quantitative and qualitative aspects of operations plans, and, where appropriate, to conservation results in the protected areas system. To ensure that performance management will not backfire by demotivating staff, a professional development program (see Staff Training below), and performance management system will be tied to an incentive system. Furthermore, currently existing job descriptions and administrative procedures will be updated where necessary, and staff are expected to be evaluated on the basis of the descriptions. With the PBF/GIZ strongly invested in the performance management activities, the AF would coordinate closely with this project. Furthermore, the project will investigate the possibility of entering into a performance contract between MCNET and ICCN, which could include support from the *Comité de pilotage de la réforme des entreprises du portefeuille de l'état*



(Committee to pilot the reform of state-owned enterprises), which is engaged in similar processes in other sectors.

15. Staff Training: Staff competency is key to the fulfillment of ICCN's mission, and the PBF/GIZ project has identified and is addressing numerous gaps in this regard. The AF would work through the structures and priorities put in place by the GIZ project, responding primarily to needs identified in the two national parks supported under Component 2, as well as at ICCN headquarters.
16. Support to staff mobility. To overcome the difficult transport situation in Kinshasa and to allow headquarters staff to more reliably commute, the AF would finance a new shuttle bus for staff transport.

#### Sub-Component 1.3: Support for financial management

17. Financial management capacity at ICCN has improved under PREPAN, but important challenges remain. Thus, the AF would include support for the following elements, many of which correspond to items in the "green" governance matrix: 1) further roll-out of the financial management software package throughout ICCN, 2) staff trained in its use, 3) development of system linkages with field sites, and 4) improvement of budget planning and execution. The publication of an annual internal audit will also be required. To support these tasks, and with a particular view to transferring capacity to ICCN, the successful work of an external financial management specialist will be continued through funding from KfW.

### **COMPONENT 2: SUPPORT TO NATIONAL PARKS**

18. The AF will add limited funding to complete existing activities in Virunga National Park (Sub-Component 2.1), add funding to existing activities in Garamba National Park (Sub-Component 2.2), and extend funding under similar funding arrangements to at least one other priority park, to be identified (Sub-Component 2.3). Under this component, the parks will receive direct support that will be initially channeled through ICCN. Each will receive a total of about US\$2 million over the five years of the project's lifetime, or about US\$400,000/year. PREPAN already provides a similar model of support to Garamba and Virunga National Parks, so the project will be able to continue with existing procedures and operational manuals. In the case of Garamba, the project will in fact be simply continuing with the existing program of support. When the Okapi Fund is operational, shortly after effectiveness of the AF, remaining funds of Component 2 will be channeled through the Okapi Fund. This would not result in any change in the use of the funds but would imply a different set of administrative arrangements and responsibilities. Such a channeling would have the effect of enabling the Okapi Fund to administer funds shortly after its creation (while its capital is still being reinvested), while also providing it with an opportunity to prove its effectiveness as a basis for seeking additional financial contributions. The two PAs selected for support under this sub-component were chosen by ICCN based on: (i) significance for biodiversity conservation as indicated by UNESCO World Heritage status and biodiversity studies, (ii) adequate capacity for financial management at the park level, and (iii) complementarity with other sources of financing for the national PA network (similar criteria would apply to any other additional area considered for support under the project). Virunga National Park remains

a national priority but will be receiving funding from other sources. Allocating funds to a different protected area or areas under this component will be possible, subject to the Bank's agreement.

#### Sub-Component 2.1: Support to Virunga National Park

19. This component will remain largely unchanged. It is expected that the funds currently allocated to Virunga will be disbursed by the end of 2015 or soon thereafter. These funds are currently implemented through the Frankfurt Zoological Society (FZS). A new agreement between ICCN and FZS, extending the existing arrangements, will be needed. Limited additional financing of US\$0.4 million will be made available to allow for the project to complete its planned support to the park's pygmy communities as part of the community development activities, the planning of which is expected to be completed by October 2013, but which cannot be implemented under the present security situation.

#### Sub-Component 2.2: Support to Garamba National Park

20. An international NGO, African Parks Network (APN), currently manages Garamba Park under an agreement with ICCN and they manage the PREPAN funds for this sub-component. Project investments in Garamba National Park have been going well, having a major impact on the management of the park, and disbursements are increasing sharply, as ICCN has recently approved an APN submission of a bank guarantee, which has allowed for larger advances. The park has a clear management plan. The park's major challenge is the continuing presence of the Lord's Resistance Army, which is in part based in the park, and involved in both poaching and intimidation and violence against surrounding communities.
21. Garamba National Park is located in the northeast of the DRC on the border with South Sudan. It encompasses 4,900 km<sup>2</sup> of grass savannas and woodlands interspersed with gallery forests and marshland depressions, supporting a high herbivore biomass. The park is home to some 1,000 recorded vascular plant species, 5% of which are endemic to the DRC. Together with its surrounding hunting domains, it also accounts for 163 recorded species of mammals, 345 of birds, 82 of reptiles, and 42 of amphibians. It is particularly known for its extensive forest and savanna mosaic habitats, elephant populations intermediate between forest and savanna elephant species, the only giraffe population in the DRC, and as the last known refuge of the northern subspecies of the White Rhinoceros. Tragically, no sightings of the latter have been made since 2006 and the last wild individuals are believed to have been poached.
22. Between 2013 and 2017, the primary objective is to restore security in the park and to safeguard its fauna. Investments in security and anti-poaching are not only necessary for the biological integrity of the park, but also to enable limited tourism and thus generate revenues for park management.
23. The AF would support Garamba's General Management Plan, which is divided into several programs: protection, community conservation, research and monitoring, ecotourism, administration and financial management, and infrastructure. A business plan containing budgets for the various programs is in effect for 2013-2017. It relates the AF to existing

financing, including funds remaining under the original PREPAN project, funding from the European Union, and limited co-financing from APN. Budgets for the respective amounts were confirmed during appraisal.

