



Ministry of Forest Economy

French Development Agency

Feasibility study of the Green Climate Fund project - Congo

Financial component

December 2018

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LIST OF ACRONYMS

ACEP	Credit Agency for Private Business
AFD	French Development Agency
AGR	Income Generating Activities
APNI	Pointe-Noire Industrial Association
AT	Technical assistance
ATIBT	International Technical Association of Tropical Timber
ADB	African development bank
BCI	Congolese Investment Bank
BDEAC	Development Bank of Central African States
BEAC	Bank of Central African States
BM	World Bank
BP	Business Plan
CAPPED	Participation Fund for the Promotion of Enterprises and their Development
CDC	Congo Credit
CDN	National Determined Contribution
CFPR	
CIB	Congolese Industrial Wood
CIRAD	Center for International Cooperation in Agricultural Research for Development
CMB	Cattle sharecropping center
CMEC	Mutual Savings and Credit Banks
CMT	Short - Medium Term
CNOP	National Coordination of Farmers' Organizations, CNOP,
COBAC	Central African Banking Commission
COFINA	African Financial Company
COMIFI	Congolese Microfinance Company
CV-PFNL	Center for Valorization of Non-Timber Forest Products
DAB	Bank ATMs
DAT	A term deposit
DDA	
DG IFN	Ministry of Finance
ECAAT	Agriculture Transformation Project in East and Central Africa

EFC Eucalyptus Fiber from Congo

EMF Microfinance Institution



FAO	Food and Agriculture Organization of the United Nations
FDL	Local Development Fund
FEM	Global Environment Fund
IFAD	International Fund for Agricultural Development
FINFORTROP	Financing of Tropical Humid Forests in the Congo Basin
FJEC	Congo Youth Business Forum
FSA	Agriculture Support Fund
FVC	Green Climate Fund
GESCOD	Grand Est Solidarities and Cooperation for Development
GHG	Greenhouse gas effects
GIE	Economic Interest Group
GRET	Research and Technological Exchange Group
ID	Initiatives and Development
IF	Financial institution
LCB	The Congolese Bank
LT	Long term
APRM	Ministry of Agriculture, Livestock and Fisheries
MECRECU	Chréties Unis Savings and Credit Mutual
MEF	Ministry of Forest Economy
MLT	Medium Long term
MSME	Micro Small and Medium Enterprises
MUCODEC	Congolese Savings and Credit Mutuals
MUPROCOM	
OPM	Proximity Operator in Microfinance
NGO	Non Governmental Organization
OP	Farmer Organization
PACIGOF	Investment climate and forest / timber sector governance support project
PADEF	Support Program for the Development of Agricultural Sectors
PDAC	Commercial Agriculture Development Support Project

PFDE	Forest and Economic Diversification Project
NWFP	Non-Wood Forest Products
GDP	Gross domestic product
PND	National Development Plan
UNDP	United Nations Development Program
PPFNC	North Congo Forest Landscape Project
PRODER	Rural Development Project
PROFADELL	Local development project on the outskirts of the Gorilles de la Lésio-Louna nature reserve
PRONAR	National Afforestation and Reforestation Program
PROPARCO	Promotion and Participation for Economic Cooperation
SME	Small and medium enterprises
PMI	Small and Medium Industries
CSR	Social and environmental responsibility
SARL	Limited Liability Company
SDC	Community Development Series
GIS	Information and Management System
SNR	National Reforestation Society
SOCOFIN	Congolese Financing Company
RDT	Terms of reference
TPE	Electronic Payment Terminal
UGEA	Union of groups of farmers in the Djoué Valley
LULUCF	Land Use, Land Use Change and Forestry
WCS	Wildlife Conservation Society

1. Introduction

1.1 Context and objectives

(1) The economy of the Republic of the Congo is mainly based on extractive industries and timber, its territory being nearly 70% covered by forests. It faces major environmental challenges with deforestation which involves the generation of greenhouse gases.

Located in the Congo Basin, the second largest tropical forest in the world, the territory of the Republic of Congo is mainly covered with forests (65.6% of its surface). The country also has significant mineral and hydrocarbon resources (petroleum, potash, zinc, magnesium, gold, etc.). Agricultural land occupies 31% of the territory, but only 1.6% of arable land is cultivated¹.

Congo's economy is mainly based on the production and export of hydrocarbons, which represent 90% of the GDP. The large mineral resources also provide additional income to the country. Agroforestry and agriculture have seen their development hampered due to the country's strong economic dependence on the hydrocarbon sector, which absorbs most of the investments.².

The Republic of Congo is facing major environmental challenges: deforestation linked to the development of agriculture and the mining and hydrocarbon sectors generates additional greenhouse gas (GHG) emissions, estimated at 81% of the country's total emissions. . The country has decided to act on this plan, by boosting low-carbon development in the country.

(2) The Republic of Congo has set itself the goal of promoting strong economic growth and sustainable management of its natural resources.

Having ratified the Paris Agreement resulting from the Conference of the Parties in 2015 and having submitted its Nationally Determined Contribution to the United Nations Framework Convention on Climate Change, the Republic of Congo has set itself a target of reducing its GHGs by 54% as well as a reduction of unplanned deforestation to 20% by 2035.

To achieve its objective, the country has been involved in the REDD + process since 2008. It recently defined a national strategy, which is accompanied by an investment plan. Congo wishes to obtain financial support from international donors to implement this plan. In particular, he wishes to request support from the Green Climate Fund launched by the UN in 2011 with the aim of financing investment projects to fight against GHG emissions and deforestation.

¹ The World Factbook

² The World Bank

(3) The French Development Agency and the Food and Agriculture Organization of the United Nations are supporting the Republic of Congo in the development of a project proposal to be submitted to the Green Climate Fund, the FVC Project.

The GCF Project proposes to support (i) the realization of enabling and structuring investments and (ii) community or private investment projects in the field likely to generate reductions in GHG emissions as well as economic and environmental benefits for local populations. In order to have a lasting impact, the FVC Project wishes to set up financing mechanisms for these projects involving local banks and microfinance institutions. To do this, it is envisaged that it will include incentive lines of credit and a risk-sharing mechanism, as well as support in the form of technical assistance for local financial actors and private actors to improve their bankability (supply and demand for financial services).

AFD and FAO have agreed to support the development of a proposal for this GCF Project with a view to having it financed by the Green Climate Fund. In particular, AFD and FAO propose to finance several studies on behalf of the Ministry of Forest Economy (MEF).

(4) Three additional feasibility studies had been pre-identified for the FVC Project, and entrusted to a CIRAD consortium. This study complements the work carried out by CIRAD.

Three feasibility studies were carried out by a CIRAD consortium. They aim to assess the technical feasibility and the environmental and social impact of forestry, agro-forestry and agricultural investment projects to be supported by the GCF Project, as well as the operational and financial feasibility of project implementation.

The following documents have been made available to the Consultant:

- ④ Report of the wood-energy study within the framework of the implementation of the national determined contribution (CDN) of Congo in the sector of land use and forestry.
- ④ Wood-energy study: Analysis report and recommendations on the establishment of a legal and institutional framework.
- ④ Mission report - Operational and financial feasibility study.
- ④ Study of the Cassava, Banana, Plantain, Cocoa and Peanut value chains in the Congo and Environmental and social management framework.
- ④ Technical routes and potential areas for project implementation.
- ④ Cost-benefit studies for the plantation of eucalyptus in coppice, for a village agroforestry plantation acacia-cassava-maize and for a village agroforestry plantation cocoa-plantain-peanut.

This study complements the studies currently being carried out by CIRAD. She is particularly interested in the financing methods of private investment projects identified in the terms of reference:

- ④ Assessment of the economic and financial potential of the identified investment projects and proposal of financing modalities for each type of project, according to the phases of the Project.
- ④ Identification of Congolese financial institutions likely to finance these projects, understanding of their constraints and identification (quantified) of mechanisms to be proposed by AFD to overcome these constraints.
- ④ Formulation of intervention modalities for AFD in the GCF Project: identification of stakeholders and in particular of the project owner (s), contractualization modalities, conditions and modalities of mobilization of the various financial instruments.

(5) This report summarizes the analysis of the situation and outlines the main lines for a future project.

The analysis of the situation carried out during the first phase of the study was refined and completed during the second mission. It is summarized below.

The recommendations formulated for the future project concern:

- ④ General recommendations concerning targeting and the grant-credit mix.
- ④ The overall concept for the financing component of an GCF Project, specifying the distribution strategy and potential partners in the financial sector.
- ④ The phasing of the implementation of the financing component of the Project.
- ④ The adjusted estimate of the needs of the financing component (subsidy, lines of credit).
- ④ The qualitative description of the technical assistance needs and a first evaluation of the corresponding budget.
- ④ Points of attention for the implementation and structuring of the project.

