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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 7.1 MILLION
(US\$10 MILLION EQUIVALENT)

TO THE

CENTRAL AFRICAN REPUBLIC

FOR A

NATURAL RESOURCES GOVERNANCE PROJECT

February 16, 2018

Environment & Natural Resources Global Practice
Africa Region

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CURRENCY EQUIVALENTS
Exchange Rate Effective December 31, 2017

Currency Unit	=	SDR
XAF 0.00128444	=	SDR 1
US\$ 1.42412999	=	SDR 1

FISCAL YEAR

January 1 – December 31

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Country Director: Franck Bousquet

Senior Global Practice Director: Karin Erika Kemper

Practice Manager: Benoit Bosquet

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ABBREVIATIONS AND ACRONYMS

AFD	French Agency for Development (<i>Agence Française de Développement</i>)
AGDRF	Sustainable Forest Resources Management Agency (<i>Agence de Gestion Durable des Ressources Forestières</i>)
ASM	Artisanal and small-scale mining
BRGM	The French Geological Survey (<i>Bureau de Recherches Géologiques et Minières</i>)
BIVAC	Bureau Inspection Valuation Assessment Control
CAR	Central African Republic
CEMAC	Central African Economic and Monetary Community (<i>Communauté Economique et Monétaire des Etats de l'Afrique Centrale</i>)
CEMAC TTFP	CEMAC Transport-Transit Facilitation Program
CEN	Country Engagement Note
CPIA	Country Policy and Institutional Assessment
CT REDD+	REDD+ Technical Coordination Agency (<i>Coordination Technique pour la REDD+</i>)
DGF	General Directorate for Forestry (<i>Direction Générale des Forêts</i>)
DGMG	Directorate General for Mining and Geology
DPO	Development Policy Operation
DRC	Democratic Republic of Congo
EMPSRP	Emergency Public Services Response Project (<i>Project d'Urgence de Restauration des Services Publics, PURSeP II</i>)
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FA	Fiduciary agent
FCFA	Central African CFA Franc
FCPF	Forest Carbon Partnership Facility
FDF	Forestry Development Fund
FLEGT	Forest Law Enforcement Governance and Trade
FM	Financial Management
FOT	Free on Truck
FY	Fiscal Year
GIS	Geographic Information System
GIZ	Gesellschaft für Internationale Zusammenarbeit
GDP	Gross domestic product
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFR	Interim Financial Report
ILO	International Labor Organization
IP	Indigenous Peoples
IPMF	Integrated Pest Management Framework
IPP	Indigenous People Plan
IPPF	Indigenous People Planning Framework
KPCS	Kimberly Process Certification Scheme
LDC	Local Development Committee
LDP	Local Development Plan

M&E	Monitoring and Evaluation
MESD	Ministry of Environment and Sustainable Development (<i>Ministère de l'Environnement et du Développement Durable</i>)
MINUSCA	United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic
MMG	Ministry of Mines and Geology (<i>Ministère des Mines et de la Géologie</i>)
MOU	Memorandum of Understanding
MPs	Management Plans
MPWRM	Ministry of Public Works and Road Maintenance (<i>Ministère des Travaux Publics et de l'Entretien Routier</i>)
MWFHF	Ministry of Water, Forests, Hunting and Fisheries (<i>Ministère des Eaux, Forêts, Chasse et Pêche</i>)
MTCA	Ministry of Transports and Civil Aviation (<i>Ministère des Transports et de l'Aviation Civile</i>)
NDC	Nationally Determined Contribution
ND-GAIN	Notre Dame Global Adaptation Index Initiative
NGOs	Non-governmental Organizations
NRGP	Natural Resources Governance Project
OEFB	Timber Sector Economic Monitoring Unit (<i>Observatoire Economique de la Filière Bois</i>)
OMP	Operation and Management Permit (<i>Permis d'Exploitation et d'Aménagement, PEA</i>)
PAP	Project Affected People
PARPAF	Support Project for the Development of Forest Management Plans
PDO	Project Development Objective
PDRSO	Regional development Project in the Southwest (<i>Projet de développement régional dans le sud-ouest de la RCA</i>)
PF	Process Framework
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PPECF	Promotion of Certified Forest Management
PSC	Project Steering Committee
PPSD	Project Procurement Strategy for Development
PVE	Export Verification Program
RAP	Resettlement Action Plan
RCPCA	Government of Central African Republic's Strategy for Recovery and Peacebuilding
REDD+	Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RD	Regional Directorate
RD1	Regional Directorate No. 1
RD2	Regional Directorate No. 2
RPBA	Recovery and Peacebuilding Assessment
RPF	Resettlement Policy Framework
SAESSCAM	Service for Assistance and Organization of Artisanal and Small-Scale Mining
SAF	Safeguards Action Plan

SCD	Systematic Country Diagnostic
SCDP	State Consolidation Development Program
SDR	Special Drawing Rights
SGP	Small Grants Program
SOE	Statements of Expenditures
SSA	Sub-Saharan Africa
STEP	Systematic Tracking and Exchanges in Procurement
TOR	Terms of Reference
TU	Technical Unit
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples.
USAID	United States Agency for International Development
USGS	United States Geological Survey
VAT	Value-added tax
VPA	Voluntary Partnership Agreement
VSAT	Very Small Aperture Terminal
WA	Withdrawal Application



BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
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Situations of Urgent Need of Assistance or Capacity Constraints

Financial Intermediaries

Series of Projects

Approval Date 12-Mar-2018	Closing Date 30-Jun-2023	Environmental Assessment Category B - Partial Assessment
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Bank/IFC Collaboration No

Proposed Development Objective(s)

The project will aim to improve governance and strengthen capacity in the forest and mining sectors in the Central African Republic.

Components

Component Name	Cost (US\$, millions)
Component 1 - Institutional support: Strengthen the fiscal and governance framework of the forest sector	1.26
Component 2 - Local development: Support forest communities in planning and financing their development priorities	2.42
Component 3 - Technical assistance to improve mining sector policies and institutional governance	1.81
Component 4 - Local development -Formalization of the Artisanal Mining Sector	1.98
Component 5 - Project management, including contingencies and overheads	2.22
Project Preparation Advance for the development of the safeguards instruments	0.30



Organizations

Borrower : Ministry of Economy, Planning and Cooperation

Implementing Agency : Ministry of Water, Forests, Hunting and Fisheries (MWFHF)
Minsitry of Mines and Geology (MMG)

PROJECT FINANCING DATA (US\$, Millions)

<input type="checkbox"/> Counterpart Funding	<input type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input checked="" type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
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Total Project Cost:
10.00

Total Financing:
10.00

Of Which Bank Financing (IBRD/IDA):
10.00

Financing Gap:
0.00

Financing (in US\$, millions)

Financing Source	Amount
IDA-D2780	10.00
Total	10.00

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.09	1.11	1.91	2.33	2.32	2.23
Cumulative	0.09	1.21	3.12	5.45	7.77	10.00



INSTITUTIONAL DATA

Practice Area (Lead)

Environment & Natural Resources

Contributing Practice Areas

Energy & Extractives

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Substantial



9. Other

10. Overall

● High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Have these been approved by Bank management?

Yes No

Is approval for any policy waiver sought from the Board?

Yes No

Safeguard Policies Triggered by the Project

Yes No

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

✓

Legal Covenants

Sections and Description

Safeguards (Financing agreement: Schedule 2, section I.E.2)



The Recipient shall within six (6) months of the date of effectiveness, prepare adopt and disclose the Safeguard Documents and shall thereafter ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in said Safeguard Documents, including the ESMF, the RPF, the IPPF, the PF and the IPMP

Sections and Description

Steering Committee (Financing agreement: Schedule 2, section I.A.2)

The Recipient shall, within one (1) months of the date of effectiveness, establish, and at all times during Project implementation maintain, the Steering Committee (“SC”) with composition and mandate acceptable to the Association; said SC.

(i) shall be chaired by the MWFHF and co-chaired by the MMG. Other members shall include the Ministries of: (i) Economy, Planning and Cooperation; (ii) Land Management, Decentralization and Local Development; and (iii) Agriculture and Rural Development, and representatives from Affected Prefectures;

(ii) shall be responsible for providing overall strategic and institutional guidance, general oversight of Project implementation, performance monitoring, cross-sectoral coordination and consistency with national mining sector policy and strategies, the review and validation of Annual Work Plans and Budgets, procurement plans, annual audit reports and progress reports;

(iii) shall meet at least once every six (6) months.

Sections and Description

Sub-grants (Financing agreement: Schedule 2, section I.D.3)

The Recipient shall cause the Project to recruit a Third Party Implementer within (6) six months of the date of effectiveness in accordance with terms, conditions and selection criteria and procedures specified in the Project Implementation Manual (PIM), and thereafter cause the Third Party Implementer to:

a. carry out the fiduciary and technical oversight of the Small Grants Program under activity 4.2 of the Project; and

b. within twelve (12) months of the Effective Date, prepare the Small Grants Manual in form and substance acceptable to the Association, said manual to include: detailed arrangements, procedures and mechanisms for the implementation of the Small Grants Program; detailed arrangements, selection criteria (for Small Grants and Small Grants Beneficiaries) and procedures, and implementation mechanisms for the Small Grants Program, including accounting, disbursement and financial management; procurement; the eligibility and selection criteria, transfer and verification mechanisms; safeguards; monitoring, evaluation, reporting and communication; and other such administrative, financial, technical and organizational arrangements and procedures as shall be required for purposes of implementing said Small Grant Program.

Sections and Description

Fiduciary undertakings (Financing agreement: Schedule 2, section I.F.1)

The following fiduciary staff, inter alia: (i) a procurement specialist; (ii) a financial management specialist; and (iii)



an accountant shall be hired within two months following the effectiveness of the project, and shall be maintained at all times during project implementation.

Sections and Description

Fiduciary undertakings (Financing agreement: Schedule 2, section I.F.2)

The Recipient shall, not later than five (5) months after the date of effectiveness recruit an external auditor with qualifications and experience satisfactory for the Association.

Conditions

Type
Effectiveness

Description
Project Implementation Manual (Financing agreement: ARTICLE IV, 4.01.a)
The PIM of the Central African Economic and Monetary Community (CEMAC) Transport-Transit Facilitation (TTF) Project has been updated in form and substance acceptable to the Association.

Type
Effectiveness

Description
MoU (Financing agreement: ARTICLE IV, 4.01.b)
The MoU between the Technical Unit (TU) of the Natural Resources Governance Project (NRGP) and the CEMAC TTF PIU acting as the Fiduciary Agent (FA) has been duly signed.

Type
Disbursement

Description
Withdrawal Conditions (Financing agreement: Schedule 2, Section III, B.1)
No withdrawal shall be made for Small Grants under activity 4.2 of the Project until the Small Grants Manual has been adopted in form and Substance satisfactory to the Association.

Subgrant Agreement and Small Grant Agreement (Financing agreement: Schedule 2, Section I, D.4)
The Recipient shall make the proceeds of each Subgrant and Small Grant available, under both activities 2.3 and 4.2 of the Project respectively, only after a Subgrant Agreement or Small Grant Agreement has been signed between the Recipient and each Beneficiary and Small Grant Beneficiary, on terms and conditions approved by the Association, and reflected in the model Subgrant Agreement or Model Small Grant to be included in the PIM and in the Small Grants Manual respectively.

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Laurent Valiergue	Team Leader(ADM Responsible)	Forestry	GEN07
Rachel Bernice Perks	Team Leader	Mining	GEEX2
Rose Caline Desruisseaux-Cadet	Procurement Specialist(ADM Responsible)	Procurement	GGOPF
Haoussia Tchaoussala	Procurement Specialist	Procurement	GGOPF
Tahirou Kalam	Financial Management Specialist	Financial management	GGOAW
Carine-Reine Mbedo Ngassia	Team Member	Program assistance	AFMCF
Evelyne Huguette Madozein	Team Member	Program assistance	AFMCF
Inass Ayoub	Team Member	Program assistance	AFMCF
Joelle Nkombela Mukungu	Environmental Safeguards Specialist	Environment	GEN07
Lucienne M. M'Baipor	Social Safeguards Specialist	Social development	GSU01
Maria Luisa Ana Esteban Meer	Team Member	Program assistance	GEEX2
Pierre Guigon	Team Member	Environment	GCCMI
Rachel Charlotte Schunith Pekker	Team Member	Economy	GEN04
Siobhan McInerney-Lankford	Counsel	Law	LEGAM
Theodore Mianze	Team Member	Environment	GFA07
Virginie A. Vaselopulos	Team Member	Program assistance	GEN07

Extended Team

Name	Title	Organization	Location
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CENTRAL AFRICAN REPUBLIC
NATURAL RESOURCES GOVERNANCE PROJECT IN CAR

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I. STRATEGIC CONTEXT

A. Country Context

- 1. The Central African Republic (CAR) is an extremely poor country that has suffered from repeated cycles of violence and conflict.** With a land area of about 620,000 square kilometers and an estimated population of around 4.9 million, CAR is not densely populated (8 people per square kilometer). Despite its natural resources – uranium, crude oil, gold, diamonds, cobalt, timber, wildlife and hydropower – and significant arable land, CAR remains one of the three poorest countries in the world. By 2016, CAR had the 5th lowest gross domestic product (GDP) per capita in the world (US\$382) with a poverty rate exceeding 75 percent. CAR continues to struggle with its geographic position as a landlocked and barely accessible country, leaving the economy informal and dominated by the primary sector.
- 2. CAR had yet to recover from the effects of the 2008 global recession when the domestic political and security crisis erupted at the end of 2012.** The collapse of international commodity prices in 2009 dealt a serious blow to CAR's forestry and mining sectors. Over the period 2010-12, the average real GDP growth rate fell to a modest 3.5 percent, well below the Sub-Saharan Africa (SSA) average of 4.5 percent. In 2013, GDP plunged dramatically as the crisis severely disrupted activity and trade in all economic sectors. Agriculture, timber, and diamond production were severely affected by insecurity and looting with impacts on livelihoods, food security, and export volumes. In eastern CAR, several mine sites fell in the hands of armed groups. Growing resource-trafficking financed warlords and further fueled instability. The crisis had a significant gender impact, limiting access to education for girls whilst increasing their vulnerability to sexual abuse and exploitation.
- 3. Despite recent encouraging developments, persistent levels of insecurity have prevented a rapid recovery.** The transitional government installed in 2014 drafted a new constitution and organized presidential and legislative elections held on February 14, 2016. At present, however, only modest growth has been recorded as economic alternatives to resource looting are scarce, and insecurity remains in various parts of the country under rebel control. In fact, the state controls only a small part of the territory while several rebel groups remain active outside the state-controlled areas. Even in state-controlled areas, the lack of functioning government institutions and the low levels of government revenue have resulted in a majority of the population lacking access to many public goods including security, justice, and basic services. An unparalleled US\$2.2 billion was pledged during the *Brussels Conference on the Central African Republic* (November 2016) to cover the most urgent needs and priorities for the period 2017-21 as reflected in the country's Recovery and Peacebuilding Assessment (RPBA). This also provides an opportunity to address the longer-term issues and deep-rooted grievances that underline the country's fragility.
- 4. The impact of the country's fragility on the ability of Government and partners to achieve development targets set forth in Brussels should not be underestimated.** Many areas of the country remain off-limits, and even more stable areas are experiencing resurgences of violence. This implies that the Government and partners must explore flexible and innovative mechanisms to reach the population. With regards to the forestry and mining sectors, emphasis on building local government capacity is a priority alongside cooperation with other development partners to maximize development impacts.



B. Sectoral and Institutional Context

5. **If managed well, mining and forestry can contribute meaningfully to CAR’s socioeconomic development.** However, for both mining and forestry, weaknesses in sectoral governance are compounded by weak public institutions, deficient infrastructure, and political instability. Certainly, the crisis impacted productivity in both sectors. In 2000, their combined contribution to GDP was 11 percent¹ whereas in 2016 it was only 4 percent. Prior to the crisis, both sectors accounted for significant employment, especially in rural areas,² and each sector contributed to national exports³ and state revenues.⁴ For the recovering forest sector to place the country on a trajectory of sustainable poverty reduction, robust sectoral governance and enforcement of revenue-sharing agreements with communities are needed. Effective distribution and management at the level of forest communities are also critical for these resources to more significantly contribute to local development initiatives and improve the livelihoods of the poor. For mining, raising GDP and export volumes will require establishing a stable environment conducive to foreign, industrial mining investment, alongside concerted efforts to curb the ongoing illicit trade in diamonds and gold across national borders.⁵

B.1 Forest Sector Overview

6. **CAR’s forested area is relatively small, but highly productive and among the richest in Africa.** The country’s 5.4 million hectares of forest are divided into a 3.8-million-hectare southwest with industrial-scale logging activities, and a 1.6-million-hectare southeast region which is still unexploited due to its remote location. CAR’s Ministry of Water, Forests, Hunting, and Fisheries (MWFHF) has set up concession licenses (Operation and Management Permits, or OMPs) which grant industrial harvest rights to forestry companies based on a management plan. As of today, 14 OMPs have been granted to 11 companies covering a total area of 3.625 million hectares. Timber production and exports have been affected by both domestic and international shocks. Almost all firms either suspended their operations or functioned at a minimal level during the crisis, though most are now returning to normal activity. Forestry represented only 3 percent of the country’s GDP in 2016 while the sector contributed as much as 8 percent in 2000, suggesting significant growth potential. At the time, forestry accounted for roughly half of total exports and generated about 10 percent of state revenues. It also employed a significant workforce in remote regions, accounting for about 4,000 direct and 6,000 indirect jobs, making the sector the second largest formal employer after the public sector.
7. **The political crisis in 2013–2014 led to lower forest revenues for the central government and rural communities.** Fiscal revenues from the forest industry are split between the state and forest communities which must agree to use them for local socioeconomic development. The forest sector’s budgetary contribution is significant; prior to the 2013 crisis, forestry taxes and forest license fees totaled about 10 billion Central African francs (CFAF) (US\$16.1 million) per year, or just over 10 percent of total revenue.

¹ Broken down, the figure in 2000 was 8 percent for forestry and 3 percent for mining, and in 2016 was 3 percent for forestry and 1 percent for mining.

² Forestry employed 4,000 direct and 6,000 indirect jobs. Mining employed 450,000 persons in the diamond sector alone.

³ Forestry accounted for nearly half of total national exports.

⁴ Forestry accounted for 10 percent of total state revenues.

⁵ See the World Bank’s Doing Business report (2018): CAR now ranks 184 out of 190 in the “trade across borders” sub-indicator. It is alleged that rebel groups trade illicit goods across the border more easily than legal goods.



The drop in forestry revenue collection caused by the political crisis has left the MWFHF without the means to finance its routine operations. In addition, forestry taxes representing up to 85 percent of local communities' budgets and the decrease in fiscal revenue has significantly impacted the social and economic development in forest regions. The total amount received by local communities decreased from about CFAF 1 billion (US\$1.61 million) per year in 2007-08 to about CFAF 400 million (US\$0.65 million) in 2012-14.

B.2 Mining Sector Overview

8. **CAR has an impressive mineral endowment.** Occurrences include: diamonds, gold, iron ore, uranium, phosphates, nickel, cobalt, copper, columbite-tantalite (coltan), tin, and tungsten. However, to date, an underexplored geological terrain and ongoing instability prevents serious mineral investment from materializing. In the absence of industrial or semi-mechanized projects, artisanal mining is the main source of employment and rural livelihoods. In 2010, the diamond mining sector alone injected as much as US\$144.7 million into local economies.⁶ The latest figures available on employment from 2011 show an estimated 80,000 artisanal mine operators and 320,000 laborers in CAR's diamond fields alone. If collection agents and purchasing offices are included,⁷ the diamond mining sector employed an estimated 450,000 workers prior to the 2013 crisis. There are two main diamond fields located in the country's western and eastern regions, with a combined surface area of more than 80,000 square kilometers. The western diamond deposits, responsible for approximately 60-70 percent of total diamond production,⁸ are located along the country's two principal river systems, the Lobaye and the Mambéré. The eastern deposits are scattered across the Bria and Nzako region, further northeast at Ouandjo, towards the south between Bria and Yakinga, and in Kembé. Alluvial gold is found in many parts of the country, particularly in the west and northwest near the border with Cameroon and in the central and southern areas bordering the Democratic Republic of Congo (DRC).

9. **Despite the prominent role played by artisanal mining in several locales of the country, its contribution to national revenues is marginal.** Prior to the 2013 crisis, as much as 50 percent of CAR's diamond and gold production exited the country undeclared. With the 2013 crisis, legal exports of diamonds were banned when the Government was suspended from the Kimberly Process Certification Scheme (KPCS). This reduced the legal export of diamonds from CAR to zero.⁹ Recent measures may rectify the fiscal situation, bringing a more sizeable volume of diamonds and gold into the official domestic market. First, the KPCS lifted CAR's suspension from the process in 2015, allowing the country to officially export rough diamonds. Furthermore, there is urgent need to improve the speed with which the Government can expedite diamond exports under the KPCS. At present, the period from mine to market is roughly three months—three times the time it used to take. Second, to incentivize domestic mineral exports following

⁶ Hinton and Levin, 2010.

⁷ By law, artisanal diamond miners (who hire diggers called "*ouvriers miniers*") are required to sell their diamonds to "collection agents," who act as intermediaries for major purchasing offices in Bangui.

⁸ The western diamond mining area has produced more diamonds than the eastern diamond fields. This is primarily due to a higher population density in the west of the country compared to the east.

⁹ An estimated 140,000 carats of diamonds, valued at approximately US\$24 million, were alleged to have been smuggled out of the country between the time the KPCS ban was implemented and the end of the second quarter of 2016. Gold smuggled since the crisis is estimated at two tons per annum, mainly via Cameroon, Sudan, Chad, and the Democratic Republic of Congo.



the crisis, in 2016 the new Government reduced fiscal rates on gold and diamond exports, and lowered the registration fees for artisanal mine operators.¹⁰

10. **Pre-crisis production levels also require a rebound in investment capital available from the buying houses.** In fact, buying houses in Bangui had lent out large sums of money to pre-finance Muslim collectors before the crisis and before many of them fled to Cameroon as refugees. These debts were further compounded during the period when CAR was suspended from the KPCS. These debts alongside export restrictions have reduced the working capital of Bangui-based buying houses. Instead, a good number of CAR's diamonds continue to be smuggled across the border for legal export in Cameroon where Muslim collectors who fled during the crisis have established buying houses. It is a positive development that by the end of the second quarter of 2017, numerous Muslim collectors had returned from Cameroon to towns in the southwest of CAR. However, still many Muslim collectors remain in Cameroon as refugees.
11. **At the site level, significant challenges face artisanal miners and diggers working in alluvial deposits.** Alluvial diamonds in CAR are mined from alluvial flats, channel deposits, and terraces adjacent to drainages. The work is arduous and employs only rudimentary technology. Most diggers are paid based on the value of the diamonds or gold extracted, making diggers susceptible to debt accumulation as they work in search of a "find." The labor input from diggers, coupled with the physical risks undertaken in their work, is not always commensurate with earnings.¹¹ These differentials are a source of frustration and tension for diggers.

B.3 Institutional Context

12. **The forest sector's legal and regulatory framework is exceptionally strong with the Government's limited administrative capacity the main obstacle to proper governance.** CAR has significantly improved the transparency and responsibility with which its forest resources are managed. The Government has established a new forestry code, revised the tax system to provide a more equitable return to local communities, and signed a Voluntary Partnership Agreement (VPA) with the European Union within the framework of the international Forest Law Enforcement Governance and Trade (FLEGT) process. The Support Project for the Development of Forest Management Plans (PARPAF) financed by the French Agency for Development (AFD) implemented between 2000 and 2011 greatly improved the management of productive forests in CAR. The MWFHF's decentralized services are tasked with overseeing the activities of logging firms. They operate seven regional offices, including four in the autonomous region of Bangui. However, understaffing is a major problem and existing personnel are often not up-to-date on developments in the sector. The AFD provides technical support to the MWFHF but further capacity building will be required for it to fully execute its mandate.
13. **The Ministry of Mines and Geology (MMG) and Directorate General for Mining and Geology (DGMG) lack the administrative tools and technical staff necessary to govern the sector.** Two areas are

¹⁰ Since the resumption of exports in 2016 until June 1, 2017, a total of 35,269 carats of diamonds were officially exported. Conversely, official gold exports have increased significantly, with 32,935 grams and 41,560 grams exported in 2016 and 2017, respectively.