24. Protection: The anti-poaching system combines daily aerial surveillance by ultra-light aircraft with foot patrols by mobile guard units. An intelligence service supports the planning of these patrols. It collects and analyzes information on illegal activities in the park, relies on a network of informants, and enjoys a good working relationship with the local authorities and communities. The proposed support would enlarge the area under control of park authorities beyond the current 20 percent of its surface area. To do so, the project would provide the following support: 1) Recruitment and training of 40 young rangers to replace retired staff; 2) construction of three ranger stations in strategic locations to increase the reach of patrols; 3) training of rangers; and 4) procurement of specialized vision and protective equipment to enable faster and safer interventions; and 5) the purchase of a vehicle. It would also provide for construction of staff housing and additional patrol posts.
25. Community conservation: Community Conservation Committees have been put in place in the 12 communities surrounding the park, as well as a Community Conservation Management Committee. A hospital, a health center and four schools have been built and equipped over the past years through the program, and environmental education visits of school children are regularly organized in the park. Working through the coordination platforms, the community conservation program would continue to support the implementation of these small-scale development projects, including the operation of the health and education facilities which have been constructed, and the construction of an additional school.
26. Research and monitoring: The AF would support Garamba's research and monitoring program, which 1) follows the development of key species populations and the pressures they experience, 2) develops knowledge about animal ecology, especially of giraffes, and 3) produces information useful to anti-poaching efforts. The program conducts systematic aerial censuses of the populations of large mammals and installs satellite transmitters to follow their movements. A geographic information system (GIS) collects and analyzes the data collected. The AF would contribute to aerial surveillance and an elephant monitoring program.
27. General and financial management: APN has put in place an efficient system of general, financial and logistics management that is in line with international standards. A liaison office, located close to the Ugandan border in Ary, handles imports and tourism logistics. A governance council provides strategic support to park management. The AF would support management and operational costs, infrastructure and equipment maintenance, and office expenses.
28. Some 80 percent of the infrastructure requirements listed above (visitor and documentation center, guard stations, houses for the 40 guards to be recruited, campsite at Gangala) are already funded through the existing PREPAN budget, so that the AF would only need to cover the remainder of their costs.

### Sub-Component 2.3: Additional Priority Protected Areas

29. An amount of US\$2.0 million is reserved for funding one or more priority protected areas to be definitively identified by ICCN in the first months of the AF phase and to be found satisfactory to the World Bank. For each additional area, technical and safeguard studies would need to be satisfactorily completed and appropriate implementation arrangements identified. One possible candidate is Kahuzi-Biega National Park, another one of DRC's World Heritage Sites and a high priority for conservation. Activities to be carried out in the target park when identified will include protection (park surveillance, deployment of rangers, construction of ranger posts and stations, demarcation of the park boundaries etc.), community conservation, research and monitoring and some operation funds to provide equipment to the parks administration.

### Sub-Component 2.4: Support to the System of Botanical Gardens

30. The DRC has three major botanical gardens (Kinshasa, Kisantu, and Eala). The gardens in Kinshasa and Kisantu received major upgrades funded by the European Union from 2005 to 2008, so that their infrastructure is relatively good. The garden in Eala is in disrepair. The gardens get few if any funds from ICCN, aside from salaries, so that any operating costs have to be met through own-generated activities. To this end, all gardens charge for access, and some have additional income streams, such as hosting events, accommodation, food and beverage sales, selling saplings from nurseries, etc. These revenues, however, generally amount to only a few hundred dollars a month. Management of all three gardens is weak; although technical capacity for scientific research exists, strategic management that enables the generation of sufficient funds is lacking. Nevertheless, due to their unique nature in areas otherwise devoid of greenery and outdoor space (especially in the cases of Kinshasa and Kisantu), the gardens hold potential for increased eco-tourism, as well as for greater revenue generation. Visitor numbers are low, and no promotion is currently done to attract higher numbers.
31. This sub-component would assist the gardens in developing business plans that seek to increase their financial sustainability by identifying opportunities for investment, and would also provide seed capital for limited priority investments identified in the business planning processes. A focus would be on expanding existing business lines and on promoting facilities to attract a greater number of visitors.

### **COMPONENT 3: TECHNICAL STUDIES AND CONSULTATIONS**

32. No changes are planned to Component 3 under the AF and no additional resources will be provided for this Component. Current activities included under the original PREPAN project would continue through to the end of the project. It is expected that the remaining funds will be used to further the work currently underway in support of the park establishment process for Lomami and Itombwe protected areas.

#### **COMPONENT 4: OKAPI FUND ESTABLISHMENT, OPERATION AND CAPITALIZATION**

33. The project will help establish the Okapi Fund, a conservation trust fund to be capitalized with US\$25.6 million under this project. The Fund will help close the funding gap of the country's PA system by providing a reliable stream of funding to augment the minimal budget received from the state, and to supplement the project-based and off-budget financing the PA system receives from donors and other international partners. In a first stage, and in the lifetime of the Bank project, the Okapi Fund will primarily provide support to the parks supported under PREPAN and to ICCN headquarters. In the future, subject to growth of the fund, other additional protected areas could also be supported and eventually it is hoped it would provide support to a substantial part of the protected area network of the country.

##### **Sub-Component 4.1: Okapi Fund Establishment**

34. The Okapi Fund's design has been agreed through a country-driven participatory process in close coordination with donors and partners. An independent Board with a majority private sector and civil society membership is on the verge of being established. The Fund will be professionally managed by a small team reporting to the Board, guided by an operations manual, and its procedures will be consistent with the policies and procedures of the World Bank. Together with KfW, the Project will contribute to the capitalization of the Fund, which will provide resources for the management of selected PAs, as well as for central functions necessary for the maintenance and expansion of DRC's national PA network, based on its operations manual. The resources to be provided for the management of selected PAs will be transferred directly from the Fund to accounts operated at the park level by ICCN or by other recipients.

35. Based on the experience of other conservation trust funds, the governance structure will aim to minimize costs while maximizing technical effectiveness. With the United Kingdom having been chosen as the jurisdiction in which the Okapi Fund will be legally created, the governance structure will involve three levels: members, the board, and management.

36. A Steering Committee has identified the three founding members, who will submit the Articles of Association to register the Fund. On the basis of the experience of other CTFs, these members comprise one government nominee, as well as two from sectors that can act as sponsors of the Fund, including one from the private sector, and one from the non-profit sector with connections to the international conservation community. As the Fund grows, associate members may be added, in particular representatives of organizations which might provide advice or contribute to the endowment capital. The members function as the Fund shareholders with Board oversight and with responsibilities and powers granted by UK Companies Law.

37. The Board directors will have overall responsibility for the prudent management of the Fund and the achievement of its goals, as well as for adherence to all governing regulations, the Articles of Association, and the Fund's internal regulations. The Board will be independent of any of its stakeholders, with a majority of directors appointed by the private sector and civil society, and its directors will have skills and expertise in fields relevant to the management and operations of the Fund. All Board directors are appointed as individuals and not as

representatives of the institutions that nominated them. The Board will consist of a majority of Congolese nationals and have at least one representative who is a woman and one nominated by indigenous peoples living in and around affected protected areas.