1.2 Missions in Congo

(1) This report was drawn up following two missions to the Republic of Congo:

- **August 2018: 8 days of a team of two permanent HORUS Development consultants Finance,**
- **November 2018: 7 days of the chef de mission.**

From July 31 to August 8, 2018, a team of HORUS Development Finance consultants mandated by AFD, made up of Ms. Christine Westercamp and Ms. Elise Juguët, carried out a field mission in order to collect the information necessary for the implementation of Phase 1 of the study. Ms. Westercamp returned from November 20 to 28 to deepen and complete the elements collected. This team met a large number of actors from the financial sector, the agricultural and forestry sectors and the institutional environment:

- ④ Ministries & public structures:
 - Ministry of Forest Economy (MEF):

- ✓ Minister, chief of staff, deputy and heads of directorates.
 - ✓ National Afforestation and Reforestation Program (PRONAR).
 - ✓ National Reforestation Company (SNR).
 - ✓ Center for Valorization of Non-Timber Forest Products (CV-PFNL).
 - Ministry of Agriculture, Livestock and Fisheries (MAEP).
 - Ministry of Finance (DG IFN).
 - Pointe Noire Chamber of Commerce.
 - Agricongo.
- ④ Technical and Financial Partners:
- French Development Agency (AFD).
 - African Development Bank (AfDB).
 - World Bank (WB).
 - Food and Agriculture Organization of the United Nations (FAO).
- ④ Projects:
- Support Program for the Development of Agricultural Sectors (PADEF).
 - Commercial Agriculture Development Support Project (PDAC).
 - Local development project on the outskirts of the Gorilles de la Lésio-Louna nature reserve (PROFADELL II).
- ④ Financial sector :
- Bank of Central African States (BEAC).
 - Credit of the Congo.
 - Societe Generale.
 - Congolese Savings and Credit Mutuals (MUCODEC):
 - ✓ Headquarters: Managing Director, Risks and Commitments Department, Agricultural Market Manager.
 - ✓ CLM Kinkala.
 - ✓ CLM Pointe Noire Tchimbamba.
 - African Financial Company (COFINA).
 - Participation Fund for the Promotion of Enterprises and their Development (CAPPED).
 - Hope Congo.
 - Mutual Savings and Credit Banks (CMEC):
 - ✓ Proximity operator and DDA (Dolisie).
 - ✓ CMEC Nkayi.
 - ✓ CMEC Madingou.
 - ✓ CMEC Bouansa.
 - ✓ Auditor.
 - ✓ Consultant who supported the preparation of financial statements.
- ④ NGO:
- International: ID, GESCOD, ESSOR, GRET, WCS.

- Locals: CAPSADL, CERPAC PNR, GIE Moringa.
- ④ Trade unions: International Technical Association of Tropical Timber (ATIBT), Unibois.
- ④ Beneficiaries and potential partners:
 - Reforestation / forestry: CIB, IFO (by phone), individual planters supported by the SNR, Subcontracting companies of the forest massif and former EFC manager, GIE of the Eucalyptus massif, Associations supported by PROFADÉLL, Association having been supported by Agricongo, Associations of producers of Boko, Zebra, Congo Carbo Industries, Eco-oil.
 - Farmer groups, agricultural and agri-food SMEs: Pool integrated farm project, GTC, EP'AVPA, Espaces Verts Kouilou, COPRAC, Choco-Ouak, Associations supported by PROFADÉLL, UGEA, small producers of PK45, Cofcao, moringa producer, Tolona company.
 - MUCODEC customers: GESCOD Pool pilot farm, 2 integrated market gardening - poultry farming PNR.
 - Nurserymen.
- ④ CIRAD: coordinator and national expert.

NB: AFD having a study in progress on banks in the Republic of Congo and their inclination to finance the actors of the forest sector within the framework of the FINFORTROP Program, the present study does not aim to analyze in detail the banking actors: while a few banks were met, the study focused more on microfinance and on private demand from agricultural and agro-forestry value chains for financial services.

2. Summary of the financing situation of private actors carrying out activities eligible for the GCF Project

The synthesis is drawn up on the basis of the results of the two missions. Details of the elements leading to this summary are presented in the interim report and in the appendices to this report for new or additional elements.

2.1 Public policies and donor interventions

(1) Agriculture and agro-forestry are among the priorities set by the Congolese State, with a central role devolved to the private sector, for which the development of suitable financing is seen as a necessity.

At the beginning of July 2018, the Congo adopted a multisectoral National Development Plan 2018-2022, the second axis of which, relating to the diversification of the Congolese economy, relates in particular to agriculture in the broad sense, and which emphasizes on the private sector as a player in the diversification and transformation of the economy.

Forest policy in the Republic of Congo is framed by a 2015-2025 document in which the role of the private sector in the financing and implementation of this policy is not detailed. The National REDD + Strategy Investment Plan, on the other hand, specifically lists support for SMEs / VSEs and support for commercial banks and microfinance as means of mobilizing the private sector in the fight against gas emissions. greenhouse effect. The National Afforestation and Reforestation Program (PRONAR), launched in 2011, also leaves room for the private sector in its implementation. The SNR is the state operator. However, the results are disappointing,

The National Development Plan devotes three components to the development of agriculture as a tool for diversifying the economy. The issue of financing the private agricultural sector is considered a key point for the development of the sector. Following the failure of the Agriculture Support Fund, the modalities for developing access to such financing do not yet seem to be completely settled.

A review of the Financial Sector Development Strategy is underway with the support of the World Bank. A study on financial inclusion is awaiting validation by the National Credit Council. A financial inclusion strategy will be developed based on its findings.

(2) Analysis of past donor interventions highlights:

- **The need for long-term support to achieve sustainability allowing credit to be considered.**
- **The importance of supporting borrowers and financing systems and of good governance for the success of guarantee and revolving fund interventions.**

Previous projects and support programs for the promotion of agroforestry, particularly in savannah areas, for the development of income-generating activities and / or climate-smart agriculture highlight the need for an approach on long term to take ownership of activities, validate their profitability and anchor changes in practices. As part of a Project that would offer communities financing in the form of credit to carry out agroforestry activities, it would therefore be strongly recommended to target areas already supported by previous projects. However, this will involve making sure to mark the change from the pure grant approach of previous projects to credit distribution,

Different projects have carried out interventions in the form of guarantee funds, with varying levels of success. Three fundamental elements of success stand out: (i) the accountability of the financial institution in the instruction of the loan application and the follow-up, (ii) good support for borrowers and (iii) good support for the financial institution in the implementation of adapted products and services.

Different experiences of setting up “revolving” type funds (funds provided as a subsidy by a Project with the aim of granting repayable loans or advances to beneficiaries, whose repayments allow the granting of new credits) show the importance of long-term support for the management of these revolving funds in order to sustain access to financial services. They also highlight the need for good governance and credit granting procedures to guard against political embezzlement.

Synergies could be explored with ongoing interventions:

④ **Forest and Economic Diversification Project II (PFDE II) managed by the World Bank and financed by the GEF, 2018-2021, Sangha / Likouala.**

In its support to the Congolese forestry sector (general), the World Bank is seeking to launch a jurisdictional pilot program in the departments of Sangha and Likouala to reduce greenhouse gas emissions. The aim is to put in place a sustainable approach to mobilize the carbon fund by the country's actors, in order to reward the efforts of private actors in reducing GHG emissions. It is thus working in particular with the private forestry sector (discussions underway with CIB, IFO, Eco-Oil) in order to encourage reduced-impact logging.

The PFDE II targets village communities of the SDCs, whose investments are planned to be subsidized to the tune of USD 2.33 million. The project particularly targets cocoa. In this context, the World Bank is considering setting up revolving funds to finance all or part of these investments on credit. A consortium of Congolese NGOs has been recruited for this purpose, with an NGO specializing in support to IGAs (ANEP), which involves in particular on project a microfinance specialist, an NGO specializing in gender and 3^e in supporting indigenous populations. Fieldwork is due to start on December 10. It is a priori expected

to reactivate the existing CMECs in these areas, to provide credit in kind for the plants in areas where there is no microcredit system and to rely on mobile money for money transfers. The culture of assistantship in these areas implies that long-term work is to be expected.

④ **Bank's Commercial Agriculture Development Support Project (PDAC) Global, 2018-2022, National.**

This Project aims to improve the business climate in the sustainable agriculture sector by supporting public-private dialogue and the development of commercial infrastructure, as well as providing direct support to the private sector for USD 25 million (Support the formation of productive alliances between producers and buyers, technical assistance, support for the development of business plans and financing of equipment at shared costs, targeting 700 groups of producers and 50 micro, small and medium-sized enterprises).

Contrary to the recommendations of the study on the financing of agriculture commissioned by the Project, the World Bank refused to make available to partner financial institutions lines of credit or guarantees and retained an intervention only in the form of a subsidy. Distinguishing itself from the operational choices of its predecessor PDARP for greater efficiency, the PDAC sets up a strong structure with 100% dedicated human resources, the recruitment of private consultancies and collaboration with the MAEP services to monitoring of sub-projects. The design offices are in charge of supporting project leaders (promotion of productive alliances, setting up business plans), evaluating expressions of interest, proposals and business plans of beneficiaries (independent body of the Project), monitoring of activities and evaluation of sub-projects. The PDAC recruited the consulting firms and started the communication on its subsidy offer via calls for projects, arousing the interest of several of the private actors it met.

④ **IFAD Agricultural Sector Development Support Project (PADEF) (co-financed by OFIP and the Congolese government), 2013-2019, National.**

PADEF is the heir to the PRODER projects which set up the CMECs. Despite the fact that it is at a standstill for lack of funds, it tries to support the assembly of CMEC accreditation files.

(see below 2.3 Offer). Funding for the rest of the project, scheduled for 2019, is on hold pending the contribution due by the State under PRODER 3.