¹¹ Consider that an artisanal mine operator typically earns about US\$250 per month, while diggers earn just US\$50 per month.



highlighted: (i) the absence of both a cadaster¹² and artisanal mining database to hold all permit and operator information and (ii) related information management systems to record basic profile data of the sector (actors, revenues, and other basic statistics). Thus, the MMG through the DGMG, is unable to use real-time data to monitor and manage operators, analyze and communicate production and export statistics, or to assess the effectiveness of outreach programs, such as the formalization of artisanal miners. In addition, the MMG and DGMG struggle to maintain an effective presence in mining areas, and have very limited technical staff. Officially, there are a total of 23 mining offices across the CAR though many are not staffed due to their location in areas under armed group control. Connectivity varies with the offices in the southwest having only mobile network access to communicate. There is a shortage of technical staff with adequate skills, experience, and academic training at all levels throughout the MMG and DGMG, in part because of the 2013 crisis when a good majority of civil servants fled the country. A regulatory framework is required to steer eventual reforms and capacity efforts. CAR has not yet developed such a mining policy, but the 2009 Mining Code forms the basis of all mining legislation, supported by ordinances and decrees on specific topics. In the future, the government could consider developing a mining policy to also provide a strategic orientation for the sector's evolving legal framework.¹³

B.4 Other Cross-cutting Issues: minority communities, gender, and climate change

14. **The Central African Republic voted in favor of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in September 2007 and became, in August 2010, the first African state to ratify the International Labor Organization (ILO) Indigenous and Tribal Peoples Convention, 1989 (No. 169).** Despite efforts to recognize the rights of Indigenous Peoples (IP), particularly the Aka people which number in the tens of thousands and live primarily in southwest CAR (where the project is considering investments and activities) IP still face major discrimination. IP are often denied the rights and opportunities which national laws and regulations grant to other members of the population. Thus, there is an urgent need to address this issue, as well as to eliminate the socioeconomic gaps that may exist between IP and other members of the national community, in a manner compatible with their aspirations and ways of life.
15. **Activities along the forestry value chains are strongly differentiated along gender lines.** Forestry firms in CAR have a male-dominated workforce, especially for field operations. Women are primarily employed in administrative and support roles, although women foresters may occupy specialist roles such as in forest planning and research. More women hold senior positions in the public sector and NGOs. The role of women is more prominent in rural forest communities where they provide for drinking water, collection of fuelwood, cooking, as well as education and health services. However, women appear to be underrepresented in communities' management committees.
16. **Health and safety for artisanal miners is an important risk to address as are gendered impacts of mining for households and local communities.** Though women enjoy access to the mining economy along the entire value chain, there is a division of labor that has economic implications for women. According to

¹² The USGS is currently making new maps of CAR's diamond mining regions, which could provide the foundation for a national cadaster.

¹³ The Africa Mining Vision provides a useful template for establishing a national mining policy.



interviews with male and female miners in select mines of southwestern CAR, women's roles were commonly: preparing food to sell to miners, washing gravel, clearing earth, and building dams. At the higher end of the value chain, the research equally found it common for women to be owners of mining fields since women inherit land from their parents. Rare, however, were women diamond buyers and sellers, since this function is typically reserved for well-established and wealthy buying houses or individuals in Bangui. Despite considerable access, women did state that their employment in the sector is often poorly paid compared to their male counterparts.

17. **Climate change impacts are expected to further exacerbate economic, social, and environmental issues in CAR and increase vulnerabilities already facing the forestry and mining industries.** With most models predicting an increase in annual average temperatures throughout the country and erratic changes in precipitation patterns, more frequent droughts in the north and/or more frequent and intense flooding events in the south are expected to occur. These occurrences will, in turn, have impacts on the forestry sector, including through decreased hydropower-generation potential due to drought, flood-related damage to infrastructure, forest and agricultural losses from pest infestations, and increasing incidences of water-borne diseases. These changes to the structure and functioning of forest ecosystems will have negative impacts on their productive function. The mining sector, too, is vulnerable to climate change impacts through its dependence on water and energy supplies which are critical inputs to mining processes. With more frequent and severe droughts and changing precipitation patterns, stability and cost of water and energy supplies is expected to be adversely affected, thereby posing challenges to the economic performance of the mining sector. Lastly, given the country's low adaptive capacity, increasing likelihood of natural disasters due to climate change are expected to impact effectiveness and sustainability of infrastructure and equipment in both forestry and mining sectors, as well as transportation and trade networks in CAR. CAR's Nationally Determined Contribution (NDC) under the United Nations Framework Convention on Climate Change (UNFCCC) highlights the country's high potential for climate change mitigation through sustainable forest management and forest landscape restoration. CAR also aspires to address climate risks and adapt to climate change impacts with measures aimed at enhancing resilience of basic infrastructure and services in key sectors and increasing the adaptation capabilities of communities and ecosystems.

C. Higher Level Objectives to which the Project Contributes

18. **The project is fully aligned with the Government's Strategy for Recovery and Peacebuilding (RCPCA),¹⁴ approved in late 2016.** The second pillar of the RCPCA aims to support poverty reduction, economic recovery, and good governance through restoring and improving infrastructure and the capacity needed to deliver quality social and administrative services for the population at large, with a focus on the most vulnerable. The third pillar of the RCPCA identifies the extractive and forestry industries as key drivers for the countries' recovery and growth.
19. **The World Bank's twin goals of ending extreme poverty and boosting shared prosperity are closely associated with those of the Government's recovery strategy.** CAR is among the poorest countries in the world, though it possesses considerable natural resources which constitute a major potential foundation for its socioeconomic development if managed effectively. Improving natural resource governance and

¹⁴ Available at https://eeas.europa.eu/sites/eeas/files/car_main_report-a4-english-web.pdf



institutional framework in CAR will have a direct impact on shared prosperity as it will give the poorest populations in rural areas, such as artisanal miners and forest communities, concrete opportunities to manage and derive economic benefits from natural resources.

20. **Link with the Country Engagement Note (CEN) prepared in 2015.**¹⁵ The proposed project is aligned with the main objectives of the World Bank Group (WBG) Fiscal Year (FY) 16-17 CEN for CAR to (i) restore core public sector institutions; (ii) provide basic support to livelihoods and (iii) enhance basic social service delivery, and the strategic program on governance and natural resources management to support FY17 and FY19, as outlined in the Turnaround Engagement Note (TEN).
21. **Link with Systematic Country Diagnostic (SCD) under preparation.** The scope and objective of the proposed project are in line with the interventions identified in the draft SCD as critical to attaining the twin objectives of income growth and stabilization, including reinforcing public sector governance through improved capacity of the central administration, enabling policy reforms to avoid constraints to future growth, and promoting sectors with high revenue generating potential such as forestry and small-scale mining. Project design and activities also address the need for combining different interventions at the national, regional, and community levels, as stressed in the draft SCD.
22. **Link with the World Bank Group's gender strategy.** To reinforce efforts of the World Bank to close the gender gaps across relevant sectors, project preparation benefited from the State Peacebuilding Fund's Gender-Based Violence Trust Fund.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

23. The project objective is to improve governance and strengthen capacity in the forest and mining sectors in the Central African Republic.

B. Project Beneficiaries

24. Project beneficiaries include the following:
 - **Forestry and mining administrations:** Both the MWHFH and MMG will receive support to improve forestry and mining sectoral governance, including their decentralized services to strengthen enforcement on the ground. In the forest sector, institutional support will target the prefectures of Sangha-Mbaéré, Mambéré-Kadéï, and Lobaye which cover the largest part of the forest stand in southwest CAR. For mining, support will focus on select provincial offices of the Regional Directorate for Mining, including the KPCS-compliant zones of Berbérati, Gadzi, Nola, Carnot, and Boda. One activity intends to support office setup in Bambari to allow an MMG presence in the eastern region.

¹⁵ World Bank. 2015. *Central African Republic - Country engagement note for the period FY2016-2017 (English)*. Washington, D.C. : World Bank Group. Report Number 96209. Available at <http://documents.worldbank.org/curated/en/726401467991967379/Central-African-Republic-Country-engagement-note-for-the-period-FY2016-2017>



Ten Kimberly Process focal points will also be provided with financial and operational support to implement a registration system for artisanal miners within the five KPCS compliant zones, with the system then being rolled out nationwide, security conditions permitting.

- **Forest communities:** The project will support 11 forest communities in southwest CAR to plan and finance local socioeconomic development. Supported forest communities include Baléloko, Moboma, Bogongo-Gaza, Boganda, Lobaye (Lobaye prefecture), Senkpa-M'Baéré, Basse-Mambéré, Haute-Batouri, Basse-Batouri, Basse-Kadeï, and Haute-Kadeï (Mambéré-Kadéï prefecture).
- **Artisanal miners:** Artisanal miners who are registered as individuals, or in cooperatives or associations, will be eligible to participate in the project's small grants program aiming to pre-finance mining operations located in the five compliant zones.

25. **The project will promote the most favorable environment for gendered considerations and actions.** The role of women in formal and informal organizations (e.g. government and nongovernment, community-based organizations, private sector) in which they are involved as beneficiaries, participants, and decision-makers will be supported, with the aim of achieving gender balance in decision-making within these organizations (e.g. through formal education, training, or support for income generation). Investment support to local communities will also consider gender aspects, in particular to take into account the place of women in the use of services such as for health and access to drinking water. The monitoring and evaluation (M&E) system will be based on the Results Framework and will focus on tracking project results and providing gender-disaggregated data whenever possible. In the case of mining, the project has done a separate Gender Assessment during the project preparation and has identified specific activities to address gender impacts under Component 4. It has furthermore added an indicator (beyond those that are gender-disaggregated) to monitor specific gender-targeted activities.

C. PDO-Level Results Indicators

26. The PDO level results of the project would be measured using the following key indicators. The Results Framework presents the project outcome and intermediate indicators.
- a) Forest communities with access to local development package (number)
 - b) Days required from diamond extraction to diamond export (number)
 - c) Registered artisanal and small mining entities access to financial package (of which 30% must be female)
 - d) Regulatory framework operational for mining that adheres to international best practices

III. PROJECT DESCRIPTION

A. Project Components

27. **The project is designed as an Investment Project Financing (IPF), with financing from the International Development Association (IDA).** Its preparation involved field missions for data collection and interviews,



and drew upon the results of the Policy Notes¹⁶ and pieces of completed and ongoing analytical work in CAR. These include CAR's Policy Notes on Forestry and Mining (2016) and several sectoral studies financed under the Emergency Public Services Response Project (EMPSRP/PURSeP II, P154304) comprising the Feasibility Study on a Data Collection System for Domestic and International Timber Prices in CAR (2016)¹⁷ which aimed to strengthen operational capacities in monitoring of the market and industry practices; the Financial and Technical Diagnostic of Forestry Companies in CAR which aimed to understand the short- and medium-term needs of forestry companies to enable sustainable recovery of the industry; and the Study of the Export Transport Cost and Taxation of Wood Products in the CAR (2018)¹⁸ which aims to compare CAR's current tax system to that of other countries among COMIFAC and make recommendations on potential adjustments. Two prior studies conducted by the World Bank formed the basis of the literature. A specific qualitative assessment on gender in proposed mining project areas was also conducted.

28. **The proposed project will combine technical assistance and incentives to strengthen forest and mining governance and generate socioeconomic benefits for communities.** More specifically, the project will support the forest administration in its efforts to improve the sector's tax collection and redistribution system. In the meantime, operating resources in decentralized services will be bolstered to enhance oversight and control on the ground (Component 1). Communities living in forest areas will receive both technical assistance to define local development strategies and support to finance their priority investments (Component 2). The project will also support CAR's authorities in strengthening the regulatory and institutional framework governing mining (Component 3). Artisanal miners will be incentivized into formalization activities to improve the sector's overall governance and socioeconomic outcomes (Component 4).

ACTIVITIES IN THE FOREST SECTOR (US\$3.68 million equivalent)

Component 1 – Institutional support: Strengthen the fiscal and governance framework of the forest sector (US\$1.26 million equivalent)

29. This component will support the forestry administration in its efforts to identify and implement practical measures to improve the forestry sector's tax collection and redistribution system. While waiting for the benefit of a more efficient tax system and increased revenues, the project will also bolster the forestry department's operating and inspection resources to enable it to fulfill its mission of managing the country's forestry assets.

Activity 1.1: Analysis of the forestry tax system and support for the implementation of recommendations aimed at its improvement (US\$250,000)

30. This activity will aim to help the country work toward an increasingly transparent and efficient forestry

¹⁶ World Bank. 2016. *The Mining Sector in Central African Republic. Central African Republic Policy Notes*; and World Bank. 2016. *The Forestry Sector in Central African Republic. Central African Republic Policy Notes*. These notes are part of the Central African Republic Policy Notes (P157806).

¹⁷ World Bank. 2016. *Feasibility Study on a Data Collection System for Domestic and International Timber Prices in Central African Republic*.

¹⁸ World Bank. 2018. *Export Transport Cost and Taxation of Wood Products in the CAR*.



tax system, which ensures socioeconomic development, poverty alleviation, and provides the forestry administration with the means to operate. An inventory and evaluation of past measures aiming to improve the forestry tax system in CAR will be carried out, and additional adjustments to the fiscal framework will be studied. In particular, resourcing requirements of the Forestry Administration will be analyzed in view to ensuring efficient and sustainable governance of the sector and suggesting measures conducive to higher tax revenues directly supporting the MWFHF's operations and budget and forest communities. The technical assistance will also look at barriers and levers in the development of the forest sector, and propose a coherent plan for the revitalization, including practical measures and financing needs, while enhancing the vitality and supporting the development of minority communities within the forest communities. Minority communities include IP, women, and youth, among others. A roadmap will be developed for the implementation of identified measures, including the various phases of the tax reform, expected results, and interim objectives and any measures and resources aimed at facilitating implementation.

Activity 1.2: Development of a national information system for the collection of forestry market data and the issuance of tax notices (US\$250,000)

31. The project will support and commission the development of a national information system aimed at improving the collection and processing of forestry sector data and the calculation and issuance of tax notices. Technical support will also be provided to define and implement the institutional anchoring of the new system and any associated regulatory framework.

Activity 1.3: Support for the operating costs of the decentralized forestry administration (US\$660,000)

32. This activity will supplement the technical assistance provided to the MWFHF centrally with the specific objective of improving the operation and control capacities of its decentralized services. It will take the form of aid in the operating budget for decentralized forestry administration throughout the duration of the project while awaiting the increase in regular tax collection as well as a realistic and adequate budget allocation, which are crucial factors for the proper governance of the forest sector. The proposed support will be specifically intended for the Regional Directorate No. 1 (RD1) and Regional Directorate No. 2 (RD2) – which cover the biggest part of the large forest stand – and target priority needs regarding transportation, communication, and administrative premises.

Activity 1.4: Support to Parliament on the implementation of Article 60 of the CAR Constitution (US\$100,000)

33. The project will support CAR's Parliament in implementing Article 60 of the Constitution which outlines the role of Parliament in reviewing prior to signature any resource-related contracts negotiated by the Government and requires that, once signed, these contracts be publicized. Activities may include workshops to educate parliamentarians on how other resource-rich nations involve their parliament in such matters and exchange visits to neighboring countries where such roles by parliament exist. The project will also support CAR with technical assistance for any adjustment required in the Forest Code and/or secondary legislation for compliance with Article 60 of the CAR Constitution (e.g. modalities of allocation of industrial logging permits).



Component 2 – Local development: Support forest communities in planning and financing their development priorities (US\$2.42 million equivalent)

34. This component will support 11 forest communities¹⁹ in the country's southwest in identifying, planning, and financing development actions in an inclusive and participatory manner, with all the stakeholders concerned.

Activity 2.1: Establishment of Local Development Committees (LDCs) in forest communities (US\$220,000)

35. This activity will help every forest community targeted by the project set up LDCs and encourage cooperation and the systematic circulation of information. The LDCs should permit all stakeholders to work together for local development, with each person's roles and responsibilities integrated into this process, including councilors and community services, representatives of civil society, local populations, decentralized administrations, and the private sector (forestry companies). A special emphasis will be placed on minority communities, including IP, women, and youth to ensure that their views will be considered in the decision-making process which will govern the design of the Local Development Plans (LDP).

Activity 2.2: Technical support for forest communities to develop their LDP (US\$550,000)

36. This activity will provide technical support to each community targeted by the project for the development of its LDP, primarily through the LDCs created for the purpose. The development of LDPs will rely on the establishment of operations management committees, define modalities of the management of community finances and require the instituting of public procurement procedures. The implementation priorities will be determined based on the social, technical, and economic pertinence of the actions and investments identified in the LDPs, as well as their territorial coherence. Decisions will be made by the municipal authorities on a consensual basis and with the technical support of the project with a special attention to minority communities and vulnerable groups. Activities designed to strengthen capabilities will also be organized to benefit municipal services in the implementation of the LDPs.

Activity 2.3: Financial support for priority investments identified in the LDPs (US\$1,650,000)

37. The co-financing of priority actions defined by the LDCs will be through funds specially made available to the communities in the form of grants, in accordance with jointly-agreed procedures and tools. The financial participation of the communities per specific financial rules will be required in all cases. Local expertise – provided it is available and qualified – will be tapped for implementing physical investments. The project team and the local authorities will oversee the choice of service providers. The main types of actions that have been identified for co-financing include social development free of discrimination against minority communities, economic development, and management of natural resources. The level of financing allocated to communities will be relatively modest to encourage prioritization in favor of the most pertinent projects, allow for the use of the communities' own resources, and respect the pace and financial contribution and execution capacity of communities.

¹⁹ Together with the Regional Development Project in the southwest (PDRSO) supported by AFD, all the forest communities in the country's southwest will be supported technically and financially.



ACTIVITIES IN THE MINING SECTOR (US\$ 3.80 million equivalent)

Component 3 – Technical assistance: Improve mining sector policies and institutional governance (US\$1.81 million equivalent)

38. This component focuses on improvements to the regulatory and institutional framework governing mining in the CAR. The purpose is to align the CAR's framework to international best practice, and to provide its institutions with knowledge and tools to carry out their mandated functions.

Activity 3.1: Mining policy development and establishment of a mining sector working group (US\$120,000)

39. The project will support the formulation of a mining policy defining the country's vision for mining, rationalize ministerial objectives and activities pursued, and coordinate approaches to regulating the sector across ministries. Concurrent to the development of the mining policy, the project will support the Government in establishing a Mining Sector Working Group, whose responsibilities will include monitoring the policy's implementation and coordinating partner interventions in the sector.

Activity 3.2: Revision of the 2009 Mining Code (US\$320,000)

40. The Mining Code will be revised with attention to fiscal conditions, institutional governance, and social and environmental standards so that the CAR's mining code is internationally competitive and conforms to best practice. Targeted background studies in addition to a comparative legal review of neighboring jurisdictions will inform eventual proposals made to the Government on the revision. Extensive stakeholder consultations on the proposed revisions, including implementing modalities, will be supported before its submission to the legislature.

Activity 3.3: Data Management, including permitting (US\$920,000)

- *Sub-activity 3.3.1: Establishment of a centralized database management system (US\$190,000)*

41. This activity will support the establishment of a mining database system allowing for real-time data from mine sites and provincial DGMG offices to be captured digitally and transferred from remote offices to a central database at the DGMG in Bangui. By digitally linking information from artisans' registration books, collectors' notebooks, and buyers' bordereaux, the DGMG can track and reconcile transactions for gold and diamonds through the supply chain, in support of the hard-copy paper trail.

- *Sub-activity 3.3.2: Creation of a GIS-based mining cadaster (US\$730,000)*

42. This activity supports the Government to build its first modern digitized mining cadaster system, in line with the procedures outlined in the Mining Code and accompanying regulations for application, evaluation, granting and compliance monitoring of mineral rights and related permits. The cadaster is a mining registry encompassing all licenses issued in the country (artisanal mining, semi-mechanized, exploration, and mining concessions).

Activity 3.4: Institutional capacity-building (US\$450,000)

- *Sub-activity: 3.4.1: Perform functional review of the DGMG (US\$220,000)*

The objective of this activity will be to strengthen the operational and technical capacities of the mining administration by assessing the respective functions and mandates of each technical department in the DGMG, and suggest how coordination between central and provincial offices can be improved. The review will also assess how best to enhance inter-ministerial communication, information sharing, and



coordination on important topics and issues.

- *Sub-activity 3.4.2: Strengthen the capacity of the DGMG to operate provincial offices (US\$131,000)*

43. The support provided to the DGMG will focus on provision of computers, IT equipment, internet connectivity, and power to select provincial offices in the southwest of CAR for the Government to effectively implement the KPCS requirements for legal exports of diamonds in the five zones which have been declared compliant by the KPCS (namely Berberati, Gadzi, Nola, Carnot, and Boda). The project will also provide for the refurbishment of an office building in Bambari, if only in a limited fashion at the outset, to allow an MMG presence in the eastern region. Such a presence is important for the eventual monitoring and implementation of sector activities, once the security situation stabilizes.

- *Sub-activity 3.4.3: Support to Parliament on the implementation of Article 60 of the CAR Constitution (US\$100,000)*

44. The project will support CAR's Parliament in implementing Article 60 of the Constitution. Activities may include workshops to educate parliamentarians on how other resource-rich nations involve their parliament in such matters and exchange visits to neighboring countries where such roles by parliament exist. The project will also support CAR with technical assistance for any adjustment required in the Mining Code and/or secondary legislation for compliance with Article 60 of the CAR Constitution.

Component 4 – Local development: formalization of the artisanal mining sector (US\$1.98 million equivalent)

45. This component will implement critical formalization activities for artisanal mining operations. It will use small grants as one incentive to encourage miners to carry out basic formalization requirements such as registration and declaration of production. Geographic focus for the small grants program will be limited to Berbérati, Gadzi, Nola, Carnot, and Boda with the artisanal miner registration system being rolled out nationwide, security conditions permitting.

Activity 4.1: Artisanal Mining Registration System to improve monitoring of the sector (US\$984,000)

46. Registration systems currently employed by the DGMG will be enhanced by a digital registration system that allows real-time data to be uploaded at mine sites and transferred via internet to the central database in Bangui. Increasing the number of registrations on sites will strengthen the KPCS Operational Framework in CAR and will enhance mineral traceability in the sector. Registration outreach will initially focus on (i) areas with the highest concentration of artisanal miners and (ii) areas most affected by fraud. Data should be captured on tablet devices and should record the registration details of individual artisanal miners, the location of the mining sites, and information from the artisan's registration books. In addition, Government will focus efforts on placing the registration obligation with artisanal miners, cooperatives, and pit owners, to reduce the amount of paperwork for individual artisanal worker registration. The project will cover the purchase of motorbikes and all associated costs (salaries, per diems, and equipment) for 10 Kimberley Process focal points working within compliant zones.

Activity 4.2: Small grants program to increase financial inclusion (US\$900,000)

47. The Small Grants Program (SGP) aims to provide rapid, short-term funding to artisanal miners who are registered as individuals or with cooperatives, associations, partnerships, and companies. The SGP will (i) increase incomes of miners, empower operators to further professionalize their operations, therefore turning them into economically, environmentally, and socially-sustainable entrepreneurial activities, and



(ii) augment liquidity in the supply chain by pre-financing cooperatives and artisanal miners, leading to higher employment and increased diamond and gold production, higher per capita income, and higher government tax revenues. The SGP funding focuses on increasing performance of artisanal mining activities directly or indirectly through improved mining practices, adherence to environmental and social standards, and compliance with international certification measures currently in use in the CAR, such as the KPCS. Both gold and diamond operations will qualify following the baseline assessment's determination of priorities. Given its importance in providing capacity support to cooperatives, the National Union of Mining Cooperatives in CAR will receive earmarked support to strengthen its mission and mandate.

Activity 4.3: Closing the gender gaps in mining communities (US\$100,000)

48. In addition to efforts undertaken in Activity 4.2 to ensure 30 percent of recipients of the SGP will be female-headed mining entities, this sub-activity will work with women miners to address key constraints to their full participation in the mining sector. Based on initial consultations held during project preparation, areas will include: (i) building associative and network capacities of women miners to advocate for their rights in the sector and (ii) addressing working conditions specific to women through on-the-ground campaigns (for example, lack of child care facilities and sanitation at sites). The project will make use of initiatives in the region (Women in Mining Associations) and ongoing activities in other World Bank-funded mining projects to provide CAR women miners with exchange experiences.