38. The overall responsibility for daily management and the execution of the Board's decisions will reside with the executive director. S/he will be recruited through a public competitive process and will report to the Board, implementing its decisions. S/he will be supported by an administrative assistant/accountant, and a driver/liaison officer. Funding to the target protected areas and ICCN central functions will be allocated on the basis of an operations manual to be finalized during the first months of the project.
39. An internationally recognized professional investment manager selected by an international call for proposals will manage the Fund's capital on the basis of guidelines provided by the Board, which will include social and environmental criteria. A specialized "Company Secretary"/legal advisor in the UK will be charged with submitting reports to the UK authorities, and providing occasional legal advice on operation of the Okapi Fund in conformity with UK law. Technical consultants may support the Okapi Fund on matters such as fundraising, planning, and drafting the investment policy and the operations manual.
40. The Okapi Fund will be structured as a combination of an endowment and a hybrid fund. The objective of this fund structure is to ensure both a secure, endowed capital base, and reliable, predictable financial flows to the beneficiaries of the fund, the two targeted parks and ICCN. The hybrid fund thus functions as a risk management tool to account for fluctuations in capital markets, which put at risk the ability of the Fund to earn sufficient returns to meet conservation objectives.
41. It is expected that, if the Okapi Fund demonstrates sound financial management and efficient disbursement, it will become an attractive vehicle for donors seeking to invest in the DRC's protected areas system, thus growing the endowment capital of the Fund. For example, the Belgian government has followed the development of the Okapi Fund with interest and could well be a future donor. In addition, the Fund could constitute a key ingredient for a nationally aggregated biodiversity offset system, which in a country with world-class biodiversity resources and significant potential for infrastructure and extractives development, could represent an effective future possibility for further conservation funding.

#### Sub-Component 4.2: Okapi Fund Capacity Building

42. This 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 ministerial 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 for the Fund by a specialized UK firm, and selection of the Fund's Members and original set of Board directors.

43. Actions that remain to be completed in order to finalize the establishment of the Okapi Fund (and which are also disbursement conditions for the Bank's contribution to the endowment 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. The below table summarizes steps already taken and those that remain to be completed.

Creation of the Okapi Fund	Governance	Obtain ministerial decree for establishment of Okapi Fund	Done
		Approve TORs for legal firm	Done
		Hire UK legal firm	Done
		Prepare articles of agreement and memorandum	Done
		Identify members	Done
		Appoint members	Done
		Register charity with the UK Companies House	Oct 2013
		Appoint board of directors (min of 7)	Done
		Charity Commission approval	Mar 2014
		Submit registration request to HMRC	Apr 2014
		Receive HRMC approval	May 2014
Selection of an Executive Director	Feb 2014		
Operationalization	Fund Capitalization	Recruitment of financial consultant (develop investment policy, support investment manager selection)	Feb 2014
		Approve investment policy	Mar 2014
		Request expressions of interest from investment managers	Apr 2014
		Request proposals from investment managers	May 2014
		Evaluate and shortlist proposals from investment managers	Jul 2014
		Interview investment managers	Aug 2014
		Select investment manager	Sep 2014
		Sign contract with investment manager	Sep 2014
		Open investment account	Sep 2014
	Ops Manual	Hire consultant to write operations manual	In progress
		Prepare operations manual	Nov 2013
		Review and approve operations manual	Dec 2013
	Authority to Operate in DRC	Hire local legal firm	In progress
		Obtain Certificate of Approval from MECNT	Apr 2014
		Framework Agreement signed with Ministry of Plan	Apr 2014
		Request authority to operate from Ministry of Justice	Apr 2014
		Obtain exemption from 2% fee on foreign exchange transactions.	Jun 2014
	Presidential Order signed	Aug 2014	
	Bank Readiness	Sign subsidiary agreement between the Okapi Fund and the government to receive WB funds	Aug 2014

		Financial management capacity assessment to receive WB funds	Aug 2014
	Audit	Select audit firm	Sep 2014

44. Once the 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 Fund’s staff. Areas of specific support will center around 1) financial advice, in particular support to the Board in selecting an investment manager, refining the investment policy, preparing investment directives, monitoring the investment advisor, development of a withdrawal policy, and of a fund usage policy consistent with World Bank OP 10.20 (paragraph 8); 2) design of a strategic plan and a business plan; 3) a fundraising strategy; 4) the writing of Fund by-laws; and 5) the development of a guide for the Board. Furthermore, a communications strategy will be developed for the Fund.
45. Interest earned from the endowment fund will eventually cover the Fund’s operating costs (contingent upon further fundraising, as current budget allocations cover only 80% of predicted overhead) but in the start-up years, experience from projects in other countries has shown that extra support is critical.