④ **AFD Northern Congo Forest Landscape Project (PPFNC) projects co-financed by the FFEM, 2018-2022, Sangha / Likouala and Agricultural Sector Revival Support Project (PARSA), 2018-2022, Peripheries of Brazzaville and Pointe Noire & Sangha / Likouala.**

Intervening in the same geographical areas and on the same themes, these projects have a natural synergy to put in place, around the reconstruction of the cocoa sector, other income-generating activities in the SDCs and climate-smart subsistence agriculture. peri-urban.

It should be noted with regard to development support in the North of Congo that a mission by the World Bank and the MEF took place in mid-November with the objective of identifying all the stakeholders and identifying synergies, between WB projects on the one hand, and with other donor projects thereafter. Studies are being launched to take stock of the situation and make recommendations on the topics

land administration, agricultural development, focused on cocoa farming and the social and environmental safeguards to be provided.

2.2 Demand and feasibility of credit financing

(1) Agricultural and agroforestry activities are faced with strong constraints which have not prevented a slight economic boom. The funding methods for current projects are all grant-based.

Agricultural and agroforestry activities, which generate the demand for financing envisaged under the GCF Project, are subject to strong constraints:

- ④ Land question which slows down investment projects with a large number of producers who do not own the land they cultivate and rent them out for a campaign.
- ④ Shattered and disorganized value chains in which commercialization is one of the main bottlenecks for a lot of speculation.
- ④ Very traditional production systems leading to a high vulnerability of producers to climatic shocks and to an uncertain overall profitability of agricultural activity.
- ④ Organization of the embryonic agricultural world and often untied from real economic interests.
- ④ Poor image of agriculture among populations, especially young people.

In this context, the projects circumvent the difficulty of access to credit by setting up mechanisms for contributing factors of production by other means: subsidy, often at shared costs, "sharecropping" (credit in kind), revolving funds. It should be noted that cost-shared financing is often based on financial institutions in which beneficiaries must open an account in which they position their own contribution before being able to access the grant.

However, agricultural and agroforestry activity seems to be experiencing a certain boom in the context of the oil crisis, led by relatively educated actors and sometimes with a strong environmental awareness, even if this trend remains difficult to quantify.

(2) The different types of actors likely to implement the projects provided for in the RDTs have been identified. The appetite for credit, which is quite low, varies according to the type of actor.

The distribution of project types by region proposed by the terms of reference was supplemented by an identification of the types of potential private actors likely to implement them, essential because the credit distribution channels and their constraints vary according to the type of actor.

It appeared necessary to segment the project actors according to different criteria for the different activities:

- ④ For forestry and agro-forestry stakeholders, the main criterion is land ownership: • Forest industry and their subcontractors: Congolese and international.

- Individual land owners.
 - Landless communities.
- ④ For those involved in agriculture, a more classic segmentation has been adopted, based on the commercial attitude or not of the producers:
- Small “subsistence” farmers.
 - Small farmers or business groups.
 - “Neorurals”.
 - SDC of forest concession zones.

Potential private**Stakeholders' appetite for credit to finance GCF projects**

actors SDC	Average appetite for all projects (already difficult in terms of subsidies), except for cocoa; beekeeping & fish farming also seem to have potential	
Landless communities: forestry and agro-forestry projects	Subsidy habit and populations unfamiliar with credit	
	Mixed appetite for wood energy due to land tenure and marketing issues	
	Appetite to be confirmed for PM agro-forestry projects savannah food / perennial & orchards	
	Declare a strong appetite for PM AGR projects: NWFP, breeding, artisanal fishing	
Small farmers of subsistence	Subsidy habit and populations unfamiliar with credit -> appetite difficult to assess	
Small farmers or gpts commercial	Habit of the subsidy but strong appetite for climate-smart and / or sustainable agriculture	
Neorurals	Habit of the subsidy but strong appetite for climate-smart and / or sustainable agriculture	
Individual owners	Habit of the subsidy but strong appetite for agro-forestry & agricultural projects	
Congolese foresters	Wood energy: possible with partial subsidy	
	Why not if support in subsidy and / or credit. Profitability to study	
Major international players	Wood energy: A priori low appetite (PRONAR experience / difficulty in taking over PNR concession; Evolution to follow after takeover by Zebra)	
<div> <div>strong appetite</div> <div>average palatability</div> <div>poor appetite</div> </div>		

(3) The segmentation by type of project and actor reveals few segments that can be financed with only technical support for the request and supply of credit without associated investment subsidies, half of the segments whose financing requires strong prior support. with investment grants and another half that cannot be financed by the financial sector.

The segmentation by type of project and actor made it possible to qualify the feasibility of credit financing by taking into account the constraints of the offer, the characteristics of private actors, the financing needs of each type of project, financial analyzes. when data is available (CIRAD cost / benefit studies on 3 technical routes), SWOT analyzes of technical routes.

A classification of investment projects according to the possibility of credit financing within the framework of the GCF Project, broken down by type of actor, is proposed. The colors have the following meanings:

- ④ Red: Characteristics of the demand for credit too far removed from the supply requirements to be remedied during the life of the project. Recommendation for funding such initiatives as grants.

- ④ Blue: Interesting projects but the financing need for which is too far from the offer of the Congolese financial sector. Recommendation to finance such initiatives with other types of resources external to the project.
- ④ Orange: According to the consultant, the gap between the requirements of the offer and the characteristics of the demand for credit requires the mobilization of investment subsidies and a strong capacity building so that access to credit is possible.
- ④ Green: The gap between supply requirements and the characteristics of credit demand can be bridged by good technical support of supply and demand without investment subsidies.

The major constraints of each segment for access to finance appear in the interim report and are included in appendix 3.

Departments	Investment projects	Potential private actors
Pool and Tray	PM agro-forestry & forestry projects - sustainable wood energy (new or existing plantations)	Landless communities Individual land owners
	Large private plantations - wood energy (new or existing plantations)	Foresters or other major players
	PM demonstrative savannah agro-forestry projects combining food & perennial (cocoa under shade, oil palm, banana)	Landless communities Individual owners of SDC
	PM climate-smart and / or sustainable agriculture projects	land
Sangha and Likouala	PM agro-forestry projects associating food and perennial (cocoa under shade, banana)	SDC
	PM AGR projects: NWFP, livestock, artisanal fishing	SDC Landless communities Individual land owners
	Precious wood plantations	Foresters Small subsistence farmers Small farmers or commercial gpts
	PM climate-smart and / or sustainable agriculture projects	Neorurals Landless communities Individual land owners
Kouilou and Niari	PM agro-forestry projects associating food and perennial (cocoa under shade, banana)	
	PM AGR projects: NWFP, livestock, artisanal fishing	Landless communities Individual land owners
	Precious wood plantations	Landless communities Individual land owners
	PM agro-forestry & forestry projects - sustainable wood energy (new or existing plantations)	Foresters Landless communities Individual land owners
	Large private plantations - wood energy (plantations new or existing)	Foresters or other major players

(4) It is recommended to integrate in the Project certain economic activities not mentioned in the terms of reference which present a synergy with the identified activities, by improving the upstream and downstream of the value chains.

The other complementary opportunities identified are located upstream and downstream of the value chains in the wood-energy, agriculture and agroforestry sectors:

- ④ Evolution of the charcoalization practices of independent charcoal makers, either directly or as part of a partnership of the type envisaged by the Congo Carbo Industry project.
- ④ Saving of wood energy consumption through the production and distribution of efficient cookers, in line with the activities of the ID project.
- ④ Nurserymen, for the production of trees for fuelwood as well as for production (fruit trees, moringa, etc.).
- ④ Production or import of organic fertilizers and pesticides / herbicides and improved seeds, as do EP'AVPA or UGEA.
- ④ Processing units of agricultural and agro-forestry products of SMEs.
- ④ Large-scale agricultural production projects that may include processing units likely to have a knock-on effect on the sectors, such as those of CofCao, Eco-Oil or GTC.

(5) The main economic activities identified contributing to climate change mitigation that could be financed by the financial sector are summarized below.

The tables below show by category of sub-projects and for each sub-category:

- ④ The actors likely to implement them and the possible need for investment grants to encourage the implementation of such sub-projects.
- ④ The types of financial institutions that could meet their financing needs.
- ④ The nature of this need (investment, working capital).

Summary of categories of GCF sub-projects that can be financed on credit

Reference		CIRAD economic studies			Other TDR categories		
borrower / comment on the need for a subsidy	industrial	villager owners Pool Plateau / SDC	villager owners Pool Plateau / SDC	owners	small farmers com'x / neorurals	communities landless / SDC	small farmers subsistence / SDC
bank	x			x	x		
types of FI possible:							
mesofinance		x	x	x	x		
microfinance		x	x	x	x	x	x
revolving fund		x	x	x	x	x	x
Nature of financial need	investment oven	FDR cassava corn & plowing stumping firewall	plants, FDR dessouch, age, plowing, fertilizer	investment (30-50%)	FDR, investment (30%)	FDR	FDR

Reference		Thrifty cookers			Other			
				customer base	Poss. in the			
borrower / comment	supported	supported	'micro', or	frame of a	for market	(subsidy to	(subsidy to	
on the need for a subsidy	project ID	project ID	others for	contract with a	public or private	consider according to	consider according to	
bank			to offer	industrial		sector impact)	sector impact)	
types of FI possible:	mesofinance	x	x	x	x	x	x	x
	microfinance	x	x	x				
	revolving fund							
	Constitution	Funds	Acquisition at credit (credit	artisanal oven improved	small	FDR,	FDR,	
Nature of financial need	of stock	rolling	consumption not)	purchase wood	equipment & FDR	investment (50%)	investment (80%)	
green: AT supply & demand is enough								
LEGEND:					orange: investment grant & prior RC			

(6) A few projects, of varying maturity levels, have been identified among large companies and SMEs, with support and financing needs.