Component 5 – Project management, contingencies and overheads (US\$2.22 million equivalent)

49. Arrangements for project management—including fiduciary oversight and operations—are described in Section IV, and a detailed budget is provided in Annex I.

B. Project Cost and Financing

Project Components	Project cost (US\$ million)	IBRD or IDA Financing	Trust Funds	Counterpart Funding
FOREST SECTOR	(49%)			
1 - Institutional support	1.26	100%	0%	0%
2 - Local development	2.42	100%	0%	0%
MINING SECTOR	(51%)			
3 - Institutional support	1.81	100%	0%	0%
4 - Local development	1.98	100%	0%	0%
5- Project management	2.22	100%	0%	0%



Total Costs

Total Project Costs (incl. 3% contingencies and 5% overhead)	9.70	100%	0%	0%
Project Preparation Advance	0.30	100%	0%	0%
Front End Fees	N/A	N/A	N/A	N/A
Total Financing Required	10.00	100%	0%	0%

C. Lessons Learned and Reflected in the Project Design

- 50. **The project represents a reengagement between the CAR Government and the World Bank in the forest and mining sectors.** The World Bank brings to this project its global expertise supporting these sectors in fragile states. As concerns mining, the project follows an approach employed successfully in several fragile states in Sub-Saharan Africa where mining sectors required restoration following a prolonged period of instability. The approach builds on the Extractive Industries Value Chain (EIVC) which considers the legal and regulatory framework as an important foundation for attracting potential foreign investment into geological works. The approach also recognizes that in the absence of a formal industrial mining, artisanal and small-scale mining (ASM) plays a crucial bridge-building role for rural economies and therefore requires attention in a post-crisis period to fully realize its economic and social potential.
- 51. **The project will support implementation of a Development Policy Operation (DPO) under preparation (Second State Consolidation Development Program–SCDP2, P164442).** The SCDP2 supports the reestablishment of basic fiscal management and transparency in CAR, as well as economic recovery in productive sectors critical to the country’s growth and stability, such as forestry.²⁰ The proposed project will also take advantage of past and ongoing studies financed by the World Bank’s EMPSRP which provided data, findings, and recommendations informing project design in regards to forestry activities, and allowed for early engagement with the MWFHF on potential support from the World Bank in the sector. In terms of implementation arrangements, the project will leverage the existing and experienced Project Implementation Unit (PIU) of the Central African Economic and Monetary Community Transport and Transit Facilitation Program (CEMAC TTF, P160500) to oversee fiduciary arrangements and operations—as detailed in Section IV.
- 52. **The project will also seek to leverage the outcomes and experience from projects supported by development partners.** In the forest sector, substantial operational synergies will be sought with the PDRSO financed by the AFD over 2016-20. The PDRSO is a US\$7 million project designed to focus on three policy areas: local development, support to central government agencies, and advancing international cooperation under the *Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries* (REDD+) program. Under the local development component of PDRSO, 10 out of the 21 recognized forest communities in CAR will receive technical assistance and financing to prepare and

²⁰ SCDP2 does not cover the mining sector due to operational and security constraints.



implement local development plans. The objective of such support will be to enhance communities' access to sustainable revenue from forestry resources and enable collective development. The proposed project will further this effort and support the 11 forest communities which are not currently covered by the PDRSO. The project will also take advantage of the experience and activities under the Program for the Promotion of Certified Forest Management (PPECF) supported by Gesellschaft für Internationale Zusammenarbeit (GIZ) which provides capacity-building and professional training to the MWFHF and forestry firms' staff in CAR. In the mining sector, the United States Agency for International Development (USAID) is supporting the Property Rights and Artisanal Diamond Development (PRADD II) which is a US\$1.7 million capacity-building project running until 2018 and focusing on improving data collection and reporting to the KPCS, strengthening multi-stakeholder teams at the national and regional levels, and training both the national authorities and local officials in Berbérati on KPCS compliance criteria. It also focuses on social-cohesion efforts in diamond-mining communities. USAID's program has also laid the groundwork for larger institutional strengthening efforts as proposed under this project. The KPCS work to export diamonds from the four compliant zones is a foundation to be further built upon by the proposed project.

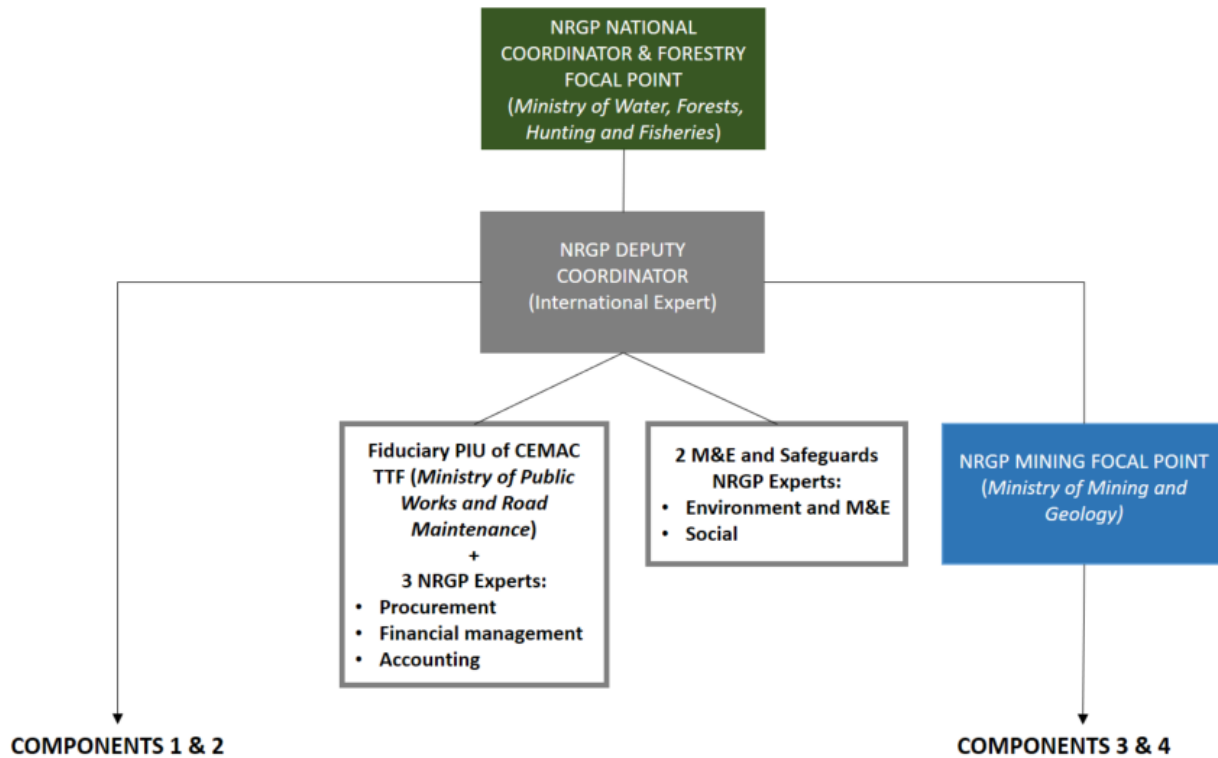
IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

53. **The institutional and implementation arrangements are tailored to fit the specific needs and constraints of the local context, while building on fiduciary capabilities already existing in CAR.** The project will leverage the existing PIU of the CEMAC TTF to oversee fiduciary arrangements and operations. The PIU of CEMAC TTF is housed within the Ministry of Public Works and Road Maintenance (MPWRM) and has experience and a track record in successfully implementing the full suite of fiduciary measures required for World Bank-financed projects. In addition, the PIU has political backing from the highest levels in Government.
54. **The CEMAC TTF PIU will provide guidance and oversight to the fiduciary team recently hired for the implementation of new projects in the environment sector.** As of today, these include (i) the REDD+ readiness preparation support (P156721) from the Forest Carbon Partnership Facility (FCPF), implemented by the REDD+ Technical Coordination Agency (CT REDD) within the Ministry of Environment and Sustainable Development (MESD) and (ii) the present project. The fiduciary team will consist of one procurement specialist, one financial management specialist, and one accountant, and will be housed within the MWFHF's premises. Consultant costs of the fiduciary team will be split on a 50/50 basis between this project and the REDD+ preparation project. Hardship allowances will be allocated to the CEMAC TTF PIU staff to compensate for increased travel and communication costs due to the increased workload.
55. **The NRG implementation will be led by a Technical Unit (TU) headed by a national coordinator, who will be a CAR national from the MWFHF and will also serve as the focal point for forestry activities (see Figure 11).** The national coordinator will be supported by an extended team including (i) a focal point for mining activities sitting in the MMG to ensure close sectoral cooperation; (ii) an international expert in charge of day-to-day operational project management; (iii) an environmental and M&E expert responsible for safeguards and results monitoring; and (iv) a social safeguards specialist.



Figure 1 – Institutional and Implementation Arrangements Diagram



56. **Project Steering Committee.** A steering committee will be created to oversee all aspects of the work undertaken by the project. It will be co-chaired by MWFHF and MMG and include officials from other administrations, including the Ministries of (i) Economy, Planning, and Cooperation; (ii) Land Management, Decentralization, and Local Development; and (iii) Agriculture and Rural Development. The steering committee will also include representatives from prefectures covered by project activities (i.e. Lobaye, Mambéré-Kadéï, Nana-Mambéré, and Sangha-Mbaéré). It will convene regularly (once every six months at minimum) to approve annual work plans, make strategic decisions, and monitor project implementation. The Bank will be responsible for approving the annual work plan and budget of the committee.
57. **Project Preparation Advance (PPA).** A PPA of US\$0.3 million was requested from the World Bank to support the Government in preparing the detailed studies required for project implementation including (i) the Environmental and Social Management Framework (ESMF) with specific sections addressing the requirements of the safeguards policies triggered, in particular OP/BP 4.04 (Natural Habitats), OP/BP 4.36 (Forests), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.09 (Pest Management), and OP/BP 4.12 (Involuntary Resettlement); (ii) an Indigenous Peoples Planning Framework (IPPF); (iii) an Integrated Pest Management Framework (IPMF); (iv) a Resettlement Policy Framework (RPF); and (v) a Process Framework (PF).



B. Results Monitoring and Evaluation

58. **The responsibility for M&E will formally lie with the NRGP TU hosting the safeguards and M&E expert in charge of environmental safeguards and results monitoring.** The NRGP TU will prepare biannual progress reports on the various components under its responsibility, with contributions from other stakeholders. Progress reports will be available to the World Bank within 30 days from the end of each reporting period. These reports would detail physical progress with respect to the indicators in the results framework.
59. The NRGP TU will also:
- a) Provide quarterly monitoring reports (“Safeguard Monitoring Reports”) covering adequate information on monitoring the measures defined in the Safeguard Instruments, and more specifically the following:
 - measures taken in furtherance of such Safeguard Instruments;
 - conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and
 - remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments;
 - b) Include summaries of the Safeguard Monitoring Reports in the project reports; and
 - c) Provide the World Bank with an opportunity to exchange views on such reports with the NRGP TU, under a reasonable timeline.
60. **Safeguard Monitoring Reports.** Reports shall contain information on (i) the preparation of Environmental and Social Impact Assessments (ESIA) pursuant to the ESMF, including Environmental and Social Management Plans (ESMP) as needed; (ii) the preparation of Resettlement Action Plans (RAP) pursuant to the RPF; and (iii) the preparation of Indigenous People Plans pursuant to the IPPF.

C. Sustainability

61. **Institutional sustainability:** The project is grounded in the country’s strategic objectives (in particular the RCPCA enacted in 2016) and existing government institutions (i.e. MWFHF and MMG) and does not intend to create any new or permanent structures. The project builds on ongoing and recently completed initiatives by the World Bank and other development partners, and includes substantial capacity-building elements expected to strengthen the MWFHF’s and MMG’s ability to fulfill their core functions after the end of the project.
62. **Financial sustainability:** Overall, the project’s financing will be targeted at addressing priority needs of artisanal miners and rural communities, as well as improving governance of related sectoral administrations. By doing so, the project activities will help build capacity of administrations to generate fiscal revenues, which will, in turn, provide a basis for sustainable financing of operating and livelihood needs of beneficiaries. In addition, operating methods implemented by the project will promote sustainability. For instance, the level of financing allocated to rural communities in support of their priority investments (Component 2) will be relatively modest to: encourage bargaining in favor of the most pertinent projects and the use of the communities’ own resources, respect the pace and execution



capacity of communities and populations, and avoid creating a situation that is too different from the existing one without the project. Also, the grants provided to artisanal miners (Component 4) will be allocated as a percentage of total investment costs and subject to specific conditions and eligibility criteria.

63. **Environmental sustainability:** By both strengthening the operating power of the forest administration and enhancing the governance framework of the sector, the project is expected to result in stronger oversight of logging activities in CAR (i.e. enforcing the application of sustainable forest management plans in forest concessions and fighting against illegal logging). In addition, capacity building to forest communities on development planning will encourage sustainable development choices and use of natural resources. In mining, the project will support aligning sectoral governance with best international practices and standards, including in regards to environmental sustainability. The grants allocated to artisanal miners are expected to increase performance of artisanal mining activities through improved mining practices, adherence to environmental and social standards, and compliance with international certification measures currently in use in CAR, such as the KPCS.
64. **Social sustainability:** Technical support provided to rural communities in defining their socioeconomic development strategies will encourage cooperation and systematic circulation of information between all stakeholders (e.g. support to setting up LDCs). Resulting targeted investments in communities will involve mainly the health, education, and water supply sectors and will not be limited to infrastructure but will also include training (of staff, or community or distributed services) aimed at improving the running of existing services or the introduction of new services. The grants allocated to artisanal miners are expected to increase incomes and empower operators to further professionalize their operations, therefore turning them into economically and socially-sustainable entrepreneurial activities. Finally, wherever possible, the project will promote the most favorable environment for gender-sensitive considerations, policies, and actions.

D. Role of Partners

65. **In the forest sector, the main partner of the World Bank will be the AFD.** The AFD PDRSO (US\$7 million, 2016-20) is supporting 10 forest communities in southwest CAR with development planning and financing of priority investments. The project will implement similar interventions in 11 other communities not covered by the PDRSO. Therefore, the project will consider results from the first set of PDRSO communities and seek significant operational synergies at implementation with the second set of communities. The project will also leverage the experience and activities of GIZ's PPECF which provides capacity building and professional training to the MWFHF and other stakeholders in CAR's forest sector.
66. **Partner focus in the mining sector is on KPCS implementation.** The United States Government, through its relevant agencies, is the most active in supporting the CAR Government in meeting KPCS requirements. These agencies include the United States Agency for International Development (USAID), the United States Geological Survey (USGS), and the United States Department of State (State Department). The latter two are members of CAR's KPCS Monitoring Committee where USAID, through a third-party implementer, is supporting artisanal mining formalization activities in the five KPCS compliant zones (Nola, Berbérati, Gadzi, Carnot, and Boda). The World Bank regularly liaises with USAID, USGS, and the State Department to ensure the best possible leveraging of partners' resources. The South African Government signed a memorandum of understanding (MoU) with the CAR Government in 2017 to develop a few strategic axes in the mining sector, notably in geological works and in upgrading university facilities where mining disciplines are taught. A mining sector working group has been proposed as part of this project, as



a further mechanism by which in-country partners can exchange information and leverage their resources. Setup of the working group will be a Year 1 result. The African Union, more specifically the office in charge of the Africa Mining Vision, will be a key partner in revising CAR's mining policy.

67. **The United Nations peacekeeping mission (MINUSCA) is leading the development with the CAR Government of a national strategy to tackle illicit exploitation and trade of natural resources, including timber and minerals.** The project is addressing several elements highlighted under this working strategy and is looking forward to close cooperation in the future.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

68. **The proposed project overall risk is High.** The risks ratings are presented in the Systematic Operations Risk Rating Tool (SORT) which appears in the data sheet. The risks rated substantial and above are identified below along with the proposed mitigation actions.
69. **Political and governance.** The risk is High. The country's political situation is still highly volatile. A large part of the country continues to face major security concerns with armed groups carrying out atrocities across the country. The North-West basin is one of the hotbeds of violence and shelters several Anti-Balaka rebel groups. The North-East basin is largely controlled by the Ex-Seleka militias. Thirteen thousand troops of the MINUSCA contingent are deployed across the country but face increasing distrust from the local population. The recent crisis reignited longstanding grievances regarding regional disparities in resource allocation and the concentration of political power and economic development in Bangui. The reconstruction of the State and its development capacity depend heavily on the political stability of the country, which, in addition to its own tensions, could be destabilized by the still-complex situation of neighboring countries (especially Sudan, Chad, and DRC, among others). Project activities are proposed to first focus on southwest CAR which features abundant natural resources and related commercial exploitation activities and has enjoyed more stability, government control, and security relative to other parts of CAR. However, considering the fragile environment of the country, flexibility in project modalities will allow for broadening the geographical scope of activities where security conditions permit.
70. **Macroeconomic.** The risk is High. CAR's economy is recovering slowly from the crisis. In 2013, CAR faced a dramatic recession with a negative growth rate of 36 percent. Large sections of the economy— including forestry and diamond mining—suspended their activities. All major economic indicators plunged during the crisis and only modest improvement has since been observed. Because of an extremely low level of domestic resource mobilization (7 percent of GDP in 2015), and heavy debt burden, despite completion of the Highly Indebted and Poor Countries (HIPC) initiative in 2009, CAR remains at high risk of debt distress. The slow economic recovery and the lack of basic fiscal management and transparency may put a strain on efforts to improve overall governance in key economic sectors such as forestry and mining. Such risks need to be mitigated through ongoing macroeconomic dialogue and leveraging the World Bank, the International Monetary Fund (IMF), and other key development partners. The IMF completed its first review of the arrangement under the Extended Credit Facility (ECF) and approved a US\$16.6 million disbursement on December 21, 2016. A World Bank DPO (SCDP2) is currently being prepared.



71. **Sector strategies and policies.** The risk is Substantial. The project tackles natural resource sectors that are sensitive in nature. It will address challenging intersectoral dynamics and affect the interests of some stakeholders with vested interests who may oppose change. Activities in natural resources, more broadly, are also under scrutiny by civil society and NGOs. For these reasons, the financing is largely targeting technical assistance, capacity building, and institutional support, and the proposed activities will have limited exposure to some of the potentially higher risks inherent to these sectors.
72. **Institutional capacity for implementation and sustainability.** The risk is High. Weaknesses in sectoral governance for mining and forestry are compounded by weak public institutions, deficient infrastructure, and political instability. In addition, because project activities cover both sectors there is a risk of insufficient harmonization and coordination among sector ministries which could lead to implementation difficulties and inconsistencies. A national coordinator (local) and a deputy coordinator (international expert) will supervise day-to-day activities which should ensure close operational cooperation across sectors (see Section IV). Past and ongoing programs by other development partners (e.g. AFD and USAID) have also laid the groundwork for larger institutional strengthening efforts as proposed by the project. Intense supervision will be provided to launch the project. Due to the relative stability of southwest CAR, teams will perform regular visits to project sites.
73. **Fiduciary.** The risk is Substantial, considering the political and security situation of the country, weak legal framework, and past project experience with operational delay and poor contract management. The CEMAC PIU that is proposed to take on the project's fiduciary responsibilities features a strong track record and experience of working with the World Bank and applying fiduciary and safeguards-related policies and procedures. The procurement risk assessment of the CEMAC PIU was rated moderate (see Section IV).
74. **Environment and social.** The risk is Substantial. Project activities are expected to generate positive social and environmental impacts overall, through improved sectoral governance and industry performance, and adherence to environmental and social standards. Any increase in production output combined with weak governance, however, pose environmental risks ranging from contamination of soil, groundwater and surface water to non-inclusive investment practices and subsequent deterioration of livelihoods among rural communities. The project is not expected to require land acquisition or involuntary resettlement of people, but some activities related to investment support in rural communities may potentially reduce access to natural resources or potentially create some restriction of access for some households. Specific mitigation measures will be designed to address potential negative impacts as detailed in Section VI on environmental and social safeguards.
75. **Stakeholders.** The risk is Substantial. During project preparation, the Government and the World Bank held consultations with main stakeholders, including artisanal miners, diamond buyers, forestry firms, rural communities etc., who broadly supported the project. At the implementation stage, further consultations with targeted stakeholders will be needed to ensure a thorough understanding of project activities as well as broad participation. Support to rural communities on development planning will promote an inclusive process with gender sensitive considerations. In addition, coordination and alignment with existing projects and actors (including AFD and USAID) will be critical to ensure that the government capacity is strengthened. Similarly, multiple approaches to community consultations and engagement may reduce the effectiveness of the individual projects and waste communities' time unless



they are well coordinated. The project will therefore proactively engage in coordination and alignment between projects and seek operational synergies wherever possible.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

- 76. **The cost benefit analysis conducted for this project yields positive results across a variety of sensitivity analyses and data assumptions (see Table 1 below and Annex 5 for details).** This analysis contrasts the actual costs with economic benefits for the project, both discounted to 2018 (the baseline year). Benefits will be generated through the improvement of the socioeconomic development outcomes of the forestry and mining sectors in CAR by combining sectoral regulation enhancement, institutional capacity strengthening, and support to priority investments in targeted rural areas. For this economic analysis benefits are assumed to be generated from increased revenue generation and distribution from the mining and forest sector.
- 77. **The Net Present Value (NPV) is estimated to be US\$122.5 Million, and the Benefit Cost Ratio is 16.05. The result robustness was verified through different sensitivity analyses.** Different discount rates (5 percent, 10 percent, and 20 percent) were applied. The benefits are larger than the costs throughout all scenarios, even though this analysis excluded many benefits which are likely to trigger further positive developments, such as the environmental benefits generated through institutional support of the forestry tax system or the support of the enforcement of forest governance and of the reform of the mining regulatory framework towards international best practices.
- 78. **The economic benefits generated by the project are likely to have significant development impacts given the broader economic framework of the project’s implementation.** The potential for the project to catalyze important development momentum in natural resources management is very high as is its potential for continuity beyond the project’s timeline. Providing additional livelihood opportunities in rural areas can yield important secondary effects, for example with respect to improving agriculture production, and increasing access to education and health services. The project can serve as an important catalyst for generating changes with impacts beyond the immediate project boundaries and lifetime of the project.