#### Sub-Component 4.3: Okapi Fund Capitalization

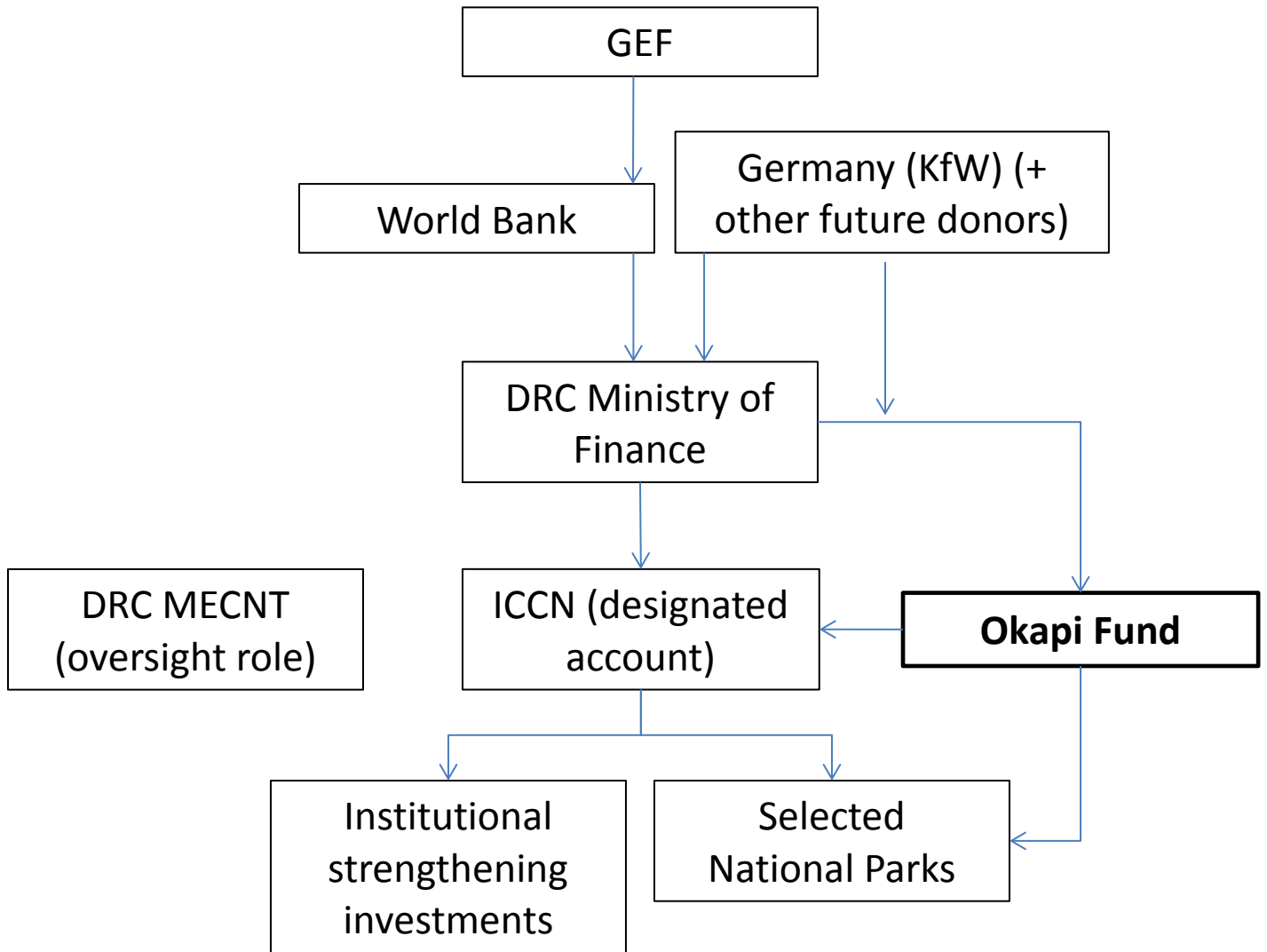
46. In the Okapi structure, there is an endowed portion of funds that will be maintained in perpetuity, amounting to US\$14.8 million (US\$7.4 million from KfW, and US\$7.4 million from the GEF). The inviolability of this amount will be legally fixed. The Fund will be “hybridized” with initial capital equivalent to US\$10.8 million; this amount will also be managed in the same way as the endowment with the exception that it can be spent down if ever net investment revenues were not adequate to meet conservation needs of the parks and central ICCN costs. The total capital base at inception will therefore be equivalent to US\$25.6 million. All funds will be managed by an investment manager, in accordance with prudent investment principles.
47. The Okapi Fund defines a “fixed spending rule”, which stipulates an amount the Fund is to disburse annually. This amount is based on a prediction of long-term, average net returns to the Fund’s capital (with investment management costs and inflation already deducted), after reinvestment of returns for the first five years. This predicted return has been set at 3 percent. With a total capital base of US\$25.6 million at inception, and PREPAN and KfW covering all operating costs for the first five years, the fixed spending can amount to US\$880,000, without the capital being drawn down sufficiently to endanger the endowment capital for well over 100 years. Sensitivity analyses show that, with average annual returns of 2%, the hybrid portion will be drawn down after 35 years, after 23 years with 1%.
48. In case the returns on the Okapi Fund do not reach the amount stipulated by the fixed spending rule in a given year, the accessible portion of the capital (i.e. the initial US\$10.8 million) is available to supplement the investment returns up to the amount stipulated by the



fixed spending rule. In contrast, if returns are greater than 3 percent, the capital of the Fund would increase. As it is expected that the Fund will conduct fundraising activities, the capital may also increase through external sources. In both cases, the fixed spending rule could be reviewed as necessary.

49. This structure will enable the Okapi Fund to accord priority to reliable disbursements to the parks and ICCN, while still maintaining its endowed capital.
50. Historical returns to CTFs have been in the vicinity of 5 to 6 percent per annum. More conservative assumptions have been built into the financial projections below so as to provide a variety of scenarios and account for market fluctuations. In keeping with international best practice, returns from the first years of operation will be re-invested into the endowment in order to grow the base capital during the period when the sinking fund window will provide funds to park and Okapi Fund operating costs.

# Figure 1: Okapi Fund Financial Flows



## ANNEX 4: REVISED IMPLEMENTATION ARRANGEMENTS AND SUPPORT

### Procurement

1. Procurement activities under the Additional Financing will be carried out in accordance with the Bank's "*Guidelines: Procurement under IBRD Loans, and IDA Credits*" dated January 2011 and "*Guidelines: Selection and Employment of Consultants by the World Bank Borrowers*" dated January 2011 and the provisions stipulated in the Financing Agreement. However, for contracts not advertised internationally, the provisions of the new national procurement law should be applied subject to IDA approval in accordance to the statements in paragraph 3 below. The existing implementation manual which was validated under the original project will remain in force and apply to the Additional Financing. This manual defines well the role and responsibility of each actor/beneficiary in the management of the procurement cycle and the processes to be followed. For each contract to be financed by the AF, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame will be agreed between the project team and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. In case there are jointly co-financed activities, the procurement process will follow Bank rules and procedures. There will be no exceptions to this rule. Otherwise parallel financing will be used.
2. **NCB modifications/exceptions: Additional Provisions for National Competitive Bidding**

National Competitive Bidding may be used subject to using the open procedure ("*appel d'offres ouvert*") set forth in the Recipient's Public Procurement Law No 10/010 dated April 27, 2010 (the "PPL") and the Manual of Procedures of the PPL as per Recipient's Decree No 10/22 dated June 2, 2010 (the "Manual of Procedures"); provided however that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III of the Procurement Guidelines and the additional following modifications:

  - (a) **Standard Bidding Documents:** All standard bidding documents to be used for the Project under NCB shall be found acceptable to the World Bank before their use during the implementation of Project;
  - (b) **Eligibility:** Eligibility of bidders and acceptability of their goods and services shall not be based on their nationality and/or their origin; and association with a national firm shall not be a condition for participation in a bidding process;
  - (c) **Advertising and Bid Preparation Time:** Bidding opportunities shall be advertised at least in a national newspaper of wide circulation and on the website of the Recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics*) and bidders should be given at least 30 days from the date of invitation to bid or the date of availability of the bidding documents, whichever is later;