Formal companies of varying sizes are involved in the identified sectors.

④ Agro-industrial projects likely to impact the sectors and have a spillover effect exist:

- In the wood energy sector:
 - ✓ Zebra, a Romanian-owned company which has taken over the Eucalyptus massif and the Pointe Noire chip production unit has a strategy articulated around 4 sectors (chips and logs for export, line poles and fuelwood for the domestic market); it plans to dedicate the areas on the outskirts of Pointe Noire to the production of fuelwood, with a supervision of cuts to protect the rest of the massif and to invest in a carbonization plant in Diossou to recover the residuals of exploitation and specific plantations.
 - ✓ Congo Carbo Industrie is a charcoal production business project led by a Congolese who is negotiating a long-term lease on 200,000 ha at the beginning of 2019 for the exploitation of decommissioned forests and replanting. The first phase would be based on improving the productivity of independent charcoal makers (training, facilitation of access to investment credit in semi-industrial furnaces, organization of marketing on a contractual basis) and would be supplemented by an investment industrial.
- In the oil and fruit sectors, Eco-Oil, a Congolese company, has taken over plantations and industrial tools that it is renovating and has set up a purchase program for small and medium-sized farmers (Eco-Plus) . The difficulties encountered in the first year of this program have led Eco-Oil to rethink its purchasing strategy from small producers by reflecting in particular on their organization. The company came into contact with microfinance institutions (Mucodec, Hope) to facilitate the establishment of loans to operation on guaranteed purchase. It is a partner of the World Bank.

- ④ Some SMEs are likely to play a role of locomotives for the development of their sectors:
 - Some are invested in agricultural and agroforestry production (cocoa, fruit trees, moringa, oil palm), often with an investment project in medium-term processing and markets already identified.
 - Others have small agro-food processing units (chocolate, canned vegetables, fruit juice, etc.).

Their support needs concern:

- ④ Improving the environment (research, availability of suitable inputs, packaging, qualified human resources).
- ④ For projects that are poorly capitalized or not very mature, access to development capital investors.
- ④ Access to credit, in particular by removing the constraint of guarantees.
- ④ Grants for studies prior to the introduction of innovations.
- ④ Subsidies for the establishment of immature projects - some of the interlocutors met, however, underline the obligations towards the people involved in the subsidy distribution mechanisms which often result from access to the subsidy and would prefer to renounce the subsidy to avoid have to get into this game.
- ④ Support in making contacts and identifying opportunities, whether they are commercial outlets, new infrastructure in the pipeline or development projects in their sector and area.

(7) Among small producers, there is a certain demand which needs to mature in order to be able to properly manage the credit financing of activities. In the SDCs in particular, this will require prior work on the reappropriation of the living environment and the microeconomics.

Support for changes in practices to move towards agroforestry or climate-smart agriculture is essential. Some ongoing projects are supporting producers in climate-smart agriculture (around 1,500 - 2,000 producers and processors concerned). In agroforestry, the necessary support is much longer, with production cycles over several years, which makes it difficult for projects to monitor properly (whose duration is generally too short) and to mobilize communities well.

In the particular case of SDCs, in which assistance is very widespread and makes it difficult to mobilize local populations in economic development, prior work to re-appropriate the living environment and the microeconomics seems essential. ID is doing this type of work in Lekoumou and has initiated discussions with CIB in Likouala. Other NGOs like ESSOR could also do this type of grassroots work. This is essential in order to be able to envisage setting up credit while maximizing the chances that it will be effectively managed like credit and can therefore participate in empowering and changing the economic positioning of populations.

The support needs of small farmers therefore relate to:

- ④ Technical support for changes in practices (launch or continuation of this support).
- ④ Support in the structuring of sectors to ensure production outlets.
- ④ In the SDCs, after the preliminary phase described above, studies to validate the relevance of the provision of revolving funds.

2.3 Credit offer

(1) The Congolese financial sector is underdeveloped compared to the country's economy and rural areas are very poorly banked compared to urban areas. The context difficult economic conditions lead him to be prudent in granting loans.

Congo is one of the countries with the lowest number of accounts per capita (9 out of the 112 studied in the Findex 2017 report have a lower ratio), with 26% of adults over 15 having an account in a financial institution in 2017 (for 58% for the average of countries in the lower middle-income economy category and 43% for Sub-Saharan Africa), 16% for rural people and 18% for the 40% poorer. The economic crisis linked to the fall in oil prices has impacted all sectors of the economy, leading to the deterioration of the portfolios of financial institutions, both in the banking sector and in the microfinance sector.

The Congolese banking sector is in recession compared to 2016, with deteriorated portfolio quality. Agriculture represented 6% of its portfolio in April 2018. The microfinance sector has 66 approved EMFs, 30 CMECs and informal funds. It is concentrated in urban areas and has little interest in agriculture outside of CMECs. The MUCODEC network brings together ¾ of its customers, 80% of its loans and 93% of deposits collected on 06/30/2017. Note that employees represent 80% of MUCODEC clients, implying a strong tropism of the microfinance sector towards this clientele and a neglect of the "classic microfinance" clientele, less well served than the figures suggest.

(2) Five financial institutions with complementary positions could be approached to invest in the FVC project. None being already equipped to serve this market, the necessary support will have to be designed over the long term and in stages, with a very strong technical assistance component or, for some, a rehabilitation subsidy.

Among the FIs met, 5 institutions with different profiles were pre-identified as potential partners for the future GCF Project:

- ④ Mesofinance:
 - Heavyweight in microfinance, the MUCODECs are clearly the essential partner of any intervention in rural areas even if they do not finance the informal sector and agriculture. Due to the economic crisis, the network is facing difficulties, with a drop in the quality of its portfolio. A recovery in the level of PAR is a priority before the network is ready to move towards a poorly known sector whose risk it does not control. The

The network's current strategy emphasizes the development of its credit portfolio, in particular for the informal sector. Its appetite for developing credit to the agricultural and agroforestry sector remains to be confirmed: the network will eventually confirm it on the basis of economic analyzes of files and sectors. It will invest in the development of an activity with the segments targeted by the GCF only on the basis of more precise information on the market potential, the profitability of the activities and the solidity of the players. If this potential is confirmed, the network would start with a small pilot with an in-depth study of a few files and, if it considers these files bankable, would start with own funds before confirming the relevance of borrowing to finance this activity.

- In the phase of establishing itself on the Congolese market, COFINA is interested in developing its activity towards all promising and under-served economic sectors and, in this perspective, plans to finance agriculture and the forestry sector. In terms of amount of credit, it is in a segment close to that of Mucodec but affirms its positioning towards SMEs, already experienced within the framework of its African network. Above all, it seeks access to long-term resources.

④ Microfinance:

- HOPE Congo, an institution with a complementary positioning to that of Mucodec and Cofina located in Brazzaville and Pointe Noire, serving smaller players, has a confirmed strategy of moving towards rural and agricultural credit, in particular for the financing of food crops, which is consistent with the agroforestry technical itineraries proposed by CIRAD, and an interest in developing its partnership with AFD. It expressed an interest in receiving technical assistance to develop its activity towards these new clienteles. Subject to a detailed economic analysis of future settlements, it would be ready to consider settlements in synergy with the Project, including possibly with lean agencies in SDC zones on the basis of revolving funds. For this, it wishes to study more precisely, particularly in terms of profitability and location, the opportunity for the EMF to develop an offer intended for clients targeted by the GCF entering its target clientele, in order to clarify its strategy in relation to these clienteles. and the Project partnership. It will then have to conduct market studies to confirm the potential before deciding on the establishment of an agency and operational studies to size the agency, specify its operation and its link with the network.
- The CMECs stand out for their fundamentally rural orientation and location, although agriculture represents a minority share of their support (less than 25%). Their current conditions are not adapted to agriculture and they have no specific product: no deferred repayment, security deposits of 50% to 100% of the amount to be borrowed, monthly rate of 5.5%. Not approved, not yet formed into a network and not really appropriated by their members, with a high PAR although mostly covered by guarantee deposits, the CMECs would need a strong support in capacity building, or even rehabilitation grants for the most vulnerable funds before eventually being able to claim an AFD loan.

④ Bank:

- Within an international network showing the desire to develop its green and agricultural financing activity, a partner of AFD, Société Générale is still in the process of conquering the market in Congo. She seems interested in developing her tools and technical skills in the agricultural sector but is having difficulty in identifying reliable counterparts.

Other banks and EMFs are mentioned in the report of the PDAC study on the evaluation of financing options for commercial agriculture and the identification of banks and microfinance institutions, but little data is available on their activity. financing of agriculture.

(3) The partners approached during the first phase confirm an interest subject to more precise studies of profitability and validate their needs.