Table 1 – Summary of net present values and benefit cost ratio under different scenarios for benefits and a 15-year time period

15 years	Baseline			Baseline -20% Benefits			Baseline -50% Benefits		
	5%	10%	20%	5%	10%	20%	5%	10%	20%
NPV [in US\$ million]	122.5	82.6	42.5	96.4	64.7	33.0	57.2	37.9	18.9
B/C-Ratio	16.05	13.28	9.94	12.84	10.63	7.96	8.02	6.64	4.97



B. Technical

79. **The project follows international good practice guidelines in the interventions supported, given country conditions and capacity.** Support to the artisanal mining operators to build capabilities and invest in productive assets also follows good practice, in that it achieves institutional, financial, environmental, and social sustainability as explained in Section IV.C. In addition, local development planning efforts supported by the project in rural communities promote the active involvement of local stakeholders and different levels of government, with a specific focus on gender considerations. The geographical focus of project activities in southwest CAR is justified by the abundance of natural resources and related commercial exploitation activities in the area, and the benefits of finding synergies between forestry and mining project activities. The stability, government control, and security in the region relative to other parts of CAR also justify the geographical focus of the project. However, flexibility in project design and implementation modalities will allow broadening the geographical scope of activities where security conditions permit.
80. **The MWFHF and MMG are well-positioned to lead the technical implementation of the project activities.** Both ministries have the full mandate, expertise, and networks to regulate and oversee commercial activities and stakeholders in their respective sectors. Existing institutional and capacity weaknesses within the forestry and mining administrations will be addressed through the project by providing them with analytical and operating support which will in turn benefit sectoral governance through the strengthening of enforcement in the field.
81. **Project activities promote efforts towards the reduction, limitation, or sequestration of GHG emissions and enable CAR to adapt to the negative impacts of changing climate.** By strengthening CAR's forest governance framework and institutions, Component 1 will support the country at fighting illegal logging activities and promoting forest conservation, and to enforce sustainable forest management requirements in logging concessions. Sustainable forest management and conservation increase carbon stocks, reduce the impact of forestry activities, and have a central role in climate change adaptation by strengthening adaptive capacity of trees (e.g. forest health and reduces vulnerability to changing ecosystems and increased fire hazards) and forest dependent communities (e.g. diversifying forest management-related employment opportunities and livelihoods). Therefore, activities proposed under Component 1 contribute to CAR's NDC objectives to reduce emissions from land use change and forestry and streamline adaptation measures into key sectoral policies. Component 2 will support rural communities in identifying, planning, and financing local development actions taking into account the country's climate change risks and vulnerabilities and its objective to participate in global climate change mitigation efforts. Therefore, capacity building and investment activities supported by project activities under Component 2 will result in increased climate change awareness and adaptation capabilities in rural communities, and will enhance low carbon and resilience practices in the development of infrastructure and provision of services in key sectors (e.g. agriculture, health, education, natural resources etc.). Project activities under Components 3 will support reforming the mining regulatory framework to consider and implement international best practices, including environmental standards that address climate risks and protect against climate impacts (e.g. avoiding deforestation and river pollution which undermine communities' adaptive capacity) and generate carbon benefits (e.g. avoiding damages to forests and soil which are critical GHG sinks). Therefore, activities under Component 3 contribute to CAR's NDC general



objectives of seeking sustainable, low-carbon development and growing resilience of key sectors including management of natural resources. The registration of artisanal mining and the use of small grants to encourage registration under Component 4 will support CAR in formalizing activities for artisanal mining operations and will strengthen government oversight on mining activities including environmental impacts. For instance, strengthened governance will decrease the occurrence of illegal mining activities in forested areas, thereby leading to climate mitigation benefits and enhanced adaptive capacity of ecosystems and communities through avoided deforestation. Annex 1 provides further detail on climate change co-benefits for each project activity.

C. Financial Management

82. **The CEMAC TTF PIU under the MPWRM (or the fiduciary agent, FA) will have the overall fiduciary responsibility of the project.** The financial management arrangements for this project will be based on the arrangements in place under the CEMAC TTF project. The overall performance of the CEMAC TTF with regards to financial management is Satisfactory. Staffing has remained adequate and proper books of accounts and supporting documents have been kept respecting all expenditures. The audit for the year ending December 31, 2016 was submitted on time, and was unqualified. The interim unaudited financial reports for the ongoing project were also submitted on time and acceptable to IDA.
83. **It is considered that the financial management satisfies the World Bank's minimum requirements under the Investment Project Financing Policy and Directive.** To ensure reliable and timely information from the CEMAC TTF PIU, and an adequate segregation of duties, a new team of three experts (one procurement specialist, one financial management specialist, and one accountant) with qualifications and experience satisfactory to the World Bank will be appointed and fully dedicated to the fiduciary tasks of the project. The Project Implementation Manual (PIM), including fiduciary procedures, will also be updated to include specific arrangements related to the new project.
84. **The procurement specialist, financial management specialist and accountant dedicated the project will be housed within the MWFHF which could create coordination issues with the CEMAC TTF PIU. Therefore, the fiduciary risk for the project is rated substantial.**

D. Procurement

85. **Applicable procurement rules and procedures:** All goods, works, and non-consulting and consulting services required for the project and to be financed out of the proceeds of the financing shall be procured in accordance with the requirements set forth or referred to in the World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016 ("Procurement Regulations") and the provisions of the Project Procurement Strategy for Development (PPSD) and the procurement plan. The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 ("Anti-Corruption Guidelines") shall apply.
86. **Procurement risk assessment.** A procurement risk assessment of the CEMAC TTF PIU, based in MPWRM, and in charge of the oversight of procurement activities for the project was carried out. The overall



procurement risk rating is Moderate. It is noteworthy to mention that the CEMAC TTF PIU was created more than ten years ago and has a significant track record of working with the World Bank and dealing with related policies and procedures.

87. **Measures to mitigate procurement risk.** The main procurement-related risks identified are: (a) lack of knowledge and practice in application of the new Procurement Framework and (b) lengthy government approval processes. The following mitigation measures are proposed: (a) the CEMAC TTF PIU will apply the procurement procedures detailed in the PIM and will develop detailed checklists to ensure consistent and compliant project procurement and (b) the CEMAC TTF PIU will develop a contract management system to ensure that all contracts under the project are effectively and efficiently managed, this will include the tracking of key contract milestones and performance indicators as well as capturing all procurement and contract records.
88. **Procurement Plan.** The draft Procurement Plan for the first 18 months was prepared and finalized during project negotiations. The procurement plan will be updated by the TU on an annual or as-needed basis to reflect actual project implementation needs. The updated the procurement plan will be submitted for World Bank “No Objection”.
89. **Procurement Planning and Tracking Tool.** In accordance with paragraph 5.9 of Procurement Regulations, the World Bank’s Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear, and update procurement plans and conduct all procurement transactions for the project.

E. Social (including Safeguards)

90. **The proposed project activities are anticipated to have positive social impacts, especially in regards to the creation of employment and increased revenue in rural communities where livelihoods rely upon the forestry and mining sectors.** Some project activities (strengthening institutional capacity and reforming legal frameworks) are soft activities that may be considered as having an impact at the national level, whereas others (support to forest communities, artisanal miners, and small-scale operators) will be implemented in the field in southwest CAR (Lobaye, Sangha-Mbaere, and Mambere-Kadei departments)– the precise location will be identified over the course of the project implementation. Therefore, an Environmental and Social Management framework (ESMF) will be completed in accordance with the Safeguards Action Plan (Annex 4) to provide guidance on managing environmental and social risks.
91. **The ESMF will include specific sections addressing the requirements of the social safeguards policies triggered, in particular OP/BP 4.10 (Indigenous Peoples) and OP/BP 4.12 (Involuntary Resettlement).** On this basis, an Indigenous Peoples Planning Framework (IPPF), a Resettlement Policy Framework (RPF), and a Process Framework (PF) will be designed as well. These documents will be finalized and disclosed no later than six months after project effectiveness.
92. **Citizen engagement.** Consultations with targeted stakeholders – including artisanal miners, diamond buyers, forestry firms, rural communities – will be carried out in the early phases of project implementation to ensure awareness of the project’s objectives, a thorough understanding of the grievance redress mechanism, and broad participation in project activities. A special emphasis will be placed on engaging minority communities, including IP, women, and youth. Component 2 will support



rural communities on development planning through an inclusive and gender-sensitive process – through the establishment of Local Development Committees. Significant citizen engagement will also underpin Component 4 in support to the formalization of artisanal miners. An analysis of gender gaps in mining communities will be carried out to help address key constraints to the full participation of women in the mining sector.

F. Environment (including Safeguards)

93. **The proposed project activities are anticipated to have positive environmental impacts, in particular through forest law enforcement and the improvement of the mining sector’s regulatory framework aligned with international best practices and environmental standards.** However, the increase in production output expected to be induced by the project in both sectors combined with weak governance poses environmental risks, ranging from contamination of soil, groundwater and surface water to non-inclusive investment practices and subsequent deterioration of livelihoods among rural communities.
94. **The ESMF will include specific sections addressing the requirements of the environmental safeguards policies triggered, in particular OP/BP 4.04 (Natural Habitats), OP/BP 4.36 (Forests), OP/BP 4.09 (Pest Management), and OP/BP 4.11 (Physical Cultural Resources).** An Integrated Pest Management Plan (IPMP) was prepared to ensure that environmentally-friendly methods for pest control are applied, such as biological control, cultural practices, and the development and use of varieties that are pest and disease resistant or tolerant. It also provides guidance on the safe selection, handling, and disposal of pesticides.
95. **Given these considerations, the proposed project is rated Environment Category B.** Specific mitigation measures will be designed to address potential negative impacts. The preparation of ESMF, RPF, PF, IPPF, and IPMF will be conducted by a consortium led by The French Geological Survey (BRGM).
96. **Responsibilities for Safeguard Screening and Mitigation.** The NRGF TU, in close collaboration with MWFHF and MMG, will be responsible for following up on all safeguards concerns and will also ensure that all safeguard screening and mitigation requirements to each subproject will be applied. The key stakeholders are the Ministry of Water, Forests, Hunting, and Fisheries (MWFHF) and the Ministry of Mines and Geology (MMG), both including centralized and decentralized administrations, local communities, NGOs, and the private sector.
97. **Consultation and Disclosure.** The project safeguards instruments (ESMF, ESIA, RPF, RAP, IPPF, IPP, PF, and IPMP) will be duly consulted and publicly disclosed both in-country and at the World Bank’s external website prior to the physical start of any project activity in the field. Public sessions (small group discussions, workshops, etc.) will be held with stakeholders to validate the different stages of the production process of the expected frameworks and plans. The NRGF TU will initiate these consultations as early as possible and, for meaningful consultations, will provide relevant material in a timely manner prior to consultations, in a form and language(s) that are understandable and accessible to the groups being consulted.

G. Other Safeguard Policies



98. **The project is being processed under Investment Project Financing Policy, paragraph 12 “Projects in Situations of Urgent Need of Assistance or Capacity Constraints” and World Bank management has agreed to defer the preparation of safeguards instruments until the project implementation phase.** The safeguards deferral is based on the urgent need for assistance to the country against escalating violence, insecurity, and internal displacement of people since May 2017, combined with the low technical capacity of the counterpart to prepare safeguards instruments of a quality acceptable to the World Bank in a short time period. During the World Bank Group’s Annual Meetings, the CAR delegation asked the World Bank to accelerate delivery of assistance to the country to help contain the growing unrest. The deferral grants the government the extra time and support it needs to prepare quality environmental and social safeguard instruments, duly consulted and publicly disclosed at the adequate locations.
99. **A Safeguards Action Plan (SAP) has been developed and inserted in the PAD (Annex 4)** with the view to clarifying all the steps which have already been or will be taken to produce the deferred safeguards instruments in a timely manner.
100. No activity will be implemented (nor advertised) in the field: i) before the completion of all the required safeguards instruments (ESMF, ESIA, RPF, RAP, IPPF, IPP, PF, IPMF) which shall be satisfactory to the World Bank, and the integration of appropriate measures/clauses per such safeguards documents in the documents governing activity implementation; and ii) before the grievance redress mechanism is operational.

H. World Bank Grievance Redress

101. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS).** The grievance redress mechanism ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, because of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Central African Republic
Natural Resources Governance Project in CAR

Project Development Objectives

The project will aim to improve governance and strengthen capacity in the forest and mining sectors in the Central African Republic.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Forest communities with access to local development package		Number	0.00	11.00	Annually	Technical Unit (TU) within the MWFHF implementing the Natural Resources Governance Project (NRGP): NRGP TU	NRGP TU
<p>Description: A forest community will be considered benefiting access to local development package when at least two micro-projects (priority investments) as identified in its local development plan are implemented and completed in the field satisfactorily to the community. Satisfaction measurement will be ensured through the establishment of feedback groups with the view to optimizing citizen engagement.</p>							
Name: Days required from diamond extraction to		Number	90.00	30.00	Annually	BEDCOR declaration and Kimberley Certification	NRGP TU



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
diamond export						Process Scheme log books	
Description: Diamonds refers to all diamonds exported through legal Kimberly Process channels.							
Name: Registered artisanal and small mining entities accessing small grants (of which 30% must be female)		Number	0.00	30.00	Annually	Third party small grants implementor	NRGP TU
Female recipients		Number	0.00	10.00			
Male recipients		Number	0.00	20.00			
Description: Entities implies cooperatives or associations							
Name: Regulatory framework operational for mining that adheres to international best practices		Yes/No	N	Y		MMG	NRGP TU
Established mining policy and mining working group		Yes/No	N	Y			
Improved artisanal miner registration system		Yes/No	N	Y			



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Revised mining code and regulations		Yes/No	N	Y			

Description:

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Forest communities with improved capacity in local development planning		Number	0.00	11.00	Annually	Technical Unit (TU) within the MWFHF implementing the Natural Resources Governance Project (NRGP): NRGP TU	NRGP TU

Description: Forest community development plans duly completed in a participatory manner and under implementation.

Forest communities targeted:

- Lobaye prefecture: Baleloko, Moboma, Bogongo-Gaza and Boganda;
- Mambere-Kadei prefecture: Haute Kadei, Basse Kadei, Basse Batouri, Basse Mambere, Senkpa M'Baere, Haute Batouri

Upstream, local development committees will be established to ensure proper citizen engagement in the design phase of the forest community development plans.

Name: National forest taxation information system established and operational		Yes/No	N	Y	Annually	Technical Unit (TU) within the MWFHF implementing the Natural Resources Governance Project (NRGP):	NRGP TU
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Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						NRGP TU	
Description: The Information System is duly established within the MWFHF. It aims at computerizing the issuance of recovery orders in accordance with the forest law.							
Name: Institutional forest administration capacity strengthened		Yes/No	N	Y	Annually	technical Unit (TU) within the MWFHF implementing the Natural Resources Governance Project (NRGP): NRGP TU	NRGP TU
Berberati regional office		Yes/No	N	Y			
M'Baiki regional office		Yes/No	N	Y			
Description: The project will support two regional offices (Berberati & M'Baiki) by granting operating resources, equipment and trainings with the ultimate goals to enforce forest law in the four prefectures (Lobaye, Sangha-Mbaéré, Mambere-Kadei and Nana-Mambere) covered by the regional offices.							
Institutional capacity will be deemed strengthened when at least three sub-indicators below will be improved by at least 50%. For each sub-indicator, the project will							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
establish baselines in year 1: - number of field trips arranged per annum with the view to controlling the sound implementation of forest management plans (baseline to be established over the 5-year period 2012-2017); - number of events arranged per annum with the view to fighting poaching (baseline to be established over the 5-year period 2012-2017); - number of records of offenses registered per annum dealing with fauna (baseline to be established over the 5-year period 2012-2017); - number of records of offenses registered per annum dealing with illegal logging (baseline to be established over the 5-year period 2012-2017);							
Name: Centralized data management system for the mining sector established and operational		Number	1.00	6.00		World Bank team on-site verification	
Description: DGGM operational in compliant mining zones. Operational defined to include: office set-up (and where required rehabilitated), equipment, internet, and transportation for staff.							
Name: Women-led mining cooperatives		Number	40.00	100.00		DGGM registry	
Description: Increase will be in total number by 50%.							

**Target Values****Project Development Objective Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Forest communities with access to local development package	0.00	0.00	0.00	3.00	7.00	11.00	11.00
Days required from diamond extraction to diamond export	90.00	90.00	90.00	70.00	50.00	30.00	30.00
Registered artisanal and small mining entities accessing small grants (of which 30% must be female)	0.00	0.00	30.00	30.00	30.00	30.00	30.00
Female recipients	0.00	0.00	10.00	10.00	10.00	10.00	10.00
Male recipients	0.00	0.00	20.00	20.00	20.00	20.00	20.00
Regulatory framework operational for mining that adheres to international best practices	N	N	N	N	N	Y	Y
Established mining policy and mining working group	N	N	Y	Y	Y	Y	Y
Improved artisanal miner registration system	N	N	N	Y	Y	Y	Y
Revised mining code and regulations	N	N	N	N	N	Y	Y



Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Forest communities with improved capacity in local development planning	0.00	0.00	5.00	11.00	11.00	11.00	11.00
National forest taxation information system established and operational	N	N	N	Y	Y	Y	Y
Institutional forest administration capacity strengthened	N	N	N	Y	Y	Y	Y
Berberati regional office	N	N	N	Y	Y	Y	Y
M'Baiki regional office	N	N	N	Y	Y	Y	Y
Centralized data management system for the mining sector established and operational	1.00	1.00	4.00	6.00	6.00	6.00	6.00
Women-led mining cooperatives	40.00						100.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Central African Republic Natural Resources Governance Project in CAR

I. ACTIVITIES IN THE FOREST SECTOR

COMPONENT 1 – INSTITUTIONAL SUPPORT: STRENGTHEN THE FISCAL AND GOVERNANCE FRAMEWORK OF THE FOREST SECTOR

1. By granting it an OMP, the state grants to a company a right to the exploitable timber specified in that permit. In return, the company pays an annual rent (or surface area tax) based on the exploitable surface area of the permit, and a felling tax, based on the volume and species felled. The felling tax is not based on a fiscal criterion but on the price at which the state can sell the standing timber. To encourage the domestic processing of timber, timber exported as logs is charged a reforestation tax. These charges are handled by the General Directorate of Forestry (DGF) within the MWFHF. Revenues are split between the Central Treasury, the Forestry Development Fund (FDF), the AGDRF, and the forest communities, each of which organizes its share in accordance with its own rules (for details see Attachment I). Lastly, exports of timber, whether rough or processed, are charged an export tax under the Budget Law. These are handled by BIVAC, a company under contract to the Ministry of Finance to oversee the Export Verification Program (PVE). BIVAC also collects the minimum flat tax (IMF), the information technology tax (REIF), and the shippers' council tax (RCC). All these taxes go directly to the Central Treasury. The flow chart in Attachment II shows the CAR forestry tax system in detail - the reporting, assessment, collection, and distribution of tax revenues.
2. The decline in forest sector output caused by the political crisis in 2013–14 led to lower tax revenues from that industry and to the resulting inability of the forestry administration to fund its usual activities. The Government's limited administrative resources are a major obstacle to ensuring the legality of forestry operations. Furthermore, as forestry taxes support more than 85 percent of the budgets of forest communities, the decline in tax revenues has had an adverse impact on the socioeconomic development of the country's rural areas.
3. Although the increasing security and safety in the west of the country and the arrival of new operators have clearly improved matters, there remain, in addition to economic factors, structural and operational issues inherent to the forest sector and its tax system that must be resolved so as not to hamper the effective collection and fair distribution of the corresponding public revenues. To this end, the MWFHF has put several measures in place and is working with the help of development partners to achieve an increasingly transparent and efficient tax system. Attachment III shows the main structural and operational challenges of the forestry tax system in CAR along with any reforms underway and license support programs. However, it should be noted that the Government's limited administrative resources remain a major obstacle to its ability to collect the taxes owed by forestry companies to the state, public entities, and local authorities and to redistribute and use those tax revenues in an effective and transparent manner.
4. This initial component of the project will support CAR and its forest administration in their efforts to identify and implement practical measures to improve the forest sector's overall governance and tax collection and redistribution system. While waiting for the benefit of a more efficient tax system and increased revenues, the project will also bolster the forest department's operating and inspection resources to enable it to fulfill its mission of managing the country's forestry assets.



Activity 1.1: Analysis of the forestry tax system and support for the implementation of recommendations aimed at its improvement

5. This activity will provide analytical and operational support for CAR in its continuing efforts to improve the forestry tax system and its governance framework throughout the duration of the project. The measures and other projects recently undertaken, as well as the recommendations to this effect as part of various studies currently underway (see Attachment III), will be evaluated from the point of view of their efficiency and their implementability and will be supplemented by other possible adjustments to the forestry tax system defined consistently whenever the authorities set new objectives and encounter new challenges. The main objective of this activity will therefore be to help the country work toward an increasingly transparent and efficient forestry tax system, which ensures social development and poverty alleviation, and provides the forestry administration with the means to operate.
6. To this effect, the proposed technical assistance will be implemented around the following actions:
 - Produce an inventory and evaluation of the measures recently undertaken, or being implemented, which are aimed at improving the forestry tax system in CAR. The recommendations made as part of the various donors' technical assistance projects will also be considered.²¹
 - Propose additional tax adjustment measures and a governance framework whenever requirements arise and the context changes in accordance with the country's social development and industrial competitiveness objectives.
 - Areas of specific focus include:
 - o Analyzing the resourcing requirements of the Forestry Administration to ensure efficient and sustainable governance of the sector, and suggesting measures conducive to higher tax revenues directly supporting the MWFHF's operations and budget.
 - o Analyzing barriers (e.g. transportation costs, access to credit) and levers in the development of the commercial forest sector, and developing a coherent plan for the revitalization of the industry including practical measures and financing needs.
 - Develop a roadmap for the implementation of identified measures, including the various phases of the tax reform, expected results, and interim objectives and any measures and resources aiming to facilitate implementation.
 - Support the MWFHF and other relevant departments in implementing the roadmap and its measures.
7. The projected budget for this activity is US\$250,000, covering the required studies and technical assistance (national and international experts) and any organizational requirements needed to enable cooperation with stakeholders (technical workshops, results presentation meetings, etc.).

Activity 1.2: Development of a national information system for the collection of forestry market data and the issuance of tax notices

8. The Timber Sector Economic Monitoring Unit (OEFB), whose role is to collect, process, and analyze

²¹ This applies to those in the study of export transportation costs and taxation of ligneous products in the Central African Republic (*Étude du Coût de Transport à l'Exportation et de la Fiscalité des Produits Ligneux de la République Centrafricaine – PURSeP II*, 2017), and the report on the taxation of timber industry companies in the Central African Republic (*État des Lieux de la Situation Fiscale des Sociétés de l'Industrie du Bois en Centrafrique – AFD*, 2017).



sector data, currently has very limited resources for updating the listed values and FOT (free on truck) prices of timber or the databases needed to calculate forestry royalties. There are no standard procedures for collecting and processing information, and physical and logistical resources are limited to nonexistent. Data on timber volumes and prices are reported by the operators to the DGF and the BIVAC, and there are signs of potential consistency problems due to data reporting or entry errors, particularly at the MWFHF, where the data are processed independently by different subdivisions. In this respect, the exhaustive operational study of the periodic collection of data of timber prices and international market data on tropical timber products (PURSeP II, 2016) recommended strengthening the operational and technical capabilities of the forestry administration and OEFB, by implementing efficient procedures for the collection and processing of appropriate data. More broadly, the study also recommends the introduction of a national information system covering forestry taxation to automate entry and validation of production data, configuration of tax rates, the issuance of tax notices and tax collection, and the extraction of operational and strategic data relating to forestry taxation.

9. In line with the recommendations of the PURSeP II study, and with any further requirements expressed by the forestry administration, the project will support and commission the development of a national information system aimed at improving the collection and processing of forestry market data and the calculation and issuance of tax notices. Technical support will also be provided to define and implement the institutional anchoring of the new system and any associated regulatory framework.
10. Thus, in the same way as for any other information system development project, the following stages are planned:
 - Requirements framework: This involves defining the general architecture as well as the legal and administrative framework of the new system based on identified operational requirements, taking into consideration the existing system and the human and financial capabilities of future users (particularly the Forestry Administration).
 - Drafting general specifications: This stage consists of describing the human-machine interface to be developed, the computerized processing, interfaces with other information systems (for example, at MWFHF, BIVAC, Central Treasury, etc.), and the central and distributed databases for publicly available information.
 - Public procurement procedure: This is designed to select a contractor to provide technical IT assistance and to obtain cost estimates for the development of the intended system.
 - Drafting technical specifications: This document will describe the resources and technologies needed for implementing the information system designed to achieve the functionalities specified in the general specifications.
 - Development, testing, and implementation of the system.
 - Development of the operational implementation framework for the administration of the system, including the administration, maintenance, and management of incidents, associated operating procedures and methods, and the preparation of the institutional and regulatory framework.
 - Training for users.
11. The projected budget for this activity is US\$250,000, including technical support and studies (particularly for identifying requirements and drafting specifications), the cost of developing the information system, training for users, and any organizational requirements to enable cooperation with stakeholders.