- (d) **Criteria for Qualification of Bidders:** Qualification criteria shall only concern the bidder's capability and resources to perform the contract taking into account objective and measurable factors. Such criteria for qualification of bidders shall be clearly specified in the bidding documents;
  - (e) **Bid Evaluation and Contract Award:** A contract shall be awarded to the substantially responsive and lowest evaluated bidder provided that such bidder meets the qualification criteria specified in the bidding documents. No scoring system shall be allowed for the evaluation of bids, and no "blanket" limitation to the number of lots which can be awarded to a bidder shall apply. The criteria for bid evaluation and the contract award conditions shall be clearly specified in the bidding documents;
  - (f) **Preferences:** No preference shall be given to domestic/regional bidders; to domestically/regionally manufactured goods; and to bidders forming a joint venture with a national firm or proposing national sub-contractors or carrying out economic activities in the territory of the Recipient;
  - (g) **Publication of Contract Award:** Information on all contract awards shall be published in at least a national newspaper of wide circulation or in the Recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics*) web-site;
  - (h) **Fraud and Corruption:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines;
  - (i) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the bid submission and contract performance;
  - (j) **Requirement for administrative documents and/or tax clearance certificate.** The bidding documents shall not require foreign bidders to produce any administrative or tax related certificates prior to confirmation of awarding a contract; and
  - (k) **Modifications of a Signed Contract:** Any change in the contract amount which, singly or combined with all previous changes, increases the original contract amount by 15% (fifteen percent) or more must be done through an amendment to the signed contract instead of signing a new contract.
3. The procurement activities will be handled by the ICCN's procurement unit. This unit is currently staffed by one procurement specialist which the Bank has determined has the needed qualifications and experience.
4. **Procurement plan:** For negotiations, ICCN developed a procurement plan for the implementation of the Additional Financing, covering at least the first 12 months of the project, which provides the basis for the procurement methods to be used for each activity.

The Procurement Plan will be updated, with the prior approval of the Bank on an annual basis or as required by the Bank to reflect the project implementation needs and improvements in institutional capacity.

**5. Procurement methods and Bank review**

**(a) Contracts for goods and works**

<b><u>Procurement Method</u></b>	<b><u>Threshold for the method in 1000 USD</u></b>	<b><u>Bank review in 1000 USD</u></b>
(a) International Competitive Bidding (ICB)	USD 5,000 or more for works, USD 1,000 or more for goods other than drugs and USD 300 for drugs	All contracts
(b) National Competitive Bidding	All contracts estimated below the ICB threshold and above shopping ceiling	The first two contracts
(c) Shopping	Below USD 200 for works and USD 100 for goods	Post review
(d) UN procurement agencies	N/A	
(e) Community participation in procurement	Implementation manual to determine the process	Post review
(f) Direct contracting	N/A	All contracts

**(b) Contracts for consultant services**

<b>Procurement Method</b>	<b>Selection methods in 1000 USD</b>	<b>Bank review in 1000 USD</b>
(a) Selection based on quality and cost	N/A	All contracts estimated above USD 200
(b) Least Cost Selection (LCS)	N/A	All contracts estimated above USD 200
(c) Selection Based on the Consultants' Qualifications (CQS)	200	All contracts estimated above USD 200
(d) Individual Consultants	N/A	All contracts estimated above USD 100
(e) Single Source Selection	N/A	All contracts

The agreed and approved procurement plan will determine procurement methods and the contracts to be submitted to Bank review and no objection.

The Bank standard bid documents for goods and the one for works and the bank standard RFP (Requests for Proposals) will be used for all ICB contracts and contracts for consultant advertised internationally. The same documents will be used for contracts advertised locally until the country has its own standard documents found acceptable by the Bank. For the purpose of clause 2.7 of the consultant guidelines, for all contracts estimated below the equivalent value of USD 100,000, the short list may comprise only local firms.

## **Financial Management**

6. For the project funds to be channeled through ICCN, existing PREPAN procedures will continue to apply, as described in the Grant Agreement. Disbursement procedures are described in detail in the Disbursement Letters. The procedures related to financial management are further detailed in the existing project Operational Manual. No additional changes are needed with respect to the AF for components 1 through 3.
7. ICCN has proposed an action plan to remedy current weaknesses in financial management, as outlined in the 2011 and 2012 audits and the most recent financial management supervision carried out by the Bank.
8. The administrative procedures that will apply to the funds managed directly by the Okapi Fund will be described in their comprehensive Operations Manual, to be found acceptable by the World Bank. All fiduciary aspects of the Okapi Fund will be managed following Operational Policy OP 10.20, which will be part of the Fund's Operations Manual and prescribes that:
  - a. the Bank retains the right to request audits of the fund;
  - b. the board and/or management of the fund (or comparable organ(s) for the administration of the fund) are composed of professionals who have qualifications and experience satisfactory to the Bank and have the capacity to exercise satisfactory control over the use of the fund;
  - c. the fund is managed in accordance with operational and financial policies, and on the basis of a constitutive and/or statutory instrument, acceptable to the Bank;
  - d. the fund is subject to the Bank's policies on audits and financial reporting; and
  - e. the Bank has the right to require the recipient to repay the grant to the Bank if the Okapi Fund breaches any of the foregoing conditions, except for the amount of the grant that would be needed to meet the recipient's obligations under guarantees issued and existing before the recipient's receipt of the Bank's repayment notice.
9. Activities financed by conservation funds are subject to the Bank's procurement guidelines as specified in the agreement to finance such activities, whereas guarantee funds are not subject to such guidelines (except for broad considerations of economy and efficiency).
10. The Okapi Fund, once established, will be subjected to a Financial Management capacity assessment before the first disbursement.

## **Disbursement arrangements**

11. Designated accounts. Two new designated Accounts will be opened in reputable commercial banks acceptable to the Bank: the first for the GEF funds and the second for the IDA funds. The designated Accounts would be managed by ICCN.

12. Co-financing. The KfW cash contribution of US\$7.4 million for the Okapi Fund will be disbursed directly to the bank account established for the purposes of the CTF.
13. Disbursements methods and procedures. Disbursements under the Additional financing would be transaction-based as was the case for the original project. The designated accounts will receive an initial advance equivalent to US\$500,000 upon project effectiveness. In addition to advances to the designated account, other disbursement methods will be available for use under the project, such as the direct payment, reimbursement, and special commitment methods. Further instructions on the withdrawal of proceeds will be outlined in the disbursement letter.
14. The disbursement of the GEF funds into the Okapi Fund, via the GEF designated Account, will be made in one lump sum subject to Recipient submitting satisfactory evidence for meeting the conditions stipulated in the Grant Agreement (ref. Section IV.B.1(b)) and (b). The ceiling of the GEF will be temporarily increased to US\$ 7,400,000 for this purpose and no revision of the DL will be needed.