The financial institutions identified have all confirmed an interest in a partnership with the Project, subject to confirmation of the profitability of the projects to be financed and the mechanisms for securing assistance. They validated their needs to support the Project:

- ④ Subsidy support (development of tools to understand the target clientele: informal clientele, agricultural and agroforestry clientele; communication with clients; development of a suitable offer and internal training; installation of rural agencies). The necessary grant support is important.
- ④ Silent guarantee.
- ④ Medium-long-term concessional lines of credit (Mucodec wishes to start the partnership with the Project on the basis of own funds to first validate the interest in getting into debt).
- ④ To be confirmed following a preliminary study: interest in taking charge of the management of a revolving fund in SDCs, prefiguring an agency (Hope, CMEC, other?).

We should note the particular case of CMECs, for which it will be necessary to monitor the evolution of the situation after the ongoing support (PADEF support for obtaining approval, support from the Sugar Program for the development of agricultural credit and the networking of strong funds in its area of intervention; the PFDE could also contribute to the rehabilitation of funds in its area of intervention; the PDAC could also support high-performance CMECs for the finalization and monitoring of their approval files, computerization and the provision of software for the GIS) to validate the relevance of a partnership with the Project. This would necessarily take the form of subsidies, credit lines not being possible in view of the situation of the network. This would involve capacity building and allocation of credit funds.

Mucodec	Location, strength and scope Reference FIs for small companies	1. Crisis exit 2. Specific support for a move towards more credit informal, agri / agroforestry	AT Careful guarantee (LC MLT concessional?)
Hope	Community development strategy rural Positioning primarily micro and group credits	Support for the opening of rural 1. branches Support for the development of 2. a adapted agricultural credit offer 3. LC support & warranty According to potential 4. development economic, openness support agency in SDC zone based on revolving	Subsidies investment AT Guarantee LC Possibility endowment SDC revolving
Cofina	Interest shown to finance agriculture SME targeting Proven international model	1. Support for the development of an internal expertise TA for LC MLT analysis agricultural credit risk 2. Provision of financial resources	concessional with deferred Guarantee
CMEC	Agriculture financing mission Truly rural network Support for the development of a revitalization in progress	1. General strengthening of network 2. Support for the development of an adapted agricultural credit offer	AT FP allocation
Society General	Interest in developing funding agricultural Existing partnership with AFD (ARIZ) Targeting medium and large companies	1. Technical support 2. Opportunity identification business 3. Provision of financial resources	AT Guarantee LC MLT

3. Recommendations for the financing component of an GCF Project

3.1 Recommendations general rules for the implementation of credit financing within the framework of the GCF Project

(1) The targeting of credit beneficiaries must be based on two principles:

- **Autonomy of FIs in the credit decision, independently of the grant decision.**
- **Compliance with traditional credit eligibility criteria.**

The modalities of access to support must be clearly distinguished from the modalities of access to credit, in order to avoid gender confusion for the beneficiary which would risk harming the proper repayment of the loan, and also a loss of control by the 'IF of its credit risk. It is therefore essential that the calls for projects which will select the investment projects benefiting from investment grants and technical support from the Project do not validate access to credit in a financial institution, and that communication with the beneficiaries be very clear on this point. FIs must in fact remain in control of their risk analysis.

Some good practices can already be listed in terms of eligibility for a loan, although each institution should remain free to set its own conditions:

- ④ Experience in the activity to be financed.
- ④ Minimum guarantee.

(2) A detailed grant-credit mix has been proposed for the three technical routes studied by CIRAD. For the other projects, initial recommendations are formulated, which must be validated by a detailed analysis. Where possible, in-kind disbursement of subsidized investments is recommended.

The detailed financial analyzes carried out in the interim report on the basis of CIRAD's cost-benefit analyzes, supplemented by an initial analysis of the other projects envisaged, made it possible to formulate recommendations for the different types of projects:

- ④ For a question of the duration of the credit and the attractiveness of the investment, an investment subsidy is recommended for wood-energy and agroforestry projects.
- ④ Moreover, due to the fragility of the actors and the longer duration of the investment credit, partial subsidization will most likely be necessary for agricultural, IGA and transformation projects in SDCs and for subsistence farmers and / or for structuring investments (for example acquisition of community skills).
- ④ As regards investments upstream and downstream of agricultural and / or agroforestry production, for example the production of organic fertilizers or the processing of agricultural products, given the structuring potential of such investments, it could also be appropriate to subsidize them partially.

In operational terms, disbursement of credit in kind for subsidized investments is recommended. It can be set up through partnerships with nurserymen, public or private, as well as with suppliers of machinery and equipment.

3.2 Global concept proposal for the financing component of an GCF Project

(1) The financing structures to be mobilized to distribute the credit envisaged under the GCF Project differ according to the customer segments. To support the credit financing of actors other than businesses, it will be necessary to provide a significant share of subsidy, both for capacity building and as resources for credit.

As the situation of private actors in relation to credit is very different, the structures to be mobilized for the distribution of this credit are also very different:

- ④ SDC communities today seem far removed from credit, both in terms of economic culture and geographically. To be able to finance them on credit, it is recommended to set up revolving funds, which would be endowed as grants, could belong to the communities, with governance to be defined with the project in order to allow them to constitute a step towards establishment of a microcredit system.
- ④ Apart from the SDCs, two financial partners seem possible in the Congolese context for fragile rural communities:
 - CMECs serve this type of clientele in the areas where they are established. It is essential to go through a phase of rehabilitation of this unapproved rural network in poor financial health before being able to consider entrusting it with targeted lines of credit or guarantee. Rehabilitation requires two types of resources: a grant for technical rehabilitation assistance and an endowment in credit funds to replenish the CMEC's own funds. The various supports to the CMEC network should be reviewed (see 2.3) and the evolution of their situation to confirm the relevance and content of support.
 - The project to set up HOPE Congo in rural areas would also target this type of public, through loans to joint guarantee groups. To implement this project, the need mainly concerns technical assistance, possibly accompanied by a line of guarantee and a line of credit.
- ④ Companies, whether they are SMEs or the largest structuring companies in the agro-forestry sectors, can be served by the financial sector: MUCODEC, COFINA, Société Générale. These financial institutions have support needs both in terms of technical assistance grants, with a possible prior strengthening phase (support for the development of credit tools in the informal sector for MUCODECs, for example), and in lines of credit. MLT dealerships and warranty lines.

(2) A value chain approach seems interesting to facilitate access to finance for agro-forestry producers, with the aim of controlling both market access and access to inputs for climate-smart and sustainable agriculture.

Access to the market is the primary challenge for forest, agroforestry and agricultural producers. It is an essential prerequisite for access to credit, which can only be conceived without putting them in difficulty if they have the possibility of selling their production to generate the income necessary for the repayment of the credit. We can therefore expect an impact on producers from improving access to credit for downstream actors in these sectors. The identified downstream players whose activity growth can create outlets for producers are:

- ④ Industrial companies: Eco-Oil, COFCAO, which can constitute outlets for investment projects involving plantations in the sectors in which these companies operate.
- ④ Small or medium-sized units, such as Choco Ouak or COPRAC for example, for the same type of projects. To facilitate their access to credit from existing FIs, these companies often need support in setting up their business plans and projects to be financed on credit, as well as guarantees acceptable to the FIs and comfort to the FIs. on their technical and managerial skills.

The non-availability of climate-smart and / or sustainable inputs and materials is another obstacle to the development of climate-smart and sustainable agriculture. Support for access to credit for structures that import and distribute this type of inputs and materials, such as EP'AVPA, or that produce them, such as UGEA, is therefore an important element in enabling changes in agricultural practices. It is therefore, as for the small and medium downstream actors, to support the development of projects and access to credit of such actors upstream of the value chains.

Ideally, the establishment of value chain financing schemes with partner FIs could directly facilitate producers' access to credit. This requires support for the setting up of this type of scheme (partnerships for reducing operational costs, for sharing or better management of risk, for setting up loans in kind, etc.). The small size of farmers' organizations and the fact that they are not organized by sector limits the possibility of relying on this type of actor currently for the establishment of such financing schemes. It will be interesting to follow the evolution of the structuring of the rural world in order to be able to work with the POs that would emerge in the identified sectors.

3.3 Phasing

(1) A certain number of prerequisites for the credit financing of investment projects under the GCF Project must be taken into account on the supply side. These pre-requisites must be fulfilled by the Project before any disbursement.

- ④ The first diagnosis of the Congolese FIs met shows that technical support will be necessary for most of them. For banking players, it will essentially be a question of developing a credit offer adapted to the needs of the agricultural and forestry sectors, as well as

an adequate risk analysis and management methodology. For EMFs, a more general reinforcement may be expected (see 2.3 (3)).

- ④ Furthermore, given the limited distribution network of Congolese FIs, improving access is also a prerequisite for the most vulnerable populations, whose means of travel are limited.
- ④ Finally, the establishment of credits to finance investment projects eligible for the GCF Project will also require the establishment and disbursement of long-term credit lines and / or guarantees.

If the partner FIs of the GCF Project are pre-identified before the launch of the Project, it is therefore reasonable to assume that they will not be ready to disburse their first loans until 1 to 2 years after the start of the Project.