Activity 1.3: Support for the operating costs of the decentralized forestry administration

12. Although CAR has a sound forestry code and despite significant improvements in the transparency and responsibility with which its forestry resources are managed, the government's limited administrative capabilities remain the main obstacle to proper overall governance of the sector. The efficient management of forestry exploitation and a guarantee of the legality of operations require a major strengthening of capabilities in the forestry administration's decentralized services, whose mission is to control the activities in the sector in the field.
13. The Decentralized Services of the MWFHF cover two RDs in the large forest stand in the southwest, where they deploy some 60 agents (see Attachment IV for more details). The RDs are tasked with implementing the government's national policy on the environment, forestry, wildlife, and fisheries as well as designing and monitoring development projects in their jurisdiction.²² However, they lack resources and their operational capabilities are very limited. Although the Budget Law gives them an operating budget, none of it has been paid out. Transportation, communication, and office resources are practically nonexistent or in a state of disrepair. Consequently, the RDs and their agents are not able to fully contribute to the proper application of the forestry governance framework in the field.
14. This activity will supplement the technical assistance provided to the MWFHF centrally with the specific objective of improving the operation of its decentralized services. It will take the form of aid in the operating budget for decentralized forestry administration throughout the duration of the project while awaiting the increase in regular tax collection as well as a realistic and adequate budget allocation, which are crucial factors for the proper governance of the forest sector.
15. To meet the significant requirements of the MWFHF while taking into consideration the project's budget constraints, the proposed support will be specifically intended for the Regional Directorate No. 1 (RD1) and Regional Directorate No. 2 (RD2) covering the prefectures of Lobaye, and Sangha-Mbaéré and Mambéré-Kadéï respectively, which cover the biggest part of the large forest stand and most of the OMPs granted. In accordance with the priorities identified by the MWFHF (see Attachment IV), the support for operating resources offered to RD 1 and RD2 will target the following specific aspects:
 - Transportation: Support for RDs to purchase vehicles (e.g., four-wheel drive vehicles, two-wheel motorcycles) for better mobility for forestry agents, allowing them also to increase the frequency and geographic extent of their monitoring activities as well as to establish and issue citations more efficiently.
 - Communication: Purchasing mobile telephone, internet, and VSAT equipment²³ will improve the frequency of contacts and thereby the operational efficiency of RDs, particularly over communication lines from the field to Berbérati and from Berbérati to Bangui.
 - Administrative premises: The periodic purchase of office equipment, IT consumables, and power generators (such as solar panels) will facilitate travel operations at RDs' premises. The project will also support the copying and distribution of the Forestry Code and its Implementation Code to police officers to improve their understanding of the forestry governance framework and enhance their ability to apply it.
16. The projected total cost for this activity is US\$660,000 and will be directly allocated to the forestry administration budget to fund RDs' operating and training expenses defined as eligible for the project.

²² Decree No. 16.3665 of October 28, 2016 on the organization and operation of the MWFHF and setting the Ministry's attributions.

²³ Very Small Aperture Terminal (satellite communication).



Activity 1.4: Support to Parliament on the implementation of Article 60 of the CAR Constitution

17. The Project will support CAR's Parliament in implementing Article 60 of the Constitution. This article outlines the role of Parliament in reviewing prior to signature any resource-related contracts negotiated by the government and requires that, once signed, these contracts be publicized.
18. Activities may include workshops to educate parliamentarians on how other resource-rich nations involve their parliament in such matters and exchange visits to neighboring countries where such roles by parliament exist. The Project will also support CAR with technical assistance for any adjustment required in the Forest Code and/or secondary legislation for compliance with Article 60 of the CAR Constitution (e.g. modalities of allocation of industrial logging permits).
19. The projected budget for this activity is US\$100,000, covering technical assistance, study tours, and any other organizational matters relating to technical workshops, training etc.).

COMPONENT 2 – LOCAL DEVELOPMENT: SUPPORT FOREST COMMUNITIES IN PLANNING AND FINANCING THEIR DEVELOPMENT PRIORITIES

20. Although a portion of forestry taxes are earmarked for the communities in the exploitation zones, they only manage to use a very small part of the taxes paid by forestry operators. Communities do not currently have sufficient capability to write LDPs along with investment budgets developed in conjunction with stakeholders, use the resources owed to them, and implement the investments identified in the development plans.
21. The PDRSO, financed by the AFD during the period 2016–20 with MWFHF as the contracting authority, aims to meet the need to strengthen the capabilities of local communities in 10 pilot communities in Sangha Mbaère and Lobaye. The project also gives them financial support to make immediate investments in social services, the management of natural resources, and economic development while waiting for better remobilization of forestry taxes by the communities.
22. This sub-component of the project will extend the technical and financial support offered by the PDRSO to the 11 forest communities in the country's southwest, which it does not cover (see Map 2 in Attachment VI for details).²⁴ Thus, the activities implemented as part of the project will support local communities in identifying, planning, and financing development actions in an inclusive and participative manner, with all the families of the players concerned. Provided they are fully exploited, the operational synergies with the PDRSO will provide coherent and effective support to all forestry communities in the southwest of CAR.

Activity 2.1: Establishment of LDCs in forest communities

23. The planning of community priorities is theoretically the responsibility of municipal councilors. These councilors, each representing a sector of the community, are tasked with escalating socioeconomic development needs. However, this mechanism is not working, and priorities are not being escalated to municipal level. Moreover, the communities are currently managed by special delegations appointed by the Government. In fact, it is often the president of the special delegation who makes decisions without consulting the municipal councilors. For some, the development plan is primarily a way of permitting access to external financing. This objective often leads to a non-participative process, preventing the full range of needs from emerging and depriving the community of the

²⁴ The NRG project will cover the communities of Baléloko, Moboma, Bogongo-Gaza, Boganda, Lobaye (Lobaye prefecture), Senkpa-M'Baéré, Basse-Mambéré, Haute-Batouri, Basse-Batouri, Basse-Kadeï, and Haute-Kadeï (Mambéré-Kadéï prefecture).



resources it is rightly owed.

24. This activity will help every forest community targeted by the project set up LDCs and encourage cooperation and the systematic circulation of information. The LDCs should permit all stakeholders to work together for local development, with each person's roles and responsibilities integrated into this process, as follows:
 - Councilors and community services: These are the contracting authorities of the local development process within their jurisdiction, subject to the legal framework and the available budget.
 - Representatives of civil society: These participate in defining, monitoring, and implementing the process. They must in all cases be informed of the local development activities in progress.
 - Local populations: These are the direct or indirect beneficiaries of the actions that will be taken. They are usually represented by community leaders.
 - Distributed administration: These are representatives of the state in various sectors who approve the local development process in its planning and implementation stage.
 - Private sector (forestry companies): These participate in implementing the local development activities in line with their own commitments to the state and the forestry administration.
25. The type and geographic distribution of the actions envisaged in this sub-component involves a time-in-the-field constraint. It should therefore provide for contracting with NGOs or local consultants to multiply the intervention capacities of the project team. The projected budget for this component is US\$220,000 (US\$20,000 dollars per community), including remuneration to the project operator, NGOs or local consultants, and organizational requirements aiming to support the running of LDCs.

Activity 2.2: Technical support for forest communities to develop their LDPs

26. This activity will provide technical support to each community targeted by the project for the development of its LDP, primarily through the LDCs created for the purpose. The LDPs will define the community's socioeconomic strategy, and will include, in particular:
 - A community situation report, particularly on its existing physical and anthropic environment, administrative framework, infrastructures and equipment, etc;
 - Assessment of community potential, constraints, and challenges, particularly in terms of its spatial, socioeconomic, and sectoral characteristics;
 - Broad guidelines and specific objectives of the plan, with an indicative action plan in time and space; and
 - Indicative implementation strategies and methods, the necessary human and financial resources, project heads and managers, etc.
27. The implementation priorities will be determined based on the social, technical, and economic pertinence of the actions and investments identified in the LDPs as well as their territorial coherence. Decisions will be made by the municipal authorities on a consensual basis and with the technical support of the project.
28. Activities designed to strengthen capabilities will also be organized to benefit municipal services in the implementation of the LDPs. This training will cover operational problems, such as:
 - implementation of multi-stakeholder consultation bodies;
 - establishment of operations management committees to monitor activities;



- management of community finances in general and of the funds earmarked for financing the priority actions identified in the LDPs; and
 - public procurement procedures and site monitoring and post-completion management of investments with an eye on sustainability.
29. The projected budget for this component is US\$550,000 (US\$50,000 dollars per community), to cover remuneration to the project operator, NGOs or local consultants, and organizational expenses aiming to permit cooperation with stakeholders and to support actions designed to strengthen capabilities.

Activity 2.3: Financial support for priority investments identified in the LDPs

30. The co-financing of priority actions defined by the communities will be through funds specially made available to the communities in the form of grants, in accordance with jointly agreed procedures and tools. The financial participation of the communities per specific financial rules will be required in all cases. Local contractor management expertise, provided it is available and qualified to make physical investments, will be supervised by the project team and the local authorities, which will oversee the choice of service providers.
31. Three main types of actions have been identified as important and may be co-financed:
- Social development: these actions involve mainly the health, education, and water supply sectors. Investments will not be limited to infrastructure but will also include training (of staff, or community or distributed services) aimed at improving the running of existing services or the introduction of new services. Running costs will not be covered by the project. They should be agreed separately between State services, the communities, local populations, and potentially other partners (forestry companies, etc.).
 - Economic development: these actions are essential for combating poverty and ensuring food security for the population. They include the development of agriculture (subsistence and commercial), livestock breeding, support for income generating activities (retail, artisan, etc.), public commercial facilities set up by communities (such as markets), and inclusion through improvements to rural tracks and roads.
 - Management of natural resources: these play an essential role in improving the incomes of rural populations (through hunting, fishing, non-ligneous forestry products, etc.). However, these are sometimes the source of conflict between different users (farmers and livestock breeders, for example) as well as between local people and other players such as forestry companies or national parks, whose objectives are different and sometimes opposed to those of local people.
32. The level of financing allocated to communities will be relatively modest in order to encourage bargaining in favor of the most pertinent projects, encourage the use of the communities' own resources (thereby also guaranteeing proper appropriation and management of projects), and respect the pace and financial contribution and execution capacity of communities and populations and to avoid creating a situation that is too different from the existing one without the project (to promote the sustainability of the operating methods implemented by the project). As it is difficult to differentiate the communities in terms of equipment capability or poverty indicators, it would seem pertinent to distribute the available funds in proportion to the population of each community.
33. The activity subsidy ratio will be defined by the steering committee at the start of the program based on two principles. First, the communities should participate in the financing of the actions implemented to guarantee their interest in the action being financed and to encourage proper management. Second, as the funds available to be received by each community are extremely variable and are primarily based on the forestry taxes collected, different subsidy ratios should be introduced based on the level of forestry taxes. This will limit over-granting to communities that receive



substantial forestry tax revenue and will permit communities with meager investment resources to learn sound management practices.

34. Given the difficulties encountered by the municipalities in mobilizing their budgets and while waiting for the situation to improve (see Component 1 of the project), it seems unlikely the Central Treasury will manage the funds. The alternative will therefore be to manage the funds at project level. The funds will be disbursed on a LDP milestone basis. Each community concerned will specify scheduled expenses, with the project team playing the role of paymaster.
35. A total budget of US\$1,650,000 is projected for the grants allocated to the communities (US\$150,000 per community). To this may be added, based on the operating procedures of this sub-component, the remuneration to the project operator, NGOs or locally-contracted consultants as well as organizational expenses designed to permit cooperation with stakeholders and to support actions strengthening capabilities.

II. ACTIVITIES IN THE MINING SECTOR

36. Realizing the potential socioeconomic benefits of mining in CAR requires continued efforts to reinforce institutional stability and promote strong sectoral oversight. First, reinforcing the legal and regulatory framework for mineral sector governance provides the necessary foundation for investment and institutional oversight. Second, strengthening institutional capacity enables the government to oversee and manage the sector. Third, supporting formalization of the artisanal mining sector enhances socioeconomic development outcomes.

COMPONENT 3 – TECHNICAL ASSISTANCE: IMPROVE MINING SECTOR POLICIES AND INSTITUTIONAL GOVERNANCE

37. This sub-component focuses on improvements to the regulatory and institutional framework governing mining in the CAR. The purpose is to align CAR's framework to international best practice, and to provide its institutions with knowledge and tools to carry out their mandated functions.

Activity 3.1: Mining policy development and establishment of a mining sector working group

38. Mining policies are standard tools used by governments in defining their vision for mining and, by consequence, to rationalize ministerial objectives and activities pursued, and coordinate approaches to regulating the sector across ministries. The African Union committed in 2011 to harmonizing government mining policies in the Union, in so far as basic principles would be adopted by all member states. This harmonization of principles is reflected in the African Mining Vision. In the case of the CAR, the African Mining Vision will inspire the formulation of a mining policy for the country. Concurrent to the development of the mining policy, the project will support the Government in establishing a Mining Sector Working Group, whose responsibilities will include monitoring the policy's implementation and coordinating partner interventions in the sector.
39. The mining sector policy development will require (i) capable and credible technical leadership, supported by technical expertise; (ii) representation and active participation of all concerned administrative departments of the national government, as well as representation and active participation of the Bureau of the National Assembly in light of Article 60 of the Constitution; and (iii) consultation and active participation of other stakeholders including representatives of the provincial and local authorities in mining areas, artisanal gold miners, artisanal diamond miners, buying houses, collectors, civil society including women's groups, cooperatives and other mining sector stakeholders.
40. The Ministry will lead the drafting with assistance from an external consultant who can gather views



of stakeholders and incorporate them into the draft. The initial draft would then be widely circulated for comment and discussed at a series of workshops around the country. Comments will be incorporated thereafter into a completed draft, with a second round of consultations held for comments and discussion at provincial workshops.

41. A mining sector working group will be established composed of a small group including representatives from EITI, KPCS, MINUSCA, MMG and DGMG and donors. The core group will liaise with provincial working groups with representation on the local level with different stakeholders. A small steering committee consisting of representatives of key administrative departments can prepare an initial draft setting forth a proposed vision, areas needing attention to make progress towards the vision, and potential realistic objectives, as a basis for consultation, discussion and further development.
42. Mining sector working group established as a first activity priority alongside the policy development. The working group will include all stakeholders working on mining development in the country, and involve the concerned ministries. The goal of the working group is to enhance coordination of technical and financial assistance of partners, and to promote policy dialogue on the sector's development. Support from the project will go towards transport and secretarial needs to organize meetings every quarter. The mining sector working group will meet on a quarterly basis throughout the lifetime of the project.
43. The total budget for the mining policy development and the mining sector working group establishment is US\$120,000. The budget covers the hiring of external consultants, hosting of necessary workshops across the country, travel related to these events, and secretarial needs to run the quarterly working group meetings.

Activity 3.2: Revision of the 2009 Mining Code

44. The mining code will be revised with attention to fiscal conditions, institutional governance, and social and environmental standards so that CAR's mining code is internationally competitive and conforms to best practice. Targeted background studies²⁵ in addition to a comparative legal review of neighboring jurisdictions will inspire eventual proposals made to the Government on the revision. Extensive stakeholder consultations on the proposed revisions, including implementing modalities, are required to solicit stakeholder input on the draft before its submission to the legislature. This will require consultations in the outlying mining areas of the country.
45. The proposed budget for this activity US\$320,000, covering the needs for studies (optimal fiscal conditions for attracting investment in to the CAR mining sector and assessment on the gold sector and gold trade in CAR), and technical assistance (international legal and tax experts), as well as organizational needs for consultation with stakeholders (workshops, meetings etc.). It is expected that the process of revising the mining code can start at the beginning of the third quarter in 2018 once the mining policy has been officially adopted. It is anticipated that the mining code revision will take nine months to complete before submission to Parliament.

Activity 3.3: Data Management, including permitting

46. Two separate but integrated data systems will be put in place to improve governmental oversight of

²⁵A study on the gold market in CAR is required to assess optimal export tax rates to encourage formalization and to incentivize buyers to re-enter the gold market. A comparative study on fiscal conditions in the other countries will show and how those countries have succeeded in attracting mining sector investment and will highlight the needs to balance the interests and requirements of the CAR government and international investors (including exploration and mining companies).



the sector.

Sub-activity 3.3.1: Establishment of a centralized database management system

47. Data management is crucial for the well-functioning of the sector; it further aligns with good practice as required by the KPCS or EITI. Currently, there is no centralized database used in the DGMG that is also linked to a server. Preliminary observations on data management practices of the DGMG reveal that data is frequently stored in different databases in different offices and departments, and that this data is often incomplete, or only in hard copy. This makes reconciling important data—such as number of miners and cooperatives, or production, exports, and revenues statistics of gold and diamonds—from provincial offices with data held by the DGMG nearly impossible. Furthermore, delivering reports on basic sectoral statistics is not possible. Many of the challenges faced by the Ministry in managing, and reporting on, the sector could be resolved if government officials had access to real-time data. Monitoring and managing operators, analyzing and communicating production and export statistics, or assessing effectiveness of outreach programs would be direct outcomes of such a database.
48. This activity establishes a mining database system allowing for real-time data from mine sites and Regional Directorate for Mining's offices to be captured digitally and transferred from remote offices to a central database at the DGMG in Bangui. Data captured would include, but should not be limited to, the registration details of all artisanal miners, collectors, and cooperatives; diamond and gold production statistics; the location of past and current mining sites for gold and diamonds; export statistics from BEDCOR for gold and diamonds; and digital logs of all transactions made for gold and diamonds through the supply chain. By digitally linking information from artisans' registration books, collectors' notebooks and buyers' bordereaux, the DGMG can track and reconcile transactions for gold and diamonds through the supply chain, in support of the hard copy paper trail. A reliable and up-to-date database on diamond and gold production and their trade is essential to the verification of diamond and gold shipments and it will foster greater transparency and oversight of the supply chains for diamonds and gold. Standard operating procedures on data capture, validation, transmission and uploading will be defined, and staff in the DGMG and regional offices will be trained on these procedures.
49. This activity will involve the following steps: (i) assessment of the optimal design and structure of the mining sector database and the drafting of detailed specifications required by the system (ii) procedure for the call for tender: it will be a question of selecting a service provider for IT technical assistance and obtaining estimates for the development of the envisaged system; (iii) drafting of the technical specifications: this document will describe the means and the technologies of implementation of the information system in order to implement the functionalities specified in the specifications; (iv) development and testing of the system with training and the rolling-out of the operational framework for the administration of the system, including system administration, maintenance and management of incidents and associated procedures and protocols; and (v) ongoing user training and training on data compilation and data analysis.
50. The budget for developing an integrated database system is US\$190,000. This will cover development costs of the information system (hardware and software costs and for the DGMG and regional offices to be connected and sufficiently equipped through the life time of the project) and training by the international consultant on the procedures for using the database management system.

Sub-activity 3.3.2: Creation of a GIS-based mining cadaster

51. This activity supports the Government to build its first modern digitized mining cadaster system, in line with the procedures outlined in the Mining Code and accompanying regulations for application, evaluation, granting and compliance monitoring of mineral rights and related permits. The cadaster is



a mining registry encompassing all licenses issued in the country (artisanal mining, semi-mechanized, exploration, and mining concessions). The design and development of the cadaster will comprise (i) status assessment of mineral cadastral activities; (ii) design of a modern, web-based mineral registry and cadaster system, and development of special application software; (iii) installation, testing, and commissioning of the computerized system and the identification, delivery, and upgrading of computer facilities and network; and (iv) professional training to DGMG staff who will manage the system. Creating and maintaining the cadaster should require a dedicated administrative unit to be set up in the DGMG. To ensure transparency, a public website will be established showing the location of all active and pending licenses, complete with basic information for each license and license holder. This website should also include links to the legal documents governing the mining sector (such as the Mining Code, accompanying regulations, ministerial decrees and other relevant legal texts). As a supporting element, a national geological database will be developed.²⁶

52. The budget proposed for the cadaster system is US\$730,000. It is expected to take nine months to implement, and following the full implementation of the database management system. Setting up the mining cadaster will start before the mining code has been sent to the legislative but is expected to be completed only after the mining code has been signed in to law.

Activity 3.4 Institutional Capacity Building

53. Targeted capacity building, training, and logistical support are required to strengthen the capacity of the DGMG and the MMG to manage and regulate the mining sector.

Sub-activity: 3.4.1: Perform functional review of the DGMG

54. In the first half of 2016, Decree 16.349 reformed the MMG and proposed new mandates of departments that had previously fallen under the DGMG. The Decree outlined that the DGMG would be responsible for three central directorates: (i) the Department of Mining Research and Mining Registry; (ii) the Department of Industrial Techniques, Artisanal Exploitation and Protection of the Environment; (iii) and the Directorate of Data, Regulation and Monitoring of Marketing. Whereas previous DGMG managed the Regional Directorate for Mining, and their supporting Service Prefectural Services for Mining, the ministerial reform now places these regional offices under the Chief of Staff of the MMG. This is an unusual re-configuration of line management responsibilities, unfamiliar to most mining jurisdictions in the region.
55. The objective of carrying out a functional review of the DGMG is to strengthen the operational and technical capacities of the mining administration by assessing the respective functions and mandates of each technical department in the DGMG, and suggest how coordination between central and provincial offices can be improved. It will also assess how best to enhance inter-ministerial communication, information sharing and coordination on important topics and issues. Results will identify where departmental mandates need to be better defined to ensure greater organizational efficiencies. There is currently a shortage of technical staff with adequate skill-sets, experience and academic training at all levels throughout the MMG and DGMG. The review will propose structural reforms and amended job descriptions and the roles and responsibilities of staff positions in the DGMG. Lastly the review will assess requirements for equipment and will propose tailored training programs for staff. The definition of structural reforms and training programs and their

²⁶ The development of the national geological database will include (a) an initial evaluation of existing material and digitization of selected documents and maps; (b) an evaluation and redesign of existing electronic storage facilities for maps and datasets; and (c) a work plan for geological interpretation and further data acquisition. Satellite imagery from the USGS showing the location of past and current artisanal mining sites will aid the government in prioritising specific areas for formalisation.



implementation modalities will be based on the findings of the functional review. The proposed training will be subcontracted to industry experts. As far as possible, it will be necessary to ensure that the agents who have benefited from the training can in turn train other staff in the DGMG and regional offices.

56. The proposed budget for carrying out the functional review and implementing structural reforms and training programs will be US\$220,500. The functional review will be carried out over three months at the start of the project life. Activities to follow the outcome of the review will most likely be a combination of training and equipment.

Sub-activity 3.4.2: Strengthen the capacity of the DGMG to operate provincial offices

57. Support will focus on provision of computers, IT equipment, internet connectivity and power to select provincial offices in the southwest of CAR. It will also provide for the refurbishment of an office building, if only in a limited fashion at the outset, in Bambari to allow an MMG and DGMG presence in the eastern region. Such a presence is important for the eventual monitoring and implementation of sector activities, once the security situation stabilizes.²⁷
58. In the southwest of CAR five zones have been declared compliant by the KPCS: Berbérati, Gadzi, Nola, Carnot and Boda. For the Government to effectively implement the KPCS requirements for the legal export of diamonds, each provincial office must be functional (i.e. has internet and electricity). Data will need to be transmitted from each office and be uploaded into the central database system on a regular basis. Visits by government agents to the mine sites will be critical to monitor potential illicit trafficking of minerals.
59. The proposed budget for this activity is US\$130,900 and includes the supply of equipment to the main DGMG offices (A0-size scanner, a plotter, printers and electrical equipment) as well as small generators and fuel to generate power for provincial offices over the lifetime of the project.

Sub-activity 3.4.3: Support to Parliament on the implementation of Article 60 of the CAR Constitution

60. The Project will support CAR's Parliament in implementing Article 60 of the Constitution. This article outlines the role of Parliament in reviewing prior to signature any resource-related contracts negotiated by the Government and requires that once signed these contracts be publicized.
61. Activities may include workshops to educate parliamentarians on how other resource-rich nations involve their parliaments in such matters and exchange visits to neighboring countries where such roles by parliament exist. The project will also support CAR with technical assistance for any adjustment required in the Mining Code and/or secondary legislation for compliance with Article 60 of the CAR Constitution.
62. The projected budget for this activity is US\$100,000, covering technical assistance, study tours, and any other organizational matters related to technical workshops, training etc.).

COMPONENT 4 – LOCAL DEVELOPMENT: FORMALIZATION OF THE ARTISANAL MINING SECTOR

63. The formalization of the artisanal mining sector will be critical in these early years. The revitalization of the mining sector in the CAR does not solely depend on creating a climate for increased industrial mining. There are several benefits of having a formalized artisanal and small-scale mining (ASM) sector including: increased taxation revenues for the Government, stronger oversight, an increase in

²⁷ Currently the entire eastern diamond fields are in areas outside of government control, and the southern diamond deposits in the Kembé, Bangassou and Alindao sub-prefectures are also under the control of armed groups.



transparency and in traceability of diamonds and gold in the supply chains, and more information about the challenges and the needs faced by communities and operators in the ASM sector. This sub-component will implement critical formalization activities for artisanal mining operations. The formalization approach combines a carrot and stick approach. It will use small grants as one incentive to encourage basic formalization requirements such as registration and declaration of production. Geographic focus for the small grants program will be limited to Berbérati, Gadzi, Nola, Carnot, and Boda with the artisanal miner registration system being rolled out nation-wide, security conditions permitting.