### **Safeguards**

15. The original PREPAN project was classified as a Category “A” Project. At that time, a full suite of safeguard documents was prepared, consulted upon, and disclosed: an Environmental and Social Impact Assessment (ESIA), which included an environmental and social management plan (ESMP), a Resettlement Policy Framework (RPF), an Indigenous Peoples Development Plan (IPDP), and a Process Framework (PF). No significant environmental or social impacts have been identified from any project investment. No involuntary resettlement has resulted from any project activity. No negative impact on indigenous populations has been identified but a good part of the investments in Virunga National Park have had the specific purpose of supporting Indigenous Peoples (pygmy populations). Specifically for the Mikeno Sector of Virunga, the Recipient prepared in 2012 an updated IPDP, which has been disclosed in-country and at the InfoShop. The ESMP has guided the implementation of environmental and social measures during project implementation; in addition, appropriate mitigation measures have been included in the contracts for road maintenance or construction of buildings.
16. Component 3 includes technical support to ICCN for the preparation of social assessments and resettlement plans for Lomami and Itumbwe Reserves (these have not been completed because of a deteriorating security situation in the parks).
17. The safeguards classification of the project under the Additional Financing is maintained as Category “A”. The ESIA (including the ESMP chapter), RPF, and PF will be updated and re-disclosed once all investment plans and sites are definitively identified and finalized in the first months of the AF phase. Site-specific environmental and social studies and ESMPs will be prepared, consulted upon, and disclosed during project implementation. This will also be the case for any additional Indigenous Peoples Plans. RAPs will be prepared as and when necessary during project implementation. As part of the preparation of the Operations Manual of the Fund, a set of safeguard instruments will be finalized and are subject to approval by the World Bank.

## ANNEX 5: INCREMENTAL COST ANALYSIS AND ECONOMIC ANALYSIS

### Incremental Cost Analysis

1. **Baseline Scenario:** The baseline context is defined by: (i) Biodiversity assets and natural habitats of local, regional and global importance that are under increasing threat, with some species close to extinction, and degradation of wildlife and natural habitats possibly reaching an irreversible stage, but with insufficient national ability to protect them; (ii) Slowly improving, but still severely limited ICCN capacity to implement conservation efforts in areas under its remit, and to coordinate the activities of an increasing numbers of external partners. A lack of institutional capacity is limiting the sustainability of ICCN's efforts, as conservation is an isolated sub-sector dominated by individual externally-driven projects. (iii) ICCN's funding is unreliable and depends to a large extent on unpredictable donor contributions.

2. **Baseline Financing:** Given the additional financing nature of this project the incremental cost analysis is essentially an update of the baseline project supported through earlier GEF financing. As a result, the baseline is ongoing and currently active projects constitute the baseline scenario. As summarized in Table 1 below, the baseline financing for this project is the financing that will be directed to sustain the PA system of the DRC over the lifetime of the additional financing (five years). It includes the Government's in-kind contribution of US\$2.4m, existing support from other donors for conservation-related activities of US\$50.5m, and resources from the Forest Investment Program of US\$19m.

**Table 1: Baseline and Incremental Funding (US\$)**

	Government	FIP	GEF5	IDA	Other	Total
<b>Baseline</b>	2,380,000	19,000,000	0	0	50,500,000	71,880,000
<b>Incremental</b>	3,000,000	0	11,636,363	3,000,000	45,500,000	63,136,363
<b>Total</b>	5,380,000	19,000,000	11,636,363	3,000,000	96,000,000	135,016,363

3. The Government's baseline financing is calculated as US\$2.36 million per year in salaries, plus operational fund allocation from the government of US\$18,000 (based on the 2012 figure), for a total of US\$2.38 million. These combined resources finance central administrative functions and park management activities that will be necessary for the effective planning, use and monitoring of CTF resources.<sup>17</sup>

4. The baseline financing from other donors includes direct support to specific PAs, support to ICCN's central functions (which include activities to achieve the national goal of expanding the

<sup>17</sup> In addition, ICCN has shown that it is capable of generating US\$1 million of tourism revenues a year from Virunga National Park, provided the security environment is stable, which recently has not been the case, and which therefore is likely to take time to reestablish itself. In light of the ongoing instability in the east of the country, these receipts have not been included in the baseline funding.



PA network from the current 11% to 17% of national territory), and indirect support (through activities in buffer zones/landscapes surrounding PAs).

5. In June 2011 DRC became the first country to have its Investment Plan (US\$60 million) approved under the Forest Investment Program (FIP - one of the Climate Investment Funds). The Bank and the African Development Bank (AfDB) are now launching the preparation of the associated projects, many of which will support the conservation of biodiversity as a co-benefit. The WB is preparing a new FIP operation with the following components: i) addressing drivers of deforestation; ii) a small-grant program for innovative REDD+ initiatives; and (iii) promotion of private sector investment in REDD+ sectors (primarily biomass energy and agro-forestry). One of the principal threats to PAs in DRC is the continued extraction of fuel wood and charcoal. DRC's Investment Plan targets the sustainable use of forest resources, and thereby as a co-benefit the conservation of PAs, through priority activities that include wood-fuel plantations and improved cook-stoves. In total, more than US\$15 million will be invested in sustainable biomass energy, including for private sector engagement. In addition, the Investment Plan will promote community forestry and strengthened community management of natural resources through local associations and micro-zoning. These activities will provide complimentary support to the proposed project activities.

6. Specifically, in Garamba, the US\$2 million in AF would complement existing funding, which includes remaining PREPAN funds (US\$1.25 million), ICCN (US\$0.6 million), APN (US\$0.2 million), EU (US\$6 million), and Spanish Government (US\$0.2 million). The GEF financing would thus increase the available committed financing by 24 percent, enabling a significant expansion of park management and protection beyond the baseline.

7. The additional protected area(s) supported would also receive US\$2 million combined. Among the DRC's national parks, only the World Heritage Sites receive any significant external support. However, as a whole, the national parks system is grossly underfunded. Salonga National Park, for example, has secured for the 2013-2017 period approximately US\$8 million in funding, US\$7 million of which comes from KfW, and the remainder of which constitutes small amounts from NGOs and the government of DRC. In this case, the GEF financing would increase available committed financing by 25 percent. By comparison, in Kahuzi-Biega, US\$2 million in AF would complement existing funding, which to date has only been secured and enumerated for the ongoing fiscal year, and comes from KfW (US\$3.01 million), WCS (US\$0.19 million), UNESCO (US\$0.92 million), PACEBCO (US\$0.08 million), Mountain Gorilla Veterinary Project (US\$0.06 million), Humane Society International-Born Free (US\$0.03 million), and Coopera (US\$0.18 million). The GEF financing would thus increase the available committed financing by 45 percent, enabling a substantial scale-up of protection activities in the park. The examples of Salonga and Kahuzi-Biega have been provided for illustrative purposes. Financial projections for other priority protected areas show similar levels of underfunding.