(2) The GCF Project targeting innovative activities and changes in practices going against the risk analysis methods of financial institutions and in particular microfinance, based on an analysis of past activities, a gradual approach, at least, is recommended. for smaller players, potential clients of EMFs.

The GCF Project mainly targets investment projects involving new activities or at least a change in practices for producers: planting and exploitation of fast-growing species, development of NTFPs (cocoa, beekeeping, essential oils, etc.), agriculture climate-smart and / or sustainable. This is a constraint for financial institutions, which could reasonably require 1 to 3 years of experience in these agricultural / agroforestry practices, depending on the crop cycles of the farm's speculations.

At the demand level, it will therefore also be necessary to phase out the project, not only in terms of structuring the financing, but also in the selection of beneficiaries.

Once the prerequisites for the offer have been met, it will be possible to immediately finance actors who have already been supported by previous projects or who already have their own experience in the activity: for example, groups of agricultural producers who have adopted years of climate-smart practices, producer organizations or landowners already in the exploitation phase of their acacia / eucalyptus forest.

For other players, especially the most vulnerable, credit financing by an FI would only be recommended following close technical support of 1 to 2 years. This technical support could be carried out in parallel with the support to FIs (see (1)).

Finally, for a certain number of sectors (cocoa, beekeeping, essential oils in particular), minimal structuring of sectors and in particular outlets seems to us a prerequisite for granting credit.

(3) The establishment of revolving funds could constitute a useful intermediate phase for the start-up of investment projects, as an alternative to a 100% subsidy. However, they should be able to be taken up later by MFIs to ensure the sustainability of the service.

Changes in practices can also create, in parallel with technical support, financial needs for investment or working capital. To avoid subsidizing these needs 100%, which would risk creating bad habits among beneficiaries, and also to involve them from the outset in an economic logic, the establishment of revolving funds is being considered.

A revolving fund is defined in this report as a fund endowed with a subsidy by a Project with the aim of granting reimbursable credits or advances to beneficiaries of the Project (holders of investment projects). The reimbursements of the beneficiaries must allow the granting of new credits. A revolving fund can possibly be replenished.

The loan products to be distributed by the revolving fund can be freely determined (interest rate or not, level of interest rates, eligibility criteria, duration of loans, repayment terms, etc.).

The management methods of a revolving fund can be very variable: it can be managed directly by a project structure, be entrusted to a producer organization, to an NGO, or even to a financial institution. Good management of a revolving fund is key to its sustainability.

Recourse by the FVC Project to local revolving funds would be recommended. In a concern for the sustainability of the impact, it should however be considered as a transitional phase and should if possible be launched from the start in partnership with a financial institution likely to resume activity in the long term. Indeed, the sustainability of the financing offer will go through its integration by one or more Congolese FIs. As soon as such funds are launched, it will be necessary to anticipate their takeover by FIs. In particular, they should only be launched in areas with a minimum of economic potential in order for such a recovery to be possible and loan conditions should not be too out of step with those practiced by financial institutions to cover their costs. .

3.4 Estimation of the need for credit, guarantees and investment grants for fundable initiatives

(1) Market potential is limited both by the availability and appetite of Congolese financial institutions and by the maturity of investment projects from private actors. It was estimated on the basis of existing actors, based on both the available elements concerning the financing request and those concerning the supply.

The need for support for credit financing of projects was estimated in a sequenced manner:

1. Assessment of demand in the market segments for which the assessment elements exist, revised to integrate certain detailed elements of the project planned by CIRAD on the three technical routes on which it has worked.
2. Assessment of supply absorption capacity.
3. Compilation and consistency based on the limits on each side.

Based on existing demand, these rather optimistic volume estimates do not take into account potential businesses or projects that could emerge thanks to the support of the GCF Project or other supports.

(2) The demand assessment is constructed by client segment targeted by the Project, on the basis of the types of sub-projects listed in the ToRs. Operators playing an important role in the proper functioning of value chains and therefore the flow of production from the first segments were also included.

The demand estimate is constructed by segment, first for the operators leading the sub-projects identified in the ToRs:

1. Neorural (employees, retirees, entrepreneurs from other sectors) or good POs, for small / medium agricultural projects (climate-smart and sustainable agriculture) or agroforestry. Among the sub-projects described in the ToRs, they can carry out:
 - "Small and medium-sized agro-forestry projects, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, oil palm, banana)"
 - "Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private"
 - "Small and medium-sized IGA projects (income-generating activities), community or private, including the production of non-timber forest products (NTFPs), animal husbandry and artisanal fishing"
2. Neorural: medium-large agricultural projects (climate-smart and sustainable agriculture) or agroforestry, of the same type as those in the previous segment. The difference compared to the previous segment is mainly due to the size and level of formalization of the actors.
3. Individual owners with forestry projects. These are often people linked to the sector; PRONAR has a list of those who approached it to gain access to eucalyptus plants to engage in planting or replanting activities. They can lead:

"Agro-forestry and forest plantation projects, of small and medium sizes, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations)"

4. Industrial partners with forestry projects. The CIRAD study on the wood-energy sector made it possible to assess this potential. They are the only large-scale actors targeted by the GCF Project, for:
 - "The projects of large private plantations dedicated to the production of wood energy (new or existing plantations)"
5. Contractual production: these are small and medium-sized producers who carry out the same type of projects as the small producers below in 6. but have a guaranteed outlet within the framework of contracts with buyers, likely to facilitate their financing.
6. Micro-projects of small producers which cover:
 - "Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private"
 - "Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana)"
 - "Small and medium-sized IGA projects (income-generating activities), community or private, including the production of non-timber forest products (NTFPs), animal husbandry and artisanal fishing"

Operators not listed in the ToRs have also been included in this table for their role in the operation of value chains and therefore in the marketing of the productions of the previous segments.

7. Upstream and downstream SMEs are not specifically identified as Project targets. However, they have a very important role to play in the operation of the sectors and the creation of outlets and have therefore been retained as a beneficiary segment. They are few in number at the present time, but the FVC project could help to awaken investment vocations.
8. The largest SMEs invested in agricultural production, having an interest in structuring the sectors and thus being able to have a spillover effect (Cofcao, GTC, etc.).

(3) The sub-projects targeted as part of the setting up of the GCF Project by CIRAD have been allocated to these pre-identified customer segments. With an assumption of 50% of these projects financed partially on credit, the volume of credit necessary to finance them can be estimated at 8 M EUR for a tied subsidy of 9 M.

Section VI of the budget determined by CIRAD for the GCF project concerns sector investments, detailed by technical route. The costs related to the sub-projects (excluding awareness raising and information) were distributed by CIRAD between subsidy and remain the responsibility of the operator. On this basis, which fits well with the conclusions of the financial analyzes carried out in 1st phase, and according to the number of projects by type estimated by CIRAD (see Annex 5 CIRAD: Program by department), the financing needs were allocated by customer segment. The assumption was made of credit financing of 50% of the identified sub-projects, the others corresponding either to operators having the means to finance themselves without recourse to credit or to non-eligible operators.

or reluctant to credit. These projects are those that CIRAD has deemed possible to provide technical support within the framework of the budget it has proposed.

For these projects involving credit financing, the contribution of small and medium-sized borrowers is intended to constitute a security deposit to access credit (see point (5) below). For the projects of small producers in agroforestry (technical itineraries Agroforestry acacias-cassava and Cocoa production in agroforestry systems), a non-financial part of the contribution was estimated on the basis of the detail of CIRAD economic analyzes, up to 50%. labor, in order to allow a share of external labor and a minimum remuneration of the operator. The financial part of the necessary own contribution corresponds to the credit requirement and amounts to resp. 66% and 53% of the operator contribution assessed by CIRAD.

Only industrial projects are deemed to rely on a significant contribution of equity capital, to take into account the banks' appetite to finance this type of innovative project to an estimated level of 30% maximum. Here, the borrower's contribution is taken into account in the financing of the project, under the assumption that he will have sufficient guarantees not to have to block a financial deposit. On this basis, the industrial partners are estimated to provide 46% of equity and guarantees such that they will not need to constitute a financial deposit as security for their credit.

Estimation of the credit and subsidy needs for the initiatives identified by CIRAD
(figures in MFCFA)

TOTAL BUDGET CIRAD

1	Small / medium projects agroforestry (SME)	mesofinance														
2	Medium-large projects agroforestry	bank	22	50%	11	127	1.399	10%	64%	896	36%	503		A2, D	1,792	1.006
3	Individual owners / forestry projects	mesofinance														
4	Industrial partners / forestry projects	bank	5	50%	2.5	3.578	8.946	46%	30%	2.684	24%	2.152		B, C1, C2	13,589	4.303
5	Production contractual: PM producers (cocoa)	mesofinance, microfinance	240	50%	120	11	1,281	10%	128	21%	147	79%	1.007	D	548	2014
6	Micro projects agroforestry workers from small producers Upstream and downstream SMEs: charcoal burners - contractual	microfinance, FR	3260	50%	1,630	3	5.098	10%	1.062	53%	1,659	47%	2,377	A1	5.442	4.753
7		mesofinance, microfinance	5	50%	2.5	0.0	11	10%	100%	11	0%	0		C1	21	0
TOTAL MFCFA			3.532				16,734		1,190	5.396		6.038			21,392	12,076
or M EUR							26		2	8		9			33	18

(4) Credit financing projections for the sub-projects described by CIRAD mainly relate to the banking and microfinance sector, with a small proportion for mesofinance.