Activity 4.1: Artisanal Mining Registration System to improve monitoring of the sector

64. Registration methods in the CAR will be enhanced and made more efficient. Paper registration systems currently employed by the DGMG will be enhanced by a digital registration system that allows real-time data to be uploaded at mine sites, and transferred via internet to the central database in Bangui, described under Component 1. An important feature of the system is the mobility of government agents to visit mine sites and perform on-the-spot registration. This removes the transport barrier cited by miners as an impediment to registration. Increasing the number of registrations on sites will strengthen the KPCS Operational Framework in CAR and will enhance mineral traceability in the sector. Registration outreach will initially focus on (i) areas with highest concentration of artisanal miners and (ii) areas most affected by fraud. Data should be captured on tablet devices and should record the registration details of individual artisanal miners, the location of the mining sites and information from the artisan's registration books. Every effort will be made to synchronize this registration system with KPCS Operational Framework requirements. In addition, the government will focus efforts on placing the registration obligation with artisanal miners, cooperatives and pit owners, to reduce the amount of paperwork for individual artisanal worker registration. As part of the design phase for the activity, a CAR government delegation will travel to neighboring DRC to observe implementation of their new registration system and to learn from its establishment with the government agency responsible for management of the ASM sector there, Service for Assistance and Organization of Artisanal and Small-Scale Mining (SAESSCAM).
65. The proposed budget for this activity is US\$984,000. This will cover the purchase of motorbikes and all associated costs (salaries, per diems and equipment) for 10 KP focal points working within compliant zones. Formalization programs will be initiated half way through the first year of the project and will last through the full duration of the project life.

Activity 4.2: Small Grants Program to increase financial inclusion

66. The SGP aims to provide rapid, short-term funding to artisanal miners who are registered as individuals, cooperatives, association, partnership or companies. The SGP will (i) increase incomes of miners, empower operators to further professionalize their operations, therefore turn them into economically, environmentally and socially sustainable entrepreneurial activities, and (ii) augment liquidity in the supply chain by pre-financing cooperatives and artisanal miners leading to higher employment and increased diamond and gold production, higher per capita income and higher government tax revenues. The SGP funding focuses on increasing performance of artisanal mining activities directly or indirectly through improved mining practices, adherence to environmental and social standards, and compliance with international certification measures currently in use in CAR, such as the KPCS. Lessons from implementation of SGPs in other mining environments (e.g. Tanzania and DRC) show the importance of establishing a baseline for the participating grantees to evaluate progress, of finalizing the Implementation Manual prior to the Project becoming effective, having a minimum quota for female grantees (30 percent) and equitably distributing grantees across the participating geographic areas. Both gold and diamond operations will qualify following the baseline assessment's determination of priorities. Given its importance in providing capacity support to



cooperatives, the National Union of Mining Cooperatives in CAR will receive earmarked support to strengthen its mission and mandate. This will include a peer learning trip to a neighboring country (Rwanda) to see how a mining cooperative federation can optimally function.

67. A Small Grants Manual will be developed at the outset to define rules and procedures. In short, artisanal miners eligible for grants will be selected through a competition of project proposals, to be reviewed by a selection committee. The full sum of the grant money will be awarded in one round. Specific mining areas will be eligible from the five compliant zones. Given its experience in the CAR, TetraTek will be awarded the Small Grants Program management with a single source contract. An initial assessment of the technical, human and administrative capacities of TetraTek in the CAR through PRADD has justified this choice.
68. A budget of US\$900,000 will be allocated to this activity. This budget covers the costs of TetraTek to establish the baseline and to manage the grant program, the grants themselves (which will range from US\$10,000- US\$50,000 depending on cooperative needs), and to support capacity building of the National Union of Mining Cooperatives in CAR.

Activity 4.3: Closing the gender gaps in mining communities (US\$100,000)

69. In addition to efforts in Activity 4.2 to ensure 30 percent of recipients of the SGP will be female-headed mining entities, this sub-activity will work with women miners to address key constraints to their full participation in the mining sector. Based on initial consultations held during project preparation, areas will include: (i) building associative and network capacities of women miners to advocate for their rights in the sector; and (ii) addressing working conditions specific to women through on-the-ground campaigns (for example lack of child care facilities and sanitation at sites). The project will make use of initiatives in the region (Women in Mining Associations) and ongoing activities in other World Bank-funded mining projects to provide CAR women miners with exchange experiences.

COMPONENT 5 – PROJECT MANAGEMENT, CONTINGENCIES AND OVERHEADS

70. Arrangements for project management—including fiduciary oversight and operations—are described in Section IV, and a detailed budget is provided below.

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BUDGET

Project Costs (US\$)
9,700,000

Advance for Project Preparation (US\$)
300,000

Total (US\$)
10,000,000

		ACTIVITIES	UNIT / BASE PERIOD	UNIT PRICE	QUANTITY	NUMBER OF BASE PERIODS	Total	%	
I	FOREST SECTOR								
	1	COMPONENT 1 – INSTITUTIONAL SUPPORT							
	1.1	Analysis of forestry tax system and support for implementing recommendations for improvement	Flat rate	250,000	1	1	250,000		
	1.2	Development of national information system for collecting forestry market data and issuing tax notices	System	250,000	1	1	250,000		
	1.3	Support for the operating costs of the decentralized forestry administration	Lump Sum	660,293	1	1	660,293		
	1.4	Support to Parliament on the implementation of Article 60 of the CAR Constitution	Study	100,000	1	1	100,000		
		Sub-total Component 1						1,260,293	
	2	COMPONENT 2 – LOCAL DEVELOPMENT							
	2.1	Establish LDCs in forest municipalities	Per municipality	20,000	11	1	220,000		
	2.2	Technical support to help forest municipalities draft their LDPs	Per municipality	50,000	11	1	550,000		
	2.3	Financial support for priority investments identified in LDPs	Per municipality	150,000	11	1	1,650,000		
		Sub-total Component 2						2,420,000	
		Total for Forest sector						3,680,293	49%



II MINING SECTOR									
3	COMPONENT 3 – INSTITUTIONAL SUPPORT								
3.1	Mining policy development and establishment of a mining sector working group	Lump Sum	120,000	1	1	120,000			
3.2	Revision of the 2009 Mining Code	Studies	320,000	1	1	320,000			
3.3	Data Management, including permitting								
3.3.1	Establishment of a centralized database management system	System	190,000	1	1	190,000			
3.3.2	Creation of a GIS-based mining cadaster	System	730,000	1	1	730,000			
3.4	Institutional Capacity Building								
3.4.1	Perform functional review of the DGMG + Perform Training as Follow Up Priorities	Study + Training	220,500	1	1	220,500			
3.4.2	Strengthen the capacity of the DGMG to operate provincial offices	Lump Sum	26,180	5	1	130,900			
3.4.3	Strengthen the capacity of the Parliamentarians	Lump Sum	100,000	1	1	100,000			
	Sub-total Component 3						1,811,400		
4	COMPONENT 4 – LOCAL DEVELOPMENT								
4.1	Artisanal Mining Registration System to improve monitoring of the sector	Lump Sum	984,331	1	1	984,331			
4.2	Small Grants Program to increase financial inclusion	Service contract, Lump Sum (subsidies)	900,000	1	1	900,000			
4.3	Closing the Gender Gaps in Mining Communities	Service contract, Lump Sum (subsidies)	100,000	1	1	100,000			
	Sub-total Component 4						1,984,331		
	Total for Mining Sector						3,795,731	51%	



III OTHER EXPENSES								
5 COMPONENT 5 - PROJECT MANAGEMENT, INCLUDING UNEXPECTED COSTS AND OVERHEADS								
5.1	Deputy Project Coordinator (international expert)	Month	14,000	1	55	770,000		
5.2	Mining Technical Focal Point (consultant sitting in the Ministry of Mines)	Hardship allowance	1,800	1	60	108,000		
5.3	Forestry Technical Focal Point (civil servant sitting in the Ministry) acting as Project Coordinator	Hardship allowance	500	1	60	30,000		
5.41	M&E and Environmental Safeguards expert (based in Bangui)	Month	1,800	1	28	50,400		
5.42	Social Safeguards expert (based in Bangui)	Month	1,800	1	27	48,600		
5.5	Per diem of management staff (5 days per month in the field)	Per diem	50	4	300	60,000		
5.6	Procurement specialist (member of PIU in Ministry of Public Works and Road Maintenance)	Month	1,800	1	30	54,000		
5.7	Financial management specialist (member of PIU in Ministry of Public Works and Road Maintenance)	Month	1,800	1	30	54,000		
5.8	Accountant (member of PIU in Ministry of Public Works and Road Maintenance of Transport)	Month	1,800	1	30	54,000		
5.9	Purchase of computers and printers (coaching staff)	Unit	2,000	6	1	12,000		
5.1	Purchase of one off-road car for project coordinator	Car	65,000	1	1	65,000		
5.11	Driver	Month	500	1	55	27,500		
5.12	Car operating costs	Month	1,200	1	60	72,000		
5.13	Annual meetings of the steering committee	Lump sum	2,500	1	5	12,500		
5.14	Financial audits	Year	15,000	1	5	75,000		
	Sub-total for project management					1,493,000		14.93%
5.15	Contingencies (3% of total costs)					269,071		
5.16	Overhead costs (5% of total costs including contingencies)					461,905		



		Total for other expenses					2,223,976	
IV		SUB-TOTAL					9,700,000	97.00%
V		Project Preparation Advance for the development of safeguards instruments					300,000	3%
VI		GRAND TOTAL					10,000,000	100.00%



ATTACHMENTS

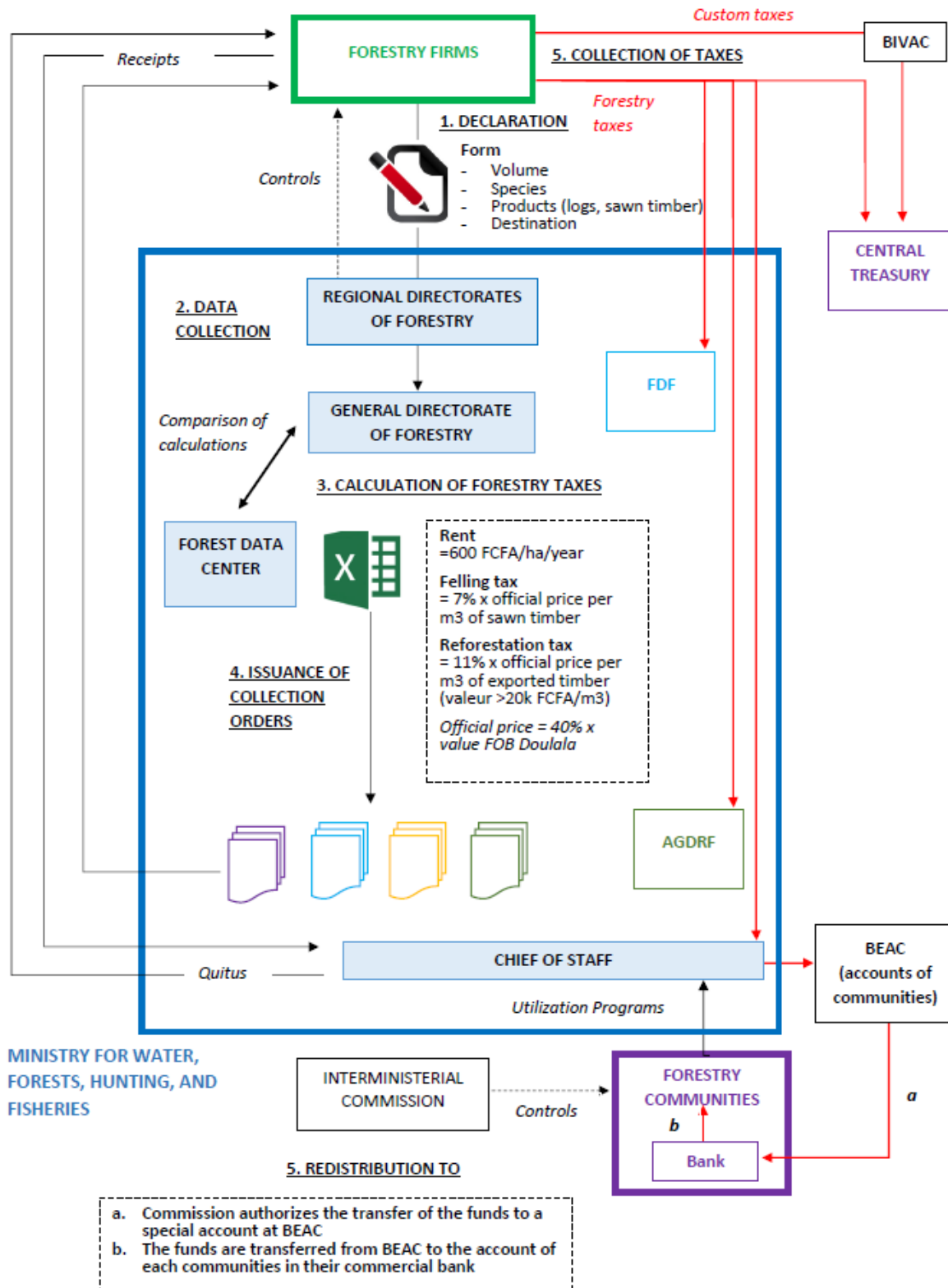
ATTACHMENT I – BREAKDOWN OF FORESTRY TAX REVENUES

TAX CATEGORY	TAX	BREAKDOWN	ASSESSMENT	COLLECTION
Timber Royalties (land revenues)	Rent	70% Treasury	DGF	Treasury
		24% FDF		FDF
		6% AGDRF		AGDRF
	Felling tax	40% Treasury	DGF	Treasury
		24% FDF		FDF
		6% AGDRF		AGDRF
		30% Municipalities		Public Accountant
	Reforestation tax	25% Treasury	DGF	Treasury
		40% FDF		FDF
		10% AGDRF		AGDRF
		25% Municipalities		Public Accountant
	Customs Fees	Exit rights	100% Treasury	BIVAC
IMF				
REIF				
RCC				

Source: Ministry of Finance and the Budget (2016)



ATTACHMENT II – FUNCTIONING OF THE FORESTRY FISCAL SYSTEM IN CAR



Source: World Bank (2017)



ATTACHMENT III – CAR’S FORESTRY TAX SYSTEM: ONGOING PROJECTS AND STUDIES

Forestry Tax System	Issues	Recent Measures (MWFHF)	Ongoing Studies (Donors)
<i>Tax Structure</i>	<ul style="list-style-type: none"> Profitability and cost effectiveness of forestry (transportation costs) High forestry taxation Funding of modern equipment to further develop wood processing 	<ul style="list-style-type: none"> No recent measures 	<ul style="list-style-type: none"> <i>Study of the Export Transport Cost and Taxation of Wood Products in the Central African Republic (PURSeP II, 2017):</i> Analysis of current tax systems in CAR/COMIFAC and recommendations for structural adjustments to the tax system
<i>Assessment and Issuing of Tax Notices</i>	<ul style="list-style-type: none"> Lack of standardized procedures for data collection and processing. Very poor or non-existent equipment and software resources Incoherent DGF/BIVAC wood volumes and prices (declaration or input errors within MWFHF) 	<ul style="list-style-type: none"> New methodology for updating market values and FOT prices of wood (2017) 	<ul style="list-style-type: none"> <i>Operational System for the Regular Collection of Comprehensive Data on Lumber Prices and the Observation of the International Market for Tropical Wood Products (PURSeP II, 2017):</i> Operational and technical capacity building (MWFHF, OEFB); development of an information system for automating entry and monitoring of production data, configuration of tax rates, issuing of tax notices, and tax collection
<i>Collection of Tax Revenues</i>	<ul style="list-style-type: none"> Disputes between tax and forestry administrations and companies regarding back taxes accumulated by forestry companies and outstanding VAT credits 	<ul style="list-style-type: none"> Discharge given for payment of amounts due and necessary to justify legal forestry operations (2017) 	<ul style="list-style-type: none"> <i>Situational Analysis of the Tax Situation of Wood Industry Companies in the Central African Republic (AFD, 2017):</i> Tax position of each company and solutions for resolving amounts of debt and credit encountered
<i>Redistribution of Tax Revenues</i>	<ul style="list-style-type: none"> Municipal-level mobilization of forestry taxes cumbersome and bureaucratic Inter-ministerial Committee’s limited capacity to mobilize experts for audit engagements in municipalities 	<ul style="list-style-type: none"> Resumption of the Commission’s inspection activities (2017) 	<ul style="list-style-type: none"> No recent or ongoing study
<i>Administration and Monitoring</i>	<ul style="list-style-type: none"> Decrease in tax revenues makes it difficult for MWFHF to finance its operation and monitoring activities 	<ul style="list-style-type: none"> Resumption of inspections in the field (2015) 	<ul style="list-style-type: none"> No recent or ongoing study



ATTACHMENT IV – STRUCTURES AND RESOURCES OF THE DECENTRALIZED SERVICES OF THE MWFHF THE FOREST MASSIF OF SOUTHWEST CAR

▪ **Structures and Staff of Regional Services**

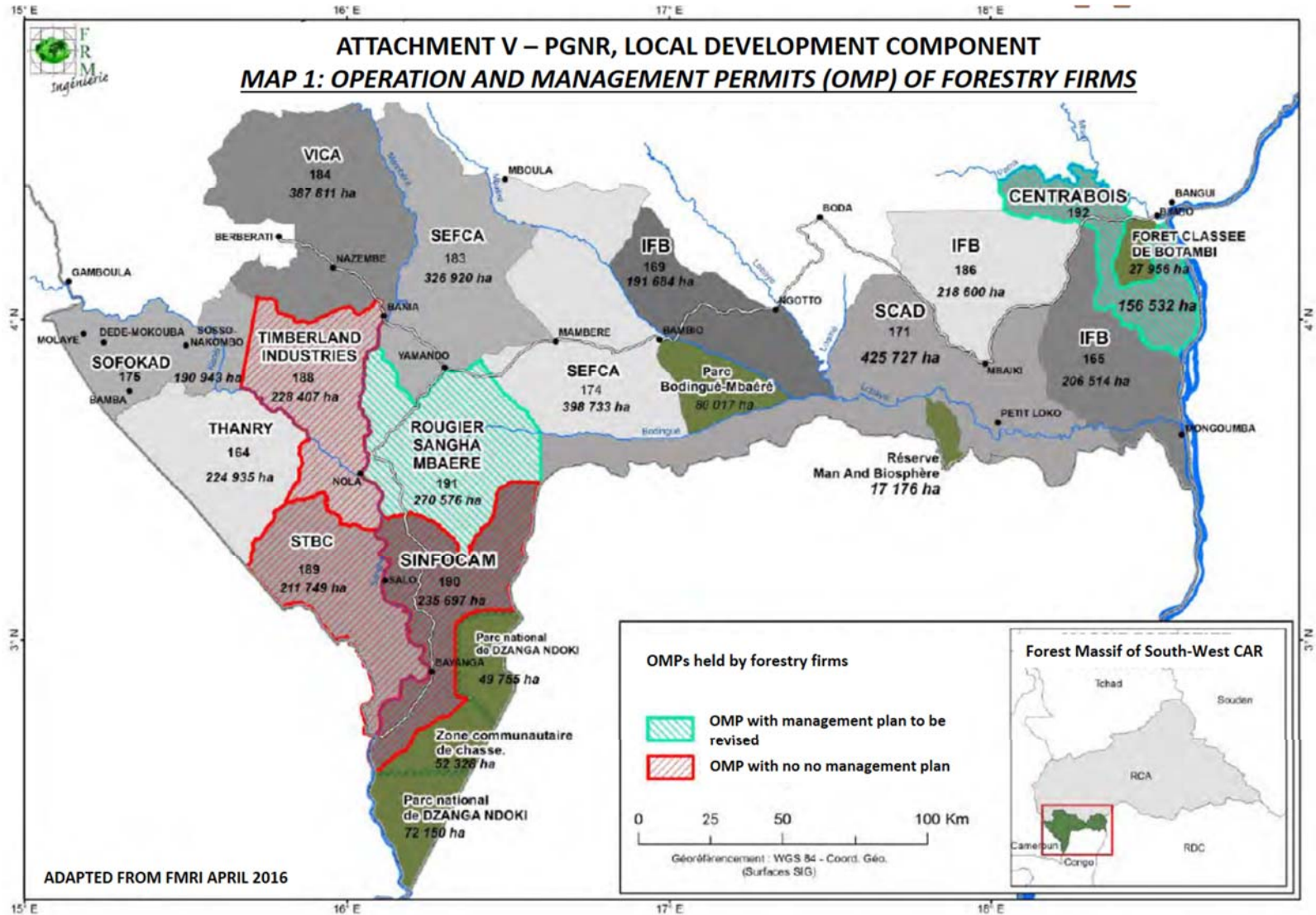
RD	Prefectures	Regional Directors	Forestry Inspectors
1	<ul style="list-style-type: none"> • Ombella-Mpoko • Lobaye 	Mbaiki (1)	<ul style="list-style-type: none"> • Bimbo (1) • Mbaiki (1)
2	<ul style="list-style-type: none"> • Sangha-Mbaéré • Mambéré-Kadéï • Nana-Mambéré 	Berbérati (1)	<ul style="list-style-type: none"> • Bouar (1) • Nola (1) • Berbérati (1)

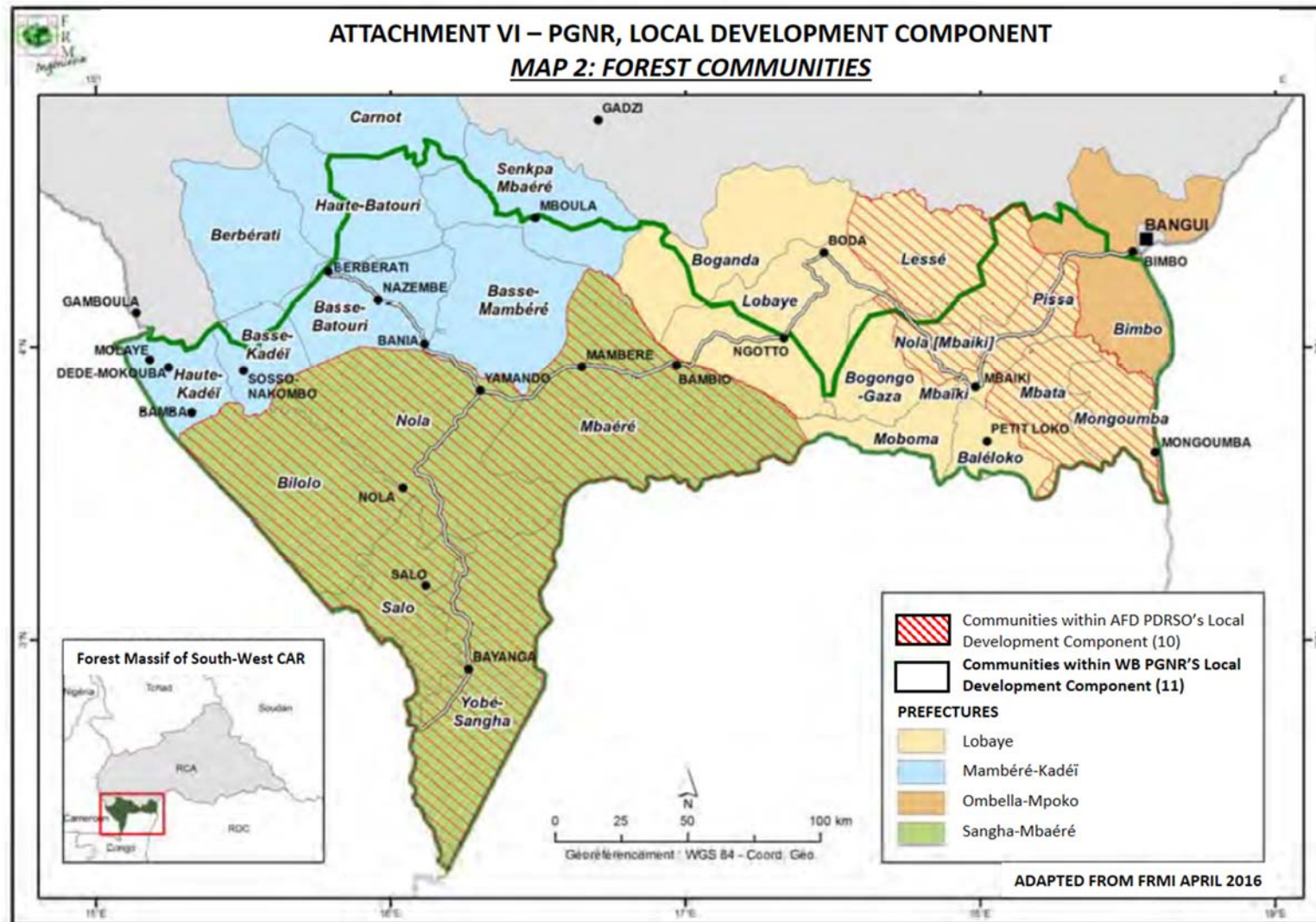
Source: MWFHF

▪ **MWFHF’s Assessment on Issues and Recommended Actions for Regional Services (June 2017)**