8. While the support ICCN receives from donors and other international partners has been vital in rehabilitating, maintaining and expanding the national PA 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 the Congolese authorities,

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 PA system. Reviews of the GIZ-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. This proposed GEF additional financing has been designed to meet these challenges.

9. In the baseline scenario, without GEF involvement, there is a high risk that:

- (a) The main threats to effective conservation of biodiversity in DRC (weak capacity of ICCN; endangered ecological integrity of priority PAs; and inadequacy of the existing PA system) will not be solved, resulting in irreversible loss of globally unique biodiversity; and,
- (b) Individual conservation projects, without strategic direction from a strong ICCN able to assume a national leadership role, are not likely to achieve sustainable results. Possible successes will remain localized and isolated, with little ownership and with little likelihood of replication at the national scale.

10. **GEF Alternative:** The GEF Alternative is the baseline scenario plus the incremental costs, as described in Section III. Other donors have signaled that they are reluctant to engage in setting up the Okapi Fund without the involvement of the GEF/World Bank, such that the GEF contribution is in effect catalyzing investment and leveraging the partner contribution.

11. **Incremental Cost Analysis:** The total cost of the baseline scenario is estimated to be US\$71,880,000 (see Table 2). The GEF alternative is estimated at US\$135,016,363. By investing an incremental US\$11,636,363 for the GEF alternative through this proposed additional financing, the GEF is leveraging an additional US\$45,500,000 from Germany (of which US\$19.5 m will support the Okapi Fund and an associated contribution in the estimated amount of US\$26,000,000 to support the national parks system), US\$3,000,000 from IDA, and US\$3,000,000 from the government of DRC, thus enabling a total investment of US\$63,136,363. In addition, Belgium has followed the development of the Okapi Fund with interest, and it is expected that, given sound financial management and efficient disbursements, the Okapi Fund will be an attractive conduit for future donor financing of conservation in the DRC.

**Table 2: Incremental Cost Matrix**

Component	Category	\$	Domestic Benefits	Global Benefits
1: Support to Institutional Rehabilitation	Baseline	0	ICCN's coordination, monitoring, reporting, financial management, planning and budgeting, finances are improving, but still weak.	Weak overall capacity is preventing ICCN from effectively protecting the DRC's protected area network, threatening the globally significant biodiversity they harbor.
	With GEF Alternative	986,363	ICCN's coordination, monitoring, reporting, financial management, planning and budgeting, finances will improve, making the agency more effective.	ICCN's improved capacity to manage the biodiversity resources under their purview will enhance the status of globally important biodiversity in the DRC.
	Incremental cost	986,363		
2: Support to National Parks	Baseline	71,880,000	The administrators of the national parks will continue their work, however their strategic plans will remain underfunded, and their management practices will remain in need of strengthening.	Insufficient management of the national parks will result in continued imperfect protection of their globally important biodiversity, threatening endangered species.
	With GEF Alternative	105,930,000	National parks will be better able to pursue their strategic plans and to conserve the biodiversity they are charged with protecting. Bridge financing in place to continue and improve the management of the three targeted protected areas until the Okapi Fund is operational and disburses financing.	Improved conservation outcomes in the short-term lead to more effective protection of globally significant biodiversity.
	Incremental Cost	34,050,000		
3: Technical Studies and Consultations	Baseline	Unaffected by AF	N/A	N/A
	With GEF Alternative	Unaffected by AF	N/A	N/A
	Incremental Cost	0		
4: CTF Establishment and Capitalization	Baseline	0	None. Other donors have indicated they are unwilling to support the Okapi Fund without the GEF/World Bank's participation. Limited ongoing management of the targeted parks would persist, endangering the viability of their biodiversity resources.	In the near future, some activities and programs for key park activities may be financed on an <i>ad hoc</i> basis by donors, but the sustainability of these over time will depend on unpredictable external financing commitments. Limited ongoing management and conservation efforts will be maintained. Long-term prospects for sustaining these are uncertain.
	With GEF Alternative	28,100,000	Establishment of the Okapi Funds increases financial stability of the targeted PAs, allowing for improved management of the PAs. Stable, sustainable financing will allow the national parks and ICCN to develop and implement long-term strategic	Improved park integrity across the three targeted PAs across the existing network and conservation efforts for the globally significant biodiversity associated with each existing protected areas are strengthened through more reliable financial flows.

			biodiversity conservation visions, ensuring resources address the most urgent and dominant threats.	
	Incremental Cost	28,100,000		
<b>Total</b>	Baseline	71,880,000		
	GEF Alternative	135,016,363		
	Increment	63,136,363		

## Economic Analysis

12. **Development Impact:** The project in its AF phase will primarily help protect two national parks, of which Garamba constitutes 492,000 hectares. The economic analysis was conducted using the most conservative estimate possible by using Kahuzi-Biega National Park as a stand-in for the second, as yet unidentified protected area. The assumption is thus that the parks receiving additional funding will cover at least 1.09 million hectares. They will receive support both directly and by setting up the Okapi Fund. Through its community development activities, the project will also contribute to the development of communities surrounding the parks. Given the conservative assumption described above, the costs and benefits analyzed here can scale up in a linear fashion if the selected protected area(s) is (are) larger than Kahuzi-Biega. However, the overall cost-benefit ratio and ERR would remain similar to the one calculated here given the per-hectare basis of the calculation of both elements.

13. The economic costs of the project are primarily composed of:

(a) The full base cost of the project activities without taxes is US\$14.64 million; an annual investment equal to that of the project's last year is assumed to be necessary for the post-project period.

(b) Incremental recurrent costs. These differ among activities: some have recurrent costs, such as investments in infrastructure, while others, such as technical studies, have no recurrent costs. The main recurrent cost by far is the surveillance of the two national parks beyond the project period. Based on rough estimates developed in similar settings, the latter is estimated to cost around US\$1 per hectare after the completion of the additional financing, or US\$1.09 million per year. This is a very conservative estimate that presumes that full control of the parks can be established, and that all such costs are attributable to the project.

(c) The opportunity cost of preserving 1.09 million hectares of ecosystems. Lost economic opportunities in local communities owing to protected area surveillance include revenues associated with illegal mining, poaching, non-sustainable fuel wood harvesting, and non-timber forest product (NTFP) collection. No figures are available to estimate the value of these activities due to the difficult operating environment.