The breakdown of this total need by type of customer and by type of financial institution likely to finance them on credit is as follows:

	% credit	% subsidy	credit source
Contractual production	3%	17%	mesofinance / banks
small producers	31%	39%	microfinance
forestry projects	66%	44%	banks
Total	100%	100%	

2/3 of the need for credit relates to a small number of large projects purely within the banking sector. The clientele of small producers, the most difficult to finance, mainly in microfinance, represents 1/3. Note that we do not have here the distribution between small individual producers and those who will be part of good POs likely to be financed by mesofinance. Contractual production, which could be financed by microfinance or mesofinance, is marginal, at 3% of the total credit envisaged.

To support the development of credit financing for the technical routes identified by CIRAD, and therefore intended for the actors who will be supported by the Project, the priority financial partners will therefore be the banking sector and 'small' microfinance of the Hope type. Mesofinance, however, has an important role to play for the financing of upstream and downstream SMEs which are necessary for the proper functioning of production activities, as well as for the financing of larger producers who can play an exemplary role in the adoption of new climate-smart agriculture or agroforestry practices.

(5) The adjusted assessment of demand, taking into account the sub-projects budgeted by CIRAD, reveals a need for credit financing that could go up to EUR 13 million and investment grants of EUR 11 million. The CIRAD sub-projects represent 62% of the assessed loan request.

For each segment among the small, medium and large actors targeted by the Project, the assumptions were constructed as follows:

1. Estimate of the total amount of projects likely to be financed on credit under the project FVC:
 - Assessment of the number of potential economic actors in the target, based on discussions with the people met during the missions, the projects identified by CIRAD and the lists communicated by Pronar / SNR, assigned an assumption of 10% serious projects that do not fall into the categories identified by CIRAD.
 - Assumption of the proportion of players eligible for financing from FIs in the segment (50% except producers working under contracts for which the proportion is increased to 80%).

- Assessment of the average unit volume of projects in the segment, based on the situations encountered and the CIRAD budget, if applicable.
2. Estimate of the mix of resources needed to finance these projects:
- Assumption of the borrower's own contribution. This hypothesis is in line with the practices of the financial sector and increases the borrower's involvement in the project by requiring him to invest his own resources. In line with industry practices, the own contribution is not used to finance the project but to constitute part of the guarantee, for its financial part (see point (3) above); its level therefore has no impact on financing needs. The share of own contribution was set at 10%, except for industrial or large-scale projects for which the own contribution is greater and taken into account in the financing of the project, under the assumption that it will have guarantees. sufficient so as not to have to block a financial deposit (see explanation above point (3)).
 - Assumption of the share of subsidy to be provided by the Project: proposed at 25% for large-scale projects (in line with the precise CIRAD approach validated by the HORUS financial analysis - segment 4 corresponds entirely to the 4 to 6 projects selected for the GCF budget proposed by CIRAD), at 30% on average for agricultural and agroforestry projects of SMEs and contract production (including 47% for CIRAD projects which correspond to half of segment 6, 36% for those of the segment 2 of which they represent half and 79% for those of segment 5 of which they represent 6%), to 50% for forestry and upstream and downstream projects.
 - The portion financed on credit results from these assumptions.
 - For guarantee coverage, an overall assumption of 80% was taken given the innovative and risky nature of the majority of the sub-projects envisaged.

The approach to assess the "micro" demand of small farmers marketing low volumes and landless farmers (Small Farmer Micro-projects) is different on certain points, being an immature demand that can only be served. " with strong support and a willingness from IF to get involved in this type of project:

- Here, the limiting factor is more supply than demand and the assessment of this segment is therefore made on the basis of Hope's ability to serve these populations with the support of the project (see below on assessment of the capacity to absorption of the offer).
- The proportion of investment grant is increased to 70%, higher than that of other actors, to take into account the vulnerability of these populations and compensation for the high financial costs of microfinance credit. (47% investment subsidy on CIRAD projects which could absorb the entire segment whose evaluation is based on the offer).
- The unit volume per project is estimated at 2 MFCFA, which implies a credit financing up to 30% or 600,000 FCFA, which seems reasonable, perhaps with a progressive amount, according to a scheme to be defined with the IF partner.

Estimation of credit and subsidy needs for fundable initiatives: demand approach
(figures in MFCFA)

1	Neorurals (employees, retirees, entrepreneurs) or good POs - small / medium projects agri / agroforestry	mesofinance	150	50%	20	1,500	10%	150	70%	1,050	30%	450
						0%				0%		
2	Neorurals: medium-big projects agri / agroforestry	bank	20	50%	200	2,000	10%	200	70%	1,400	30%	600
						53%				52%		
3	Individual owners / forestry projects	mesofinance	10	50%	132	660	0%	66	50%	330	0%	330
4	Industrial partners / forestry projects	bank	5	50%	3.578	8.946	46%	4.110	30%	2.684	24%	2.151
						84%				67%		
5	Production contractual: small and medium producers	mesofinance, microfinance	700	80%	3	1.680	10%	168	80%	1.344	30%	504
						24%				6%		
6	small micro-projects producers	microfinance, FR	1,776		2	3.552	118%	0	30%	1.066	115%	2.486
Sub-total TDR segments and outside TDR			2,661			18.338		4.694		7.873		6.522
7	upstream and downstream SMEs	mesofinance, bank	50	50%	30	750	10%	75	50%	375	0%	375
						0%						
8	Big projects agri / agroforestry	bank	5	30%	1000	1,500	45%	675	30%	450	25%	375
TOTAL MFCFA			2,716			20,588		5.444		8.698		7.272
of which CIRAD activities (50% on credit)			1,766			16,734				5.396		6.038
% CIRAD			65%			81%				62%		83%
or MEUR						31		8		13		11
sky blue background: hypotheses						pink background: from the evaluation of the offer or of the offer						

(6) On the micro segment, the projects corresponding to the support provided by CIRAD would absorb all of what was deemed to be fundable for the small players. It remains to be confirmed that Hope would be ready to commit to this clientele for such a volume. As a result, the proportion of these projects that can actually be financed on credit could therefore be less than 50%.

With the assumptions made (50% of beneficiaries of Project support financing part of their project à credit), the 'CIRAD' projects (supported under the CIRAD proposal for the GCF Project) in this segment would absorb all the funding available for segment 6 (defined as indicated above in (5)), with the 'hypothesis that part of them would be financed within the framework of their quality POs and could therefore be served within the framework of segment 1, ie by mesofinance.

Discussions with Hope focused on more diverse activities. It will therefore be necessary to confirm their appetite for this segment with the support of the Project. Despite this technical support for the Project, which constitutes an asset that reinforces the attractiveness of this clientele, it is possible that the volume that the EMF will be ready to invest in these innovative activities is lower than the total of the commitments envisaged on the projects of the chains. agricultural and agroforestry values.

(7) The analysis of the offer shows that, if it confirms its interest, the financial sector would have the capacity to respond, in part, to the identified demand, if it benefited from support in the form of lines of credit (12 M EUR), and guarantee (11 M EUR).

To assess the supply absorption capacity, the following methodology was adopted:

1. Identification of customer segments served by each potential partner FI
 2. Assessment of the absorption capacity of FI in the agri / agroforestry sector
 3. Comparison of this absorption capacity with the estimated need for the corresponding demand
 4. Allocation of the needs of the different demand segments to each of the FIs
 5. Calculation of the FVC portfolio of each FI
 6. Estimate of credit line needs and guarantee to set up the corresponding credits
2. The evaluation of the absorption capacity of the offer is based on different logics depending on the reality of each FI concerned:
- For the MUCODEC network, mature and facing economic difficulties, the potential for financing FCF projects has been assessed on the basis of its current activity with professional clients, at ¼ of this activity. ¼ of this financing is estimated to be made from own funds while it uses a line of credit for ¾.
 - The COFINA network is growing strongly, with a strong appetite for development, particularly in the categories targeted by the Project. On these categories, on the basis of interviews with the mission, its request is evaluated at 6 billion FCFA.
 - HOPE Congo is growing, with a clear desire to move towards rural areas and an objective of 20% of its portfolio by 2020. The hypothesis adopted here is that 50% of its current portfolio could finance projects led by beneficiaries of the GCF project.
 - Société Générale is interested in developing its portfolio in the targeted sectors, with a need for support to identify projects. Its absorption capacity has been evaluated at 20 projects for an average amount of 200,000 FCFA (to be validated).
4. The allocation of demand to FIs is based on the following assumptions:
- Distribution of small and medium-sized producers in contractual production between MUCODEC / COFINA and HOPE at the rate of 90% for the first 2 and 10% for Hope.
 - Breakdown of upstream and downstream SMEs between MUCODEC / COFINA and Société Générale at a rate of 75% for the first 2 and 25% for SG.
 - Support by MUCODEC of the request corresponding to its absorption capacity (relying on the already existing dense network in the country).
 - Supplement to cover these segments supported by COFINA.
 - Request taken into account for small farmers in joint guarantee groups corresponding to the capacity of Hope, the only partner identified in this segment.
6. The estimate of line of credit (LC) and guarantee needs is calculated on the basis of assumptions about the need for the line of credit and the guarantee coverage rate:
- LC requirement:
 - ✓ 100% of the FVC portfolio for COFINA, HOPE and Société Générale,

- ✓ 75% for MUCODEC which has resources to invest.
- Guarantee requirement:
 - ✓ Assumption of a very high coverage rate, at 80%, to take into account the high risk on these innovative projects and the strong guarantee requirements of FIs, partially linked to regulations, and to get an idea of the maximum volume that could be necessary for the FVC Project.
 - ✓ Rate applied to the entire GCF portfolio of each FI and not only to the portfolio financed by a LC of the GCF Project.