Issues Identified (MWFHF)	Recommended Actions (MWFHF)
Chronic understaffing	Increase the number of agents (technicians and officers)
Lack of appropriate motorized transportation and fuel	Provide the Directorate with 4x4 vehicle and fuel
Non-existent operating budget	Provide the Directorate with an operating budget
Dilapidated and vandalized infrastructures	Rehabilitate infrastructures
Insufficient office supplies	Provide the Directorate with office supplies
Lack of weapons	Provide the Directorate with weapons
Lack of a clothing budget	Provide uniforms for Directorate’s management and agents
No system for recycling (plastic, paper, equipment)	Strengthen capacities of management and agents

Source: MWFHF (RD2)







ATTACHMENT VII – LIST OF FORESTRY COMMUNITIES IN THE FOREST MASIF OF SOUTHWEST CAR

PREFECTURE	SUB-PREFECTURE	COMMUNITY	POP. 2003	CENTRE
Ombella-Mpoko	Bimbo	Bimbo	18420	Bimbo
Lobaye	M'baïki	Lessé	5773	Bossako
		Pissa	23222	Pissa
		M'bata	25788	M'bata
		Nola (M'baïki)	14495	Boukoko
		Baléloko	22730	Loko
		Moboma	16703	Bagandou
		Bogongo-Gaza	7697	Ndolobo
	Mongoumba	Mongoumba	20992	Mongoumba
	Boda	Lobaye	22365	Ngotto
Boganda	Boganda	12684	Boganda	
Mambéré-Kadéï	Carnot	Senkpa-M'Baéré	19172	Mboula
	Berbérati	Basse-Mambéré	19877	Bania
		Haute-Batouri	19411	Nandobo
		Basse-Batouri	10831	Wapo
	Sosso-Nakombo	Basse-Kadeï	13135	Sosso Nakombo
	Dédé-Mokouba	Haute-Kadeï	19827	Dédé Mokoumba
Sangha-Mbaere	Bambio	M'baéré	1167	Bambio
	Nola	Nola	60677	Nola
		Bilolo	9430	Adoumandjali
		Salo	10100	Salo
	Bayanga	Yobé-Sangha	9800	Bayanga

Source: World Bank 2016



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Central African Republic Natural Resources Governance Project in CAR

Project Institutional and Implementation Arrangements

1. **Project implementation arrangements take into consideration scarce capabilities within sectoral ministries impacted by the project and promote a gradual approach to building capacity and ensuring that fiduciary considerations are properly handled.** Also, implementation arrangements reflect on-going operational constraints in the proposed project areas of intervention, including limited availability of the private sector and goods, absence of consultants, and insecurity. A phased approach is envisioned whereas implementation arrangements will be revised at Mid-Term Review to consider the transfer of fiduciary and some technical responsibilities to both the MWFHF and MMG. Project institutional and implementation arrangements are represented in

2. Figure 2.1.

Institutional arrangements

3. Ministry of Economy, Planning and Cooperation. The Recipient shall vest overall responsibility for the project in its Ministry of Economy, Planning and Cooperation.
4. **Ministry of Water, Forests, Hunting and Fisheries.** The MWFHF will be responsible for the implementation of the project.
5. **Ministry of Mines and Geology.** MMG will cooperate with the MWFHF daily to better inform all the decisions related to the mining sector. A Focal Point within the MMG will be appointed for that purpose.
6. **Project Steering Committee.** At the policy level, a Project Steering Committee will be created to assume overall institutional responsibility of this project. This Committee will ensure that the activities implemented by the project are aligned with national priorities for the mining and forest sectors and harmonized with other major development strategies and with sectoral interventions. The Committee will also be responsible for reviewing and validating the annual work plan and budget for the project. The Committee will be chaired by the MWFHF and co-chaired by the MMG. Other members will include the Ministries of: (i) Economy, Planning and Cooperation; (ii) Land Management, Decentralization and Local Development; and (iii) Agriculture and Rural Development, and representatives from affected prefectures (Lobaye, Mambéré-Kadéï, Nana-Mambéré and Sangha-Mbaéré). More details on the responsibilities of the Project Steering Committee will be specified in the PIM.

Implementation arrangements

7. As discussed in other sections of the PAD, project implementation capacity is extremely low in CAR and past experiences suggest seeking economies of scale and scope within the World Bank portfolio by using existing implementation platforms that have proved to master effectively World Bank fiduciary guidelines. Such were the conclusions of a World Bank fiduciary mission that took place in



August 2016.²⁸ The mission also recommended to use such arrangement during a transition phase of up to three years, after which an assessment would be carried out to assess readiness of sector ministries to take over all project responsibilities. On such basis, the project will keep all fiduciary responsibilities within the CEMAC TTF PIU at the MPWRM while still having a technical unit within the MWFHF, which will guide and oversee the implementation of the project and retain technical responsibility. These are the arrangements being used for the implementation of the project preparation advance.

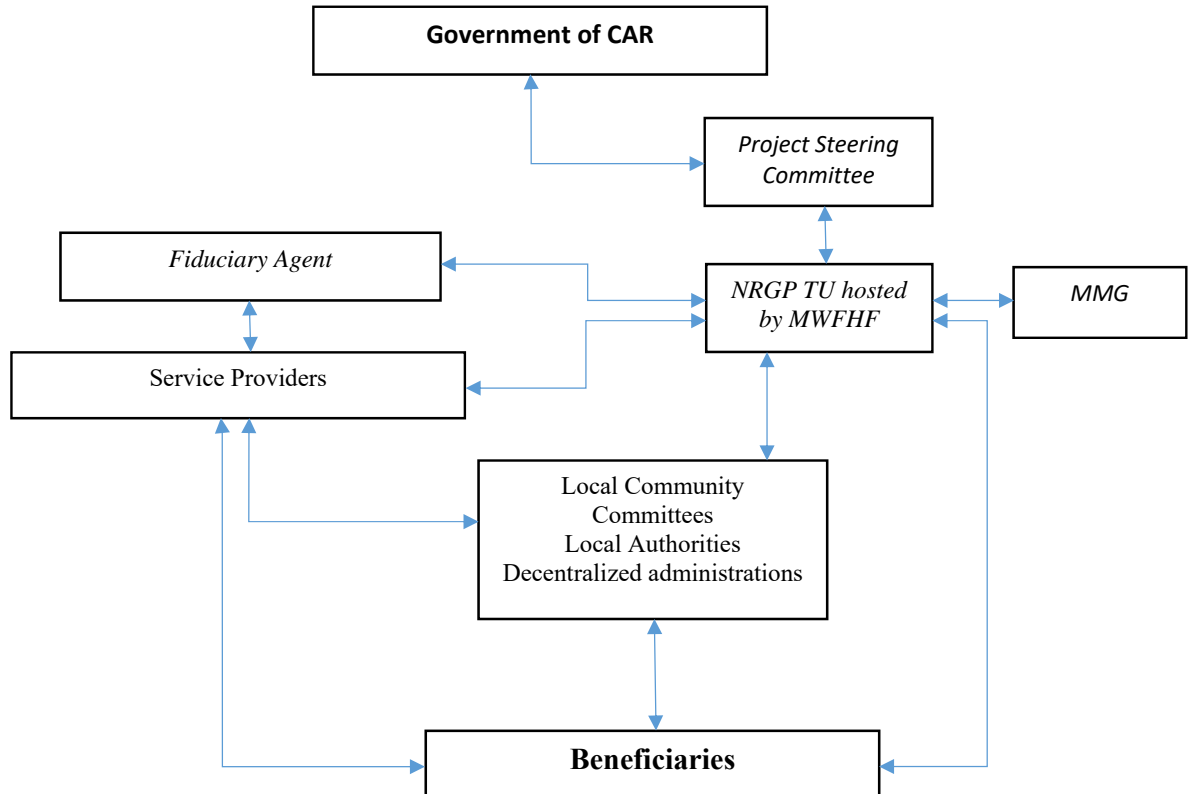
8. **Fiduciary agent.** The CEMAC TTF PIU (or Fiduciary agent, FA) in the MPWRM will assist the MWFHF with the fiduciary responsibilities pertaining to the implementation of the project. Inter alia, the FA will arrange and manage all the contracts, prepare unaudited interim financial reports and the procurement plan, manage the designated account and direct payments and arrange for independent audits. The MWFHF will keep the technical responsibility of project activities through the NRGF TU.
9. **The NRGF TU.** The NRGF TU is responsible for overall coordination and technical oversight of project activities. The NRGF TU will prepare the annual work plan and budget to be submitted to the Project Steering Committee, the biannual progress report of the project, quarterly safeguard monitoring reports, and any other project report as needed. The NRGF TU will be assisted by the FA for all fiduciary aspects of project management. The NRGF TU will not have any fiduciary responsibility but will provide the FA with the necessary documents and background information to meet its financial obligations. The FA and the NRGF TU will sign a MOU reflecting the responsibilities as outlined above and providing the necessary resources for the functioning of the FA. The NRGF TU hosted by the MWFHF will be headed by a National Coordinator who will be the focal point for the FA and the World Bank and will also include:
 - a. an international expert responsible for the daily management of the project under the national coordinator's authority;
 - b. an Environmental safeguards and M&E specialist, costs of which will be shared with the REDD+ readiness preparation support project under the FCPF, in charge of the environmental safeguards and results monitoring;
 - c. A Social safeguards specialist, costs of which will be shared with the REDD+ readiness preparation support project under the FCPF; and
 - d. a team of one procurement specialist, one financial management specialist and one accountant, costs of which will be shared with the REDD+ readiness preparation support project under the FCPF, and responsible for preparing all the fiduciary documents to be submitted to the FA for consideration and validation.
10. **Consultants' services.** The FA will contract various service providers (NGOs, consultants, etc.) to: (i) implement all the activities considered as technical assistance under the components one and three; and (ii) prepare the strategies and modalities of interventions which will govern investments supporting local development in the field (components two and four).
11. **Other expenditures.** Procurement of goods, works, non-consulting services, operating costs and training will be also handled by the FA in accordance with the annual work programs and discussed with the NRGF TU.
12. **Local community committees, local authorities and decentralized administrations.** As a rule, the

²⁸ Banque mondiale, « Evaluation des modalités d'exécution et des arrangements fiduciaires des projets financés par la Banque mondiale en RCA » – Aide-Mémoire – Aout 2016



project will leverage existing local committees to identify the infrastructure and services to be rehabilitated and to support the beneficiary targeting process. This will be done with the active involvement of local authorities, including decentralized administrations, as they maintain institutional responsibility over local public affairs and policies. Where such committees do not exist, the project will support the establishment of new committees following best practices.

Figure 2.1 – Institutional and Implementation Arrangements



Financial Management

13. FM assessment of the CEMAC TTF PIU designated to bear fiduciary responsibilities was carried out in January 2017. The objective of the assessment was to determine whether the PIU has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to considerations of economy and efficiency. The assessment complied with the Financial Management Manual for World Bank-financed investment operations effective March 1, 2010.
14. Arrangements are acceptable if they are capable of accurately recording all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the project's assets, and are subject to auditing arrangements acceptable to the World Bank. These arrangements should be in place when project implementation starts and be maintained as such during project implementation. The assessment concluded that the financial management of the PIU satisfies the



World Bank’s minimum requirements under the IPF Policy and therefore is adequate to provide, with reasonable assurance, accurate and timely financial management information on the status of the project required by the World Bank.

- 15. The overall fiduciary risk rating is Substantial, due to potential challenges in ensuring effective coordination between the NRGp TU and the CEMAC TTF PIU. Mitigation measures proposed (see FM Action Plan) will strengthen the internal control environment and maintain the continuous timely and reliability of information produced by the FA and an adequate segregation of duties.

Table 2.1 FM action plan

Action	Responsible party	Deadline and conditionality
Update of the implementation manual including fiduciary procedures taking account new project activities and components.	FA	Condition of effectiveness to be lifted within 120 days after signing.
Recruit an accountant, a procurement specialist and a financial management specialist with qualifications and experience satisfactory for the World Bank	FA	Two (2) months after effectiveness
Recruit an external auditor	FA	Five (5) months after effectiveness

- 16. **Internal control system.** The internal control system will comprise a steering committee to oversee the project activities, an FM procedures manual to define control activities. The composition, the mandate and frequency of meetings of the steering committee will be strengthened to ensure an adequate oversight of the project.
- 17. **Planning and budgeting.** The NRGp TU in close cooperation with the FA will prepare a detailed annual work plan and a budget, which should be approved by the project steering committee. The FA will submit the approved annual work plan and budget to the World Bank, for no objection, before the end of previous calendar year.
- 18. **Accounting.** The SYSCOHADA, assigned accounting system in West African Francophone countries, will be applicable. The FA will customize the existing accounting software to meet project requirements.
- 19. **Interim financial reporting.** The interim un-audited financial reports (IFR) are prepared every quarter and submitted to the World Bank regularly (e.g. 45 days after the end of each quarter) on time. The frequency of IFR preparation as well as its format and content will remain unchanged.
- 20. **Annual financial reporting.** The PIU will produce project annual financial statements, which will comply with SYSCOHADA and World Bank requirements. Financial statements may comprise:
 - project presentation and project developments and progress during the year, to provide context to (or other explanations of) financial information reported;
 - statement of sources and uses of funds which recognizes all cash receipts, cash payments, and cash balances;
 - a statement of commitments;
 - accounting policies adopted and explanatory notes; and
 - a management assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements.



- 21. **Auditing.** The FA will submit audited project financial statements satisfactory to the World Bank every year within six months after closure of the fiscal year. A single opinion on the audited project financial statements in compliance with the International Federation of Accountants will be required. In addition, a management letter will be required. The management letter will contain auditor observations and comments and recommendations for improvements in accounting records, systems, controls, and compliance with financial covenants in the Financial Agreement. The FA should recruit a technically competent and independent auditor by six months after the project effective date.

Table 2.2 Audit Report Requirements

Report	Deadline	Responsible
Audited financial statements including audit report and management letter	6 months after the end of the year	PIU

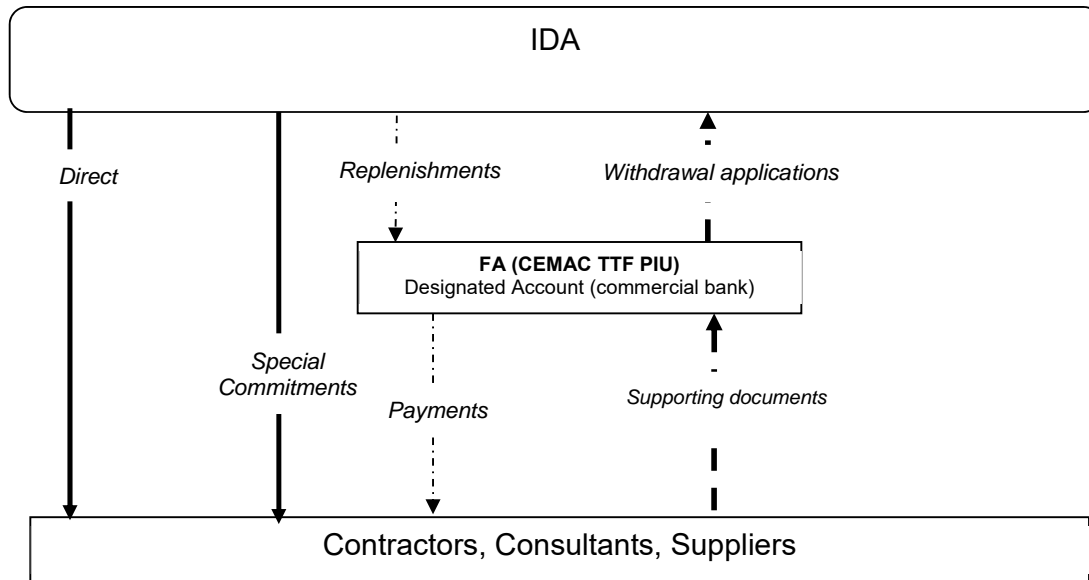
- 22. The project will comply with the World Bank disclosure policy of audit reports and place the information provided on the official website within one month of the report being accepted as final by the team.

Disbursements

- 23. **Upon Grant effectiveness, transaction-based disbursements will be used.** The project will finance 100 percent of eligible expenditures inclusive of taxes. A new Designated Account (DA) will be opened in a commercial bank under terms and conditions acceptable to IDA. An initial advance up to the ceiling of the DA will be made and subsequent disbursements will be made against submission of Statements of Expenditures (SOE) reporting on the use of the initial/previous advance. The option to disburse against submission of quarterly unaudited Interim Financial Report (also known as the Report-based disbursements) could be considered, as soon as the project meets the criteria. The other methods of disbursing the funds (reimbursement, direct payment and special commitment) will also be available to the project. The minimum value of applications for these methods is 20 percent of the DA ceiling. The project will sign and submit Withdrawal Applications (WA) electronically using the eSignatures module accessible from the World Bank’s Client Connection website.



Figure 2.2: Funds Flow Chart



24. **Based on the outcome of the FM risk assessment, the following implementation support plan is proposed.** The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout its life.

Table 2.3 FM Implementation Support Plan

FM Activity	Frequency
Desk reviews	
<ul style="list-style-type: none"> Interim financial reports review Audit report review of the program Review of other relevant information such as interim internal control systems reports 	<ul style="list-style-type: none"> Quarterly Annually Continuous as they become available
On-site visits	
<ul style="list-style-type: none"> Review of overall operation of the FM system (Implementation Support Mission) Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audits, and other reports Transaction reviews 	<ul style="list-style-type: none"> Biannual for Substantial risk As needed As needed
Capacity-building support	
<ul style="list-style-type: none"> FM training sessions 	<ul style="list-style-type: none"> During implementation and as and when needed

Procurement

25. **Applicable procurement rules and procedures.** Procurement for this project will be carried out in accordance with World Bank Procurement Regulation for Investment Project Financing. All goods and consulting and non-consulting services required for the project and to be financed out of the proceeds



of the Grant shall be procured in accordance with the requirements set forth or referred to in the following sections:

- (a) **Section VI. Approved Selection Methods:** Goods, Works, and Non-consulting services of the 'World Bank Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing: Goods, Works and Non-consulting and Consulting Services', dated July 2016 revised November 2017, in the case of goods and non-consulting services;
 - (b) **Sections VII. Approved Selection Methods:** Consulting Services of the "World Bank Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing: Goods, Works and Non-consulting and Consulting Services," dated July 2016 revised November 2017, in the case of consulting services;
 - (c) **Section IV. Project Procurement Strategy for Development (PPSD) and Procurement Plan:** the recipient has prepared the PPSD and the Procurement Plan in accordance with paragraphs 4.1 to 4.5 of the "World Bank Procurement Regulations for IPF Borrowers - Procurement in Investment Project Financing: Goods, Works and Non-consulting and Consulting Services," dated July 2016 revised November 2017.
 - (d) **Annex IV. Fraud and corruption.** The procuring entity as well as all bidders, suppliers, contractors, and service providers should observe the highest standards of ethics during the procurement and execution contracts financed under this project in accordance with the provisions of the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016).
26. **Institutional arrangement for procurement.** The CEMAC TTF PIU based in the MPWRM, or the Fiduciary Agent (FA) is retained to be responsible for the implementation of all fiduciary activities comprising procurement and financial management. Based to the current procurement context characterized by the lack of capacity and in order to mitigate the financial risk the Word Bank team agree with the project preparation team the following measures (i) signing a MOU between the MWFHF and the CEMAC TTF PIU, based in the MPWRM in order to manage all the project's procurement process, including the signing and approval of contracts during the project implementation; (ii) anticipating all procurement activities as indicated in the PPSD and the Procurement Plan; and (iii) supervising closely all procurement activities. These measures will be pursued during the implementation of project.
27. **Procurement risk assessment.** A summary procurement risk assessment of the FA, based in the MPWRM, in charge of the implementation of procurement activities for the project was carried out and the overall procurement risk rating is Moderate. The CEMAC TTF PIU was created more than ten (10) years ago and it has significant experience working with the World Bank and applying related policies and procedures. As the CEMAC TTF PIU must count on experts (one FM specialist, one procurement specialist and one accountant) staying at the MWFHF, the overall procurement risk for the proposed project is rated substantial.
28. **Measures to mitigate procurement risk.** The main procurement-related risks identified are: (a) Lack of knowledge and practice in application of the New Procurement Framework; (b) Lengthy government approval processes; and (c) the distance between the FA and the NRGPU hosting the experts responsible for preparing all the fiduciary documents to be submitted to the FA for consideration and validation. The following mitigation measures are proposed: (a) The CEMAC TTF PIU will apply the procurement procedures detailed in the PIM and will develop detailed checklists to ensure consistent and compliant project procurement; (b) the CEMAC TTF PIU will also develop a contract management system to ensure that all contracts under the project are effectively and



efficiently managed; this will include the tracking of key contract milestones and performance indicators as well as capturing all procurement and contract records; and (c) the CEMAC TTF PIU and the NRGU TU will arrange weekly meetings to ensure the proper mentorship of the fiduciary team within the MWFHF with the view to increasing their capabilities.

29. **National Procurement Arrangement.** In accordance with paragraph 5.3 of the Procurement Regulations, when approaching the national market (as specified in the Procurement Plan tables in STEP), the country's own procurement procedures may be used. When the Beneficiary uses its own national open competitive procurement arrangements as set forth in Public Procurement Code, such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the following conditions : (i) the procurement is open to eligible firms from any country; (ii) the request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, an compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights; and (iii) maintenance of records of the Procurement Process. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Beneficiary, such arrangements shall be subject to paragraph 5.5 of the Procurement Regulations.
30. **Procurement methods.** The various procurement methods to be used for activities financed by the proposed grant will be set in the procurement plan.
31. **Procurement of works.** Works are envisaged to construct or rehabilitate infrastructure (urban roads, roadside drainage, public buildings, income generating infrastructure, school, health centers, etc.).
32. **Procurement of goods.** Goods will include computer equipment, vehicles, furniture, etc.
33. **Procurement of consulting services (firms and individuals).** Procurement of consulting services will be carried out in accordance with the World Bank Procurement Regulation for Investment Project Financing Borrowers. Consulting services also include the services of training, the recruitment of NGOs, national or international consultants (firms) and individual comprising a Procurement specialist, Financial Management Specialist, and accountant etc.
34. **Frequency of procurement supervision.** In addition to the prior review to be carried out by the World Bank, supervision missions will be undertaken at least once per year. One in five procurement packages not subject to World Bank prior review will be examined ex post on an annual basis.
35. **Procurement Plan.** The draft Procurement Plan for the first 18 months was finalized at project negotiations and approved by the World Bank. The Procurement Plan will be updated by the NRGU TU in close cooperation with the FA on an annual or as-needed basis to reflect actual project implementation need. Updating of the Procurement Plan will be submitted to the World Bank No Objection and the PPSD updated accordingly.
36. **Procurement Planning and Tracking Tool.** In accordance with paragraph 5.9 of the "World Bank Procurement Regulations for IPF Borrowers" (July 2016 revised November 2017) ("Procurement Regulations") the World Bank's STEP system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project.
102. **PPSD summary.** A Project Procurement Strategy of Development has been prepared to ensure the procurement activities are packaged and prepared in such a way as to minimize the risk. One key aspect to in that regards lies in the use of the CEMAC TTF PIU based in the MPWRM as the Fiduciary Agent. The CEMAC TTF PIU has experience and a track record in successfully implementing the full suite of fiduciary measures required for World Bank-financed projects. In addition, the PIU has political backing from the highest levels in Government.