14. The economic benefits of the project are composed of the following items, which primarily stem from the increased protection of the two main target national parks:

(a) Revenues from ecotourism. While these are currently hypothetical due to the tenuous security situation, past experience has shown that these revenues can be substantial. In the year before the re-emergence of conflict in the area, Virunga National Park was generating annually US\$1.2 million in direct revenues, in addition to multiplier effects for the local economy. Even in its current difficult situation and without so much as a significant stream of visitors, Garamba has been able to generate some US\$50,000 per annum in revenues. Neighboring Rwanda – which of course benefits from a very different governance and security environment – generates some US\$200 million per annum in tourism revenues from a more limited resource base. It is thus conceivable that the Congolese parks in question can generate significant revenues. However, the present analysis conservatively assumes that Garamba’s revenues remain steady and that the second protected area is able to generate similar revenues by year four of the project.

(b) Revenues from the Okapi Fund that will be disbursed to the protected areas and ICCN, currently predicted to be US\$0.88 million annually in perpetuity, based on a conservative average net annual return rate of 3 percent, and initial endowed funds of US\$14 million and another US\$12.5 million in hybrid funds, for a total starting capital of US\$26.5 million. If new donors join the Fund, the annual amount disbursed could be increased, and the present analysis assumes the Fund raises an additional US\$10 million in year five, bringing annual returns to US\$1.09 million.

(c) Benefits that accrue to communities surrounding the parks through the community conservation activities. These benefits cannot be quantified until the exact activities have been defined.

(d) The conservation values of the parks have not been assessed for the parks in question. However, Dalberg Consultants recently carried out a study for WWF on the economic value of Virunga National Park. It determined a total economic value (TEV) of US\$48.9 million a year for the park under present circumstances, including direct-use values (such as fisheries, hydro-electric power, but excluding tourism, which is presently dormant), indirect values (such as carbon sequestration and forest conservation, water supply, and erosion control), and non-use values (the future use of the park’s resources). The report determined the park’s potential TEV to be up to US\$1.1 billion a year. Extrapolating the current TEV directly to Garamba and, on an illustrative basis, Kahuzi-Biega on a per hectare basis would yield an estimate of the value these parks present for the DRC: With Virunga estimated to generate US\$62/ha, Kahuzi-Biega would generate a TEV of US\$37.2 million, and of US\$30.4 million. This additional financing represents 22 percent of Garamba’s secured operating budget for the next five years, and 54 percent of Kahuzi-Biega’s as a stand-in for the second protected area. The project can hence claim to be ensuring US\$6.7 million of Garamba’s TEV, and US\$20 million of that of the second protected area. To determine the additional financing’s marginal contribution to the conservation of the parks, it is assumed that the TEV would diminish at a rate of 2 percent per annum in the absence of the increased protection the financing affords. This represents the conservatively estimated deforestation and poaching rates in the parks in the absence of effective protection.

(e) Intangible benefits resulting from improved institutional performance of ICCN.

15. This ordering of benefits also represents a generally decreased degree of tangibility of benefits. In addition, the project will be protecting a global public good in the globally significant biodiversity the parks - both World Heritage Sites - contain. It does not include the benefits resulting from Components 1, 2a, 2d, and 3, nor any benefits to local populations resulting from community conservation activities, none of which can be determined at this stage.

16. Without the additional financing, there is a risk of rapid degradation of surveillance in the national parks. This would imperil any future revival of the ecotourism industry in national parks. In addition, there would be no revenues from the Okapi Fund, as the co-financier has indicated they will not go ahead without World Bank/GEF involvement.

17. With the additional financing, it is anticipated that the parks will be able to better protect and develop their resources so that the parks are in a position to market themselves to tourists in the future. In addition, direct and indirect use values can be maintained. The Okapi Fund will be operationalized, and the parks will be able to collaborate with local communities in the conservation of their resources.

18. Based on the estimates and assumptions listed above and a discount rate of 10 percent, the project's ERR over a 20-year period is 18 percent, and welfare of US\$8.67 million will be generated for the economy. All figures are in millions of US\$.

	<b>PV</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019-2033</b>
<b>Costs</b>							
Investments	-20.49	-7.40	-1.81	-1.81	-1.81	-1.81	-28.96
Recurrent costs	-5.15	0.00	0.00	0.00	0.00	0.00	-16.35
<b>Total Costs</b>	<b>-25.64</b>	<b>-7.40</b>	<b>-1.81</b>	<b>-1.81</b>	<b>-1.81</b>	<b>-1.81</b>	<b>-45.31</b>
<b>Benefits</b>							
Revenues from ecotourism	0.73	0.05	0.05	0.05	0.10	0.10	1.60
Okapi Fund revenues	6.69	0.00	0.88	0.88	0.88	0.88	14.08
Conservation benefit	26.89	0.00	0.53	1.06	1.57	2.07	87.10
<b>Total Benefits</b>	<b>34.31</b>	<b>0.05</b>	<b>1.46</b>	<b>1.99</b>	<b>2.55</b>	<b>3.05</b>	<b>102.78</b>
<b>Net Benefits</b>	<b>8.67</b>	<b>-7.35</b>	<b>-0.35</b>	<b>0.18</b>	<b>0.74</b>	<b>1.24</b>	<b>57.47</b>
<b>ERR</b>	<b>0.18</b>						

19. **Public Rationale:** The conservation of the DRC's rich biodiversity would not occur in the absence of public investment, a reality that results from a set of market failures: First, there is only limited market value attached to the financial flows that the national parks in question generate. Thus, the parks generate local public goods in the form of ecosystem services. Second, the positive externalities of conservation – the parks' total economic value – are not priced into

the financial streams the parks generate. Third, the tenuous security environment in the Eastern DRC leads to an under-provision of investment by private entities. And last, the biodiversity in the parks in question constitutes a global public good that the government of the DRC is unable to safeguard without external assistance. The global public good character of the parks stems primarily from their biodiversity (possible future provisioning services, option and nonuse values) and their role in carbon sequestration. As a result of these market failures, the provision of conservation is under-provisioned by the market.

20. **Bank value added:** The World Bank's value-added arises most clearly from the CTF component, the central feature of the additional financing around which the remaining components are structured. The World Bank has gathered significant expertise over the years in designing and supporting conservation trust funds, having done so in more than 20 instances. This expertise is reflected in the DRC government's approaching the Bank to support it in its quest to design a sustainable financing strategy for the country's conservation system, as well as in the co-financier's insistence on Bank participation in the trust fund in order to enable the co-financier to invest in the project.