37.

38. **Disbursement modalities.**

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed [(inclusive)[exclusive of Taxes]]
(1) Goods, works, non-consulting services, and consulting services for the Project	5,000,000	100 %
(2) Subgrants under Part 2.3 of the Project	1, 200,000	100% of amounts disbursed
(3) Small Grants under Part 4.2 of the Project	650,000	100 % of amounts disbursed
(4) Refund of Preparation Advance	250,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	7, 100,000	

39. **PIM.** The PIM will define the project’s internal organization and its implementation procedures, and will include, among other things: (i) the procedures for calling for bids, selecting consultants, and awarding contracts; (ii) the procedures for the call for proposals supporting the allocation of sub-grants to communities; (iii) the internal organization for supervision and control, including operational guidelines defining the role of the NRGU TU and the CEMAC TTF PIU and reporting requirements; and (iv) disbursement procedures.

Table 2.4 Procurement thresholds, methods and prior reviews.

	Procurement Method	Prior Review Threshold US\$	Comments
1.	Works Open international competitive procurement	≥ US\$ 5 million	All
	Open national competitive procurement	< US\$ 5 million	All
	Request for Quotations	≤ US\$ 200,000	First contract
2.	Goods & non-consulting services Open international competitive procurement	≥ US\$ 500,000	All
	Open national competitive procurement	< US\$ 500,000	First contract



	Request for Quotations	≤ US\$ 100,000	First contract
	Selection Method	Prior Review Threshold US\$	Comments
1.	Competitive Methods (Firms)	Above US\$ 200,000	All
2.	Single Source (Firms)	All	
3.	Individual	Above US\$ 100,000	All

Environmental and Social (including safeguards)

- 40. **Environment category and justification.** The proposed project has been classified under Environmental Assessment Category B and is expected to have a positive impact by improving forestry and mining sector management and performance, addressing regulatory gaps, strengthening institutional capacity, and support artisanal and small-scale mining operators in targeted areas. There are no long-term, or irreversible adverse impacts expected from the implementation of activities to be financed under this project. Specific mitigation measures will be designed to address potential negative impacts.
- 41. **Deferral of safeguards instruments preparation.** As explained in paragraphs 98 and 99, the preparation of safeguards instruments has been deferred and a SAP was prepared. The objective of the SAP is to ensure that the required environmental and social safeguards instruments will be completed in due course.
- 42. **Environmental assessment and technical studies to carry out.** Five out of six environmental safeguards policies are triggered: OP 4.01 (Environmental Assessment); OP 4.04 (Natural Habitat), OP 4.36 (Forests), OP 4.09 (Pest Management) and OP 4.11 (Physical Cultural Resources). Thus, a series of frameworks will be prepared as detailed in paragraphs 93 and 95, and validated by the World Bank.

Monitoring and Evaluation

- 43. The responsibility for M&E will formally lie with the NRGU TU hosting an Environmental safeguards and M&E specialist in charge of environmental safeguards and results monitoring.
- 44. The NRGU TU will prepare bi-annual progress reports on the various components under its responsibility, with contributions from other stakeholders, which they would make available to IDA within 45 days from the end of each reporting period. These reports would detail physical progress with respect to the indicators in the results framework.
- 45. The NRGU TU will also:
 - a. provide quarterly monitoring reports (“Safeguard Monitoring Reports”) containing adequate information on monitoring the measures defined in the Safeguard Instruments, giving details of:
 - measures taken in furtherance of such Safeguard Instruments;
 - conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments;
 - remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments;
 - b. include summaries of the Safeguard Monitoring Reports in the Project Reports; and
 - c. afford the World Bank a reasonable opportunity to exchange views with the NRGU TU on such reports.



- 46. Reports shall contain information about: (i) the preparation of ESIA pursuant to the ESMF, including ESMP as needed; (ii) the preparation of RAP pursuant to the RPF; and (iii) the preparation of IPP pursuant to the IPPF.

Role of Partners

- 47. **The project aims to create synergies and collaborations with ongoing interventions and projects to achieve** the project objectives. Where appropriate, the project will aim to scale up successful interventions. Table 2.5 presents a summary of the ongoing or planned donor-financed projects in the EP that have the greatest pertinence for the project and with which it will be critical to work closely.

Table 2.5 – Summary of the Ongoing or Planned Donor-financed Projects related to Forest and Mining in CAR

Name of Partner/Donor	Project Name	Area of Collaboration	Project Size (millions)
AFD	PDRSO (2016-2020)	Local development planning and investments in forest communities	US\$ 7.0
USAID	PRADD II (up to 2018)	KPCS implementation	US\$ 0.6
EU	FLEGT (2018-2022)	Forest governance framework and operations (MWFHF)	EUR 6.7
Germany	PPECF II (2018-2022)	Capacity building of the private sector (i.e. forestry firms) and other stakeholders	EUR 2.0
FAO/GEF	Forest and Landscape Restoration supporting Landscape and Livelihoods Resilience in CAR (2018-2022)	Institutional strengthening (MWFHF) and local development planning and investments in forest communities	US\$ 6.0
MINUSCA	Multi-sectoral Coordination Mechanism on natural resources (from 2017)	Development of a national strategy to tackle illicit exploitation and trade of natural resources	N/A
WBG	REDD+ readiness preparation (FCPF) and investment framework (CAFI) (2016-2019)	Operational synergies (co-financing of PIU staff)	US\$ 4.5 (3.8 FCPF +0.7 CAFI)



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Central African Republic
Natural Resources Governance Project in CAR

Strategy and Approach for Implementation Support

1. The project will be executed in an environment of very limited capacity, instability and security constraints. The core elements of the Implementation Support Plan are as follows:
 - The initial 12 months of implementation will focus on: (i) the procurement of consultants (firms and/or individuals, including NGOs) to carry out activities under the technical assistance umbrella (components one and three) to prepare the investment phase for local development (components two and four); (ii) the acquisition of goods to make the project operational as soon as possible; and (iii) the identification of subprojects at the community level (Component 2.2.3) and the preparation of technical specifications for the call for proposals dedicated to mining operators (Component 4.2);
 - Throughout project implementation efforts will be concentrated on the procurement of key studies, preparation and procurement of investments and associated safeguards instruments, capacity building and institutional support to strengthen MWFHF and MMG capacity. At the same time, from day one, a key focus will be on assessing the distribution of project benefits across different groups (communities, women, indigenous peoples) to ensure activities do benefit them and on monitoring closely the impact of the proposed project;
 - While the technical skills required for adequate implementation support will change slightly over the course of the project, a core multi-sectoral team based in Headquarters as well as in the region will provide continuous implementation support to Government.

Implementation Support Plan

2. The multi-sectoral nature of the project will require that significant resources be allocated to ensure adequate support during implementation.

Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	<ul style="list-style-type: none"> • Procurement of consultants and firms supporting the regulatory framework reform; • Establishment of LDCs in 10 forest communities in the southwest. • Procurement of goods to support the strengthening of the institutional capacity; • Community dialogue; • Implementation of procurement plan; 	<ul style="list-style-type: none"> • Forestry • Mining • Procurement and FM • Social and environmental safeguards 	BB: US\$ 150,000	



12-48 months	<ul style="list-style-type: none"> • Completion of the 10 forest community development plans; • Implementation of sub-projects as priority investments identified in the forest community development plans; • Preparation of safeguards instruments for specific investments, if applicable • Safeguards support; • Procurement and FM training for MWFHF and MMG; • Procurement of consultants and firms supporting the regulatory framework reform; 	<ul style="list-style-type: none"> • Forestry • Mining • Procurement and FM • Social and environmental safeguards 	BB: US\$ 450,000	NGOs carry out consultations; NGOs to identify priority investments;
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Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team Leader (Forestry)	8 per year	2-3 per year	Staff based in HQ
Co-Task team leader (Mining)	8 per year	2-3 per year	Staff based in HQ
Financial management	4 per year	4 per year	Staff are based in the region
Procurement	4 per year	4 per year	Staff is based in the region
Environmental safeguards	4 per year	2 per year	Staff is based in the region
Social safeguards	4 per year	2 per year	Staff is based in the region

Partners

Name	Institution/Country	Role

**ANNEX 4: SAFEGUARDS ACTION PLAN****COUNTRY: Central African Republic
Natural Resources Governance Project in CAR**

- No activity will be advertised nor implemented in the field before the completion of the required safeguards instruments (ESMF, ESIA, RPF, RAP, IPPF, IPP, PF, IPMF) which shall be satisfactory to the World Bank (actual delivery date), and the integration of measures/clauses in the documents governing activity implementation in accordance with such safeguards documents.

Action	Responsible	Actual / Expected delivery date
ESMF		
TORs drafted	NRGP TU	27 March 2017
Consultant recruited (BRGM-INSUCO-ONFI)	FA	20 December 2017
Draft ESMF	BRGM-INSUCO-ONF International	February 2018
Final ESMF to be cleared by the World Bank	BRGM-INSUCO-ONF International	April 2018
IPPF		
TORs drafted	NRGP TU	27 March 2017
Consultant recruited (BRGM-INSUCO-ONFI)	FA	20 December 2017
Draft IPPF	BRGM-INSUCO-ONF International	February 2018
Final IPPF to be cleared by the World Bank	BRGM-INSUCO-ONF International	April 2018
RPF		
TORs drafted	NRGP TU	27 March 2017
Consultant recruited (BRGM-INSUCO-ONFI)	FA	20 December 2017
Draft RPF	BRGM-INSUCO-ONF International	February 2018
Final RPF to be cleared by the World Bank	BRGM-INSUCO-ONF International	April 2018
PF		
TORs drafted	NRGP TU	27 March 2017
Consultant recruited (BRGM-INSUCO-ONFI)	FA	20 December 2017
Draft PF	BRGM-INSUCO-ONF International	February 2018
Final PF to be cleared by the World Bank	BRGM-INSUCO-ONF International	April 2018
IPMF		
TORs drafted	NRGP TU	27 March 2017
Consultant recruited (BRGM-INSUCO-ONFI)	FA	20 December 2017
Interim IPMF	NRGP TU	15 January 2018
Draft IPMF	BRGM-INSUCO-ONF International	February 2018
Final IPMF to be cleared by the World Bank	BRGM-INSUCO-ONF International	April 2018
Implementation of ESMF, IPPF, RPF, PF and IPMF		
TORs (of the M&E expert responsible for safeguards and results monitoring within the NRGP TU) drafted	NRGP TU	Upon Financial Agreement signing
M&E expert recruited	FA	Upon effectiveness
Allocation of a reasonable amount of resources (to be incorporated in the annual	NRGP TU	Upon effectiveness



budget to be approved by the World Bank) to the M&E expert to cover his operating costs allowing him to satisfactorily implement his tasks.		
<i>Capacity Building activities</i>		
Safeguards training for NRGF TU staff and relevant stakeholders such as technical staff of MWFHF and MMG, representatives of forest communities, artisanal miners, etc. by World Bank Specialists	World Bank	Three months upon effectiveness And then once a year



ANNEX 5: Economic Analysis

COUNTRY: Central African Republic Natural Resources Governance Project in CAR

1. Introduction and Objectives

1. **The public goods character of forests as well as mineral resources such as diamonds and the related market failures make the public sector the appropriate vehicle for this project.** The tendency to underestimate the value of ecosystems is related, for the most part, to their “public good” quality. Ecosystems and the services they provide are owned by all and thus protected by none. Being publicly provided, they are underpriced or unpriced and thus tend to be over-used and abused. Since the benefits are shared and ownership is collective, there is a tendency to free-ride on contributions for the provision of these goods. Collectively these features lead to pervasive degradation of ecosystems because of systemic market failures.²⁹
2. **The proposed project will increase the project’s development impact in ways that go beyond what can be realized by exclusive reliance on the Client’s own resources or other external sources.** Taking in consideration that CAR is an extremely poor country and the most recent cycles of violence and conflict, CAR needs help to recover from the effects of the 2008 global recession and from the domestic political and security crisis that erupted at the end of 2012. The World Bank Group can provide a combination of knowledge, finance, and convening power that is necessary to address the regulatory gaps, strengthen the institutional capacity, and maximizing socioeconomic benefits from natural resources.
3. **This section presents an analysis of the economic (welfare) benefits generated by the proposed investment.** By estimating the (partial) values of livelihood benefits, and comparing them against the cost of the proposed investment, the overall economic welfare generated by the project is assessed. Due to the complexity of the project, the anticipated economic benefits cut across many sectors and aspects. The improved livelihoods and the poverty alleviation are broad benefit categories that are included in the quantitative analysis. Given time and data constraints for this ex-ante economic analysis, the consideration of benefits for the quantitative simulation will be limited to a few aspects and complemented by a qualitative discussion of other benefits. The section discusses anticipated economic benefits and the presentation of results of a numerical simulation, including a brief assessment of the economic feasibility of the project.

2. Economic Benefits generated by the Project

2.1. Qualitative description

4. **The proposed investment is generating a diverse portfolio of economic benefits ranging from direct, tangible benefits to indirect, intangible benefits.** A direct, tangible benefit is, for example, the increase of income and taxes generation and distribution through mining and forestry activities. On the other side of the scale, indirect and intangible economic benefits of the project are, for example, the improvement of the public administration and associated delivery of public services triggered by the project’s support to revise regulatory frameworks. Table 5.1 provides a limited overview of

²⁹ http://www.esa.org/education_diversity/pdfDocs/ecosystemservices.pdf



selected examples of the four categories of benefits that can be associated with the project.

Table 5.1 – Selected economic benefits generated by the project

	Tangible	Intangible
Direct	<ul style="list-style-type: none"> • <u>Increase income*</u> • <u>Increase in collected taxes*</u> 	<ul style="list-style-type: none"> • Reduction in soil erosion/ increase in soil conservation • Reduction in deforestation • Biodiversity conservation • Poverty reduction
Indirect	<ul style="list-style-type: none"> • Reduced pressure on protected areas • Increased resilience to external shocks • Reduced malnutrition • Better access to credit 	<ul style="list-style-type: none"> • Enhancing institutional mechanisms in support of decentralization and delivery of public services • Strengthened self-governance capacity of communities and community groups • Improved schooling and education

*Underlined benefits are included in quantitative economic analysis

- Given the lack of data and time and resource constraints for this ex-ante project economic analysis, only a few selected benefits will be used for the quantitative economic assessment of project feasibility. These are livelihood benefits from the increase in income and taxes. Other economic benefits as listed in Table 5.1 are additional and need to be considered in the qualitative discussion, especially if quantitative simulation results indicate borderline economic feasibility of the project.

3. Main assumptions and cost factors

- Cost-Benefit-Analysis was applied to conduct the economic efficiency assessment for this project. Sensitivity analysis is applied for the main simulation parameters notably discount rate and project performance. For the discount rate, alternative rates of 5 percent, 10 percent, and 20 percent are applied. To test the robustness of initial results a simulation is run reducing benefits by 20 percent and 50 percent. All sensitivity analyses are run for all discount rates scenarios. The quantitative results will be complemented with qualitative benefits to conclude overall project feasibility.

3.1. Time

- The distribution of costs and benefits over time follow the actual disbursement of the project as closely as possible. This means benefits start only to arise with the first disbursement in 2018 as it seems unlikely that benefits are created without prior financial contributions. After 2023 it is assumed that benefits remain constant and no further improvements are achieved even though it is likely that the project will trigger further improvements in the future without substantial additional costs.

3.2. Livelihoods and Poverty Alleviation

- CAR is among the ten poorest countries in the world. Per the HDI, the country had the second lowest level of human development in 2015, ranking 187th out of 188 countries. Poor households are overwhelmingly located in rural areas. In 2008 nearly two-thirds of CAR’s population lived in rural areas, which were home to about 70 percent of the country’s poor. In addition to high income inequality, CAR’s population suffers from extreme disparities in access to employment opportunities,



education, healthcare, infrastructure and social services. Food insecurity is pervasive as a September 2015 survey found that half of the population in the prefectures surveyed, or nearly 2 million people, were food insecure.

- 9. **Artisanal mining offers an important livelihood strategy to local communities in mineral-rich areas of CAR.** Gold and diamonds are almost exclusively extracted by artisanal means in CAR. Some estimates suggest that 600,000 Central Africans depend at least partly on the sector for their income. Other estimates suggest that the numbers could be even higher with 80,000 artisanal mine operators and 320,000 laborers working in CAR’s diamond fields alone in 2009 and the diamond mining sector having directly or indirectly supported an estimated 2.8 million people before the crisis. For miners working in the Congo Basin’s Sangha Tri-National landscape, revenues from diamond mining account on average for 60 percent of their total income and helps them to finance important basic needs such as food, education of children, clothing, medicine, housing construction/improvement, and other purchases. Furthermore, it is estimated that CAR’s diamond fields could produce up to 840,000 carats per year and generate US\$8.1 million in annual tax receipts.
- 10. **CAR’s Forestry Code provides for a portion of the tax revenue derived from forestry activities to be allocated to local municipalities and forest communities which must agree to use them for local socioeconomic development.** The forest sector’s budgetary contribution is significant; prior to the 2013 crisis, forestry taxes and forest license fees total about Central African CFA Franc (FCFA) 10 billion (US\$16.1 million) per year, or just over 10 percent of total revenue. Forestry taxes representing up to 85 percent of local communities’ budgets, the decrease in fiscal revenue has significantly impacted the social and economic development in forest regions.
- 11. **The project directly benefits the livelihoods rural communities.** Benefits will be generated through the increase in the revenues derived from gold and diamond exports, therefore providing income opportunities for artisanal miners, as well as increase tax revenues derived from forestry activities that will partly be invested in rural communities. However, the incremental livelihood increase does not consider any secondary, spill-over or long-term effects triggered by increased incomes, such as better access to health services, improved education, or overall positive impacts on the economy as a whole.

3.3. Costs

- 12. **The proposed Costs are approximated using the investment costs of the project totaling US\$10 million.** According to the anticipated disbursement schedule, total project costs are spread out over FY18 – FY23.

Table 5.2 – Project costs in million US\$

2018	2019	2020	2021	2022	2023	Total
0.09	1.11	1.91	2.33	2.32	2.23	10

4. Methodology

- 13. **A net present value analysis is applied to compare project’s net benefits and net costs at the time of the first payment (2018).** In addition to applying conservative values for the quantitative assessment, sensitivity analysis is applied in various ways for the key simulation parameters, notably discount rate. Alternative discount rates of 5 percent, 10 percent, and 20 percent are chosen.



Quantitative results will be contrasted with qualitative benefits to arrive at overall project feasibility.

- 14. **As required for economic analysis of projects, a “With” and “Without” project situation is used for estimating incremental benefits generated by the project.** Taking account of the current situation, and the fact that the environmental as well as livelihood situation in the project areas is likely to continue to decline, even a slowing but continuing existing negative trend represents a project benefit. For example, a slow-down but continuation of deforestation and forest degradation trend is a benefit that can be quantified by the amount of incremental carbon that is not emitted into the atmosphere compared to the without project situation. Likewise, if household incomes can remain stable under a project situation compared to a possible negative trend due to declining agricultural productivity, deforestation, climate change, and other possible impact factors, this also represents an incremental benefit achieved by the project. NPV and Benefit-Cost Ratio (B/C-Ratio) are used as criteria to assess the economic feasibility of the project.
- 15. **A 15-year and 5-year period is assumed to assess the economic feasibility of the project.** While project costs only occur during the first five years of the project, benefits are assumed to be generated beyond the lifetime of the project. To harmonize project benefits and costs through the calculation of a present value of costs and benefits, a discount rate needs to be determined. In line with the World Bank’s guidance note on Discounting Costs and Benefits in Economic Analysis of World Bank Projects and given the often-significant impact of the choice of the discount rate on economic analysis outcomes, and the common difficulty in determining discount rates reflecting economic discounting behavior, a sensitivity analysis is applied considering discount rates of 5 percent, 10 percent, and 20 percent.
- 16. **In addition to testing the impact of different discount rates on simulation results, other sensitivity analyses are applied that account for possible variations in key input parameters to test the robustness of simulation results.** In addition to varying discount rates, simulation results are tested against changing benefit values. Benefit reductions of minus 20 percent and minus 50 percent are tested. It must be noted that this set of sensitivity assessments enables a comprehensive analysis of the economic robustness of the Project vis-à-vis changing or differentiated value parameters.

5. Results

- 17. **Overall, results show positive simulation outcomes for the Project, thus confirming economic feasibility. Simulation results are summarized in Table 2.** Each table shows the NPV and the B/C-ratation for different discount rates and benefit variations. The benefits are much larger than the costs in all scenarios and create a net present value of US\$ 151.5 million in the baseline scenario and a B/C-Ratio of 19.58. Even a reduction of benefits by 50 percent and only account for benefits over the 5 years of implementation yields positive results at all discount rates.

Table 3.3 – Summary of economic simulation results

	Baseline			Baseline – 20% Benefits			Baseline -50% Benefits		
	5%	10%	20%	5%	10%	20%	5%	10%	20%
15 years									
NPV [in US\$ million]	122.5	82.6	42.5	96.4	64.7	33.0	57.2	37.9	18.9
B/C-Ratio	16.05	13.28	9.94	12.84	10.63	7.96	8.02	6.64	4.97
5 years									
NPV [in US\$ million]	25.7	21.5	15.6	18.9	15.9	11.5	8.8	7.4	5.4
B/C-Ratio	4.16	4.20	4.27	3.33	3.36	3.42	2.08	2.10	2.14



6. Discussion

18. **This ex-ante economic analysis conducted for the project supports the program through positive results across a variety of sensitivity analyses and data assumptions.** The analysis is also robust as regards varying discount rates and also testing for changes in anticipated results. Even though social and environmental costs, such as the social costs of greenhouse gas emissions, from harvest and mining activities could not be included in the analysis due to a lack of data, we are positive that the results strongly support the implementation of the project. Some studies suggest that the environmental impact of artisanal mining on the CAR's forests is limited, especially compared to the potential impact of large-scale industrial projects, which makes it the preferred alternative. Analyzing artisanal mining inevitably entails concern for the environment. Nevertheless, if environmental issues receive sufficient attention and are effectively addressed, artisanal mining does not necessarily cause irreparable environmental damage, jeopardizing the livelihoods of future generations. Furthermore, by supporting the operation and control resources of the forestry administration, the project is expected to help CAR enforce sustainable forest management plans which will also reduce emissions.
19. **The quantitative analysis was strictly limited to values that can be clearly attributed to the project.** Besides the included livelihood benefits additional benefits can be associated with inter alia biodiversity conservation, economic benefits arising from the project investments, and governance benefits. Furthermore, it was assumed that no more benefits would arise beyond the project implementation period, even though it is likely that positive effects will continue to generate positive incremental changes compared to the without project situation. While this approach systematically undervalues project impacts, it provides a high degree of robustness. If additional and downstream project benefits had been considered the simulations would have yielded even stronger results.
20. **Environmental benefits could not be included in the analysis due to a lack of available data.** It is expected that the project would yield positive environmental effects therefore strengthening the results further. By supporting the operation and control resources of the forestry administration, the project is expected to help CAR enforce sustainable forest management plans and fight illegal logging activities. In addition, the project will support reforming the mining regulatory framework towards international best practices including environmental standards which the current framework falls short of. The provision of grants to registered artisanal miners would also allow artisanal miners to work more efficiently with less environmental damage.
21. **The economic benefits generated by the project are likely to have significant development impacts given the broader economic framework in which the project is implemented.** The potential for the project to catalyze important development momentum about natural resources management is high, with potential for continuity beyond the immediate lifetime of the project. Providing additional livelihood opportunities in rural areas can yield important secondary effects; for example, with respect to improving agriculture production, and access to education and health services. The project can serve as an important catalyst for generating such changes with impacts beyond the immediate project boundaries and lifetime of the project.