Estimated need online (*figures in MFCFA*) **and guarantee for fundable initiatives: offer approach**

MUCODEC	Neorurals, good POs, SMEs	1,300	2,870	1,300	75%	980	80%	1,040
COFINA	SMEs, neorurals, good POs	6,000	2,870	1,570	100%	1,570	80%	1,256
HOPE	Small farmers in groups joint surety	1,200	+	1,200	100%	1,200	80%	960
SG	large SMEs, projects industrial	4,000	4.630	4.630	100%	4,000	80%	3,704
TOTAL M FCFA				8,700		7.750		6.960
or M EUR				13		12		11

in sky blue assumptions

NB: MUCODEC plans to start with its own resources and possibly set up a line of credit if the request is confirmed

The bases for calculating the absorption capacity of each FI are detailed in Annex 6.

3.5 Technical assistance to allow the establishment of credits

The table at the end of the section includes in particular in the subsidy support recommended on the request side the technical assistance necessary to support the request, and in the credit prerequisites the support to be provided to FIs, according to the types of project and their location. .

(1) In order to be able to set up credit financing for most of the projects to be supported by the GCF Project, technical assistance is necessary both in support of credit demand and in support of supply.

The tables in appendix 4 summarize the conditions necessary to allow access to credit by type of sub-project, and in particular detail the subsidy support recommended on the demand side, in coordination with the credit supply: technical support, grants from investment, state support.

④ Demand support:

- Capacity building of SNR / PRONAR to support agro-forestry projects and forest plantations, small and medium-sized, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations).

- Support for industrial players wishing to invest in the planting and / or exploitation of wood energy to obtain certification / improve environmental and social practices.
- Technical support for producers, especially small and medium-sized ones, in production:
 - ✓ Savannah agro-forestry technical routes.
 - ✓ Climate-smart and sustainable agriculture techniques
 - ✓ Agro-forestry technical routes under shade
 - ✓ Training and technical support for the production of essential oils, beekeeping and breeding
 - ✓ Implementation of changes in agricultural and agroforestry practices: establishment of in situ pilots, dissemination of related lessons, monitoring and support of volunteer producers
- Marketing support: cocoa (including drying techniques), honey, essential oils, other:
 - ✓ Realization of market studies, in particular for an international valuation.
 - ✓ For work with small farmers, support for structuring the rural world.
- Support in management and financial education (targets small individual producers and POs):
 - ✓ Introduction of an economic reflection to support the evolution towards commercial family farming.
 - ✓ Consideration of the impact of changes in management practice.
 - ✓ Financial education to support entry into relationship with financial institutions and then credit and savings management.

Demand support other than financial management and education has not been evaluated in the budget below. CIRAD has drawn up a budget that includes technical support on demand for the producers it has identified (see Annex 5). Technical support for other types of producers for the structuring of value chains and the marketing of agricultural products could be mobilized within the framework of partnerships with other projects. They are important for securing financial institutions and mobilizing them in the financing of targeted clientele.

④ **Support for the offer:**

- Depending on the FI situation: prior consolidation / exit from the crisis.
- Specific market studies by zone to validate the loan demand of the selected beneficiaries (in quantitative and qualitative terms).
- Development of an adapted credit offer.
- Improved geographical accessibility (reduced service points in project areas, complementarity with digital channels, etc.).
- Articulation with project support on demand (need for technical support prior to financing to build up experience with future borrowers, and identification of outlets for productions).

- Communication / awareness, on the project and its offer, as well as on the fact that credit is 100% private and the responsibility of the FIs.

(2) Some projects can only be sustainable and therefore financable on credit if the environment is improved in the areas of wood resource management or land tenure security.

Currently, wood energy projects are not profitable in Kouilou and Niari due to the illegal exploitation of the eucalyptus plantation in Pointe Noire; this situation is found in other areas of the country, to a greater or lesser extent, with the exploitation of smaller massifs or the forest. The establishment of a timber resource management framework and the improvement of the monitoring of protected areas and concessions are thus a prerequisite for the profitability of these projects.

In terms of land tenure, there are many small farmers and agroforestry farmers who exploit areas whose use may be withdrawn from them at the end of each season, or even at any time in areas of greatest land tenure, particularly in peri-urban areas. They cannot consider investing in agroforestry or even agricultural projects until the land issue is resolved. In any event, they cannot reasonably get into debt in this context.

3.6 Special case of support for SDCs

(1) In its latest document, CIRAD recommends reviewing the intervention areas of the Project for more consistency, and not to intervene in the Sangha and the Likouala.

In discussions around the sizing of the project following the field mission, CIRAD sent us an extract from its draft summary document of the GCF Project on the 'Technical routes of forest and agroforestry plantations selected and associated technological models'. It emerges from this document that the production of cocoa in an agroforestry system in natural forests in the north of the country (Sangha and Likouala) was not retained as a priority for the FVC project, this type of production, in these two departments, making the object of development in progress within the framework of various projects.

However, two additional areas are considered:

- ④ La Cuvette to implement the agroforestry route based on cocoa in the savannah, subject to stable outlets for producers and in consultation with the AFD project.
- ④ La Bouenza (Loudima massif) for coppicing management of existing eucalyptus plantations, in particular to support the terracotta brick production sector that consumes fuelwood.

This report nevertheless takes into account support for the development of agricultural and agroforestry financing in the SDCs, restoring the work done on the subject.

(2) The multiplicity of stakeholders in the north of the country, particularly with microcredit projects, also encourages us to make a precise point and validate the opportunity to launch support for the development of microcredit in the SDCs and the relevant type of actions. A long horizon like that of the FVC project is however an asset for this type of support that other stakeholders do not have.

The current World Bank update on economic development interventions in the area (see part 2.1) will be a good basis for clarifying the interventions still needed and the synergies to be implemented. This concerns both the preliminary phase of reappropriation of development by the local populations (explained in 2.2 (7)), the establishment of appropriate financing mechanisms for agricultural and agroforestry activities and technical support for these activities (not budgeted for here).

(3) Northern forestry companies have expressed interest in working with an AFD development project with a view to eventually launching microfinance activities in conjunction with local development funds, subject to the support of a dedicated operator.

The companies IFO and CIB have expressed their difficulty in engaging in sustainable development in the context of

(i) usually assistantship and (ii) difficulty in channeling subsidies through local development funds towards real economic projects with the current allocation methods, characteristic of their areas of intervention. In this context, they are interested in supporting interventions aimed at empowering local populations, for which microfinance could be a tool. Their strong presence in the field and their knowledge of local issues make them valuable allies for understanding the economy and governance of these regions and their role in the local economy could facilitate the logistics of activities to be financed by microcredit.

In this very unfavorable context, it is clear that it is necessary to provide for a first phase of re-appropriation by the local populations of their own development and then of the launching of economic initiatives, before being able to consider gradually initiating the establishment of "a microfinance system. This gradual implementation could go through several phases:

- ④ systems of credit in kind (with interest) to introduce the habit of repayment,
- ④ setting up revolving funds in addition to the resources collected locally,
- ④ development with own resources and external loans from a traditional microfinance perspective.

To allow attachment to a network, essential to the sustainability of microfinance structures for the monitoring and pooling services that it provides, it would be an asset to be able to involve an interested EMF from the start of the process.

3.7 Points of attention for the implementation and structuring of the financing component of the GCF Project

3.7.1 Support for the development of credit financing

Project Activities

(1) The Project should be provided with a permanent technical assistant for the financing component. Its key role will be to involve the FIs in the Project and ensure that partnerships develop well. It will also ensure synergy with the other components of the Project.

The engagement of FIs in the financing of the activities supported by the Project is a key element of the sustainability of the impact of the Project and of its transformative capacity. The quality of the Project's relationship with the FIs must therefore be a strong objective. It will be based on the clear identification of an interlocutor for these partners, capable of understanding their needs and building their involvement. He will have a key role in the first phase of setting up partnerships with FIs, for the definition of the content of these partnerships according to the profile and expectations of each FI identified. He will have to draft the terms of reference for the preliminary studies and launch the recruitment of consultants with the FIs, then define with the FIs the content of their partnership on the basis of a preliminary diagnosis that he will carry out.

When the partnerships have been set up with the FIs, this technical assistant should support each FI in the implementation of its partnership with the Project: he will draft the terms of reference for studies and support and will participate in the recruitment of consultants. It will also be important for him to maintain regular communication with them to support them in solving problems if they arise. He will also be in charge of synergy with the other components of the project: informing FIs of new profitable activities identified and their financial needs, to support them in adapting their financial product offer to the evolution of knowledge of new activities promoted by the Project.

If these options are selected, it will also have to ensure close monitoring of Project activity in the SDCs as well as the rehabilitation of the CMEC network. This monitoring will be different from that of partnerships with approved FIs insofar as the Project will provide credit funds and governance is not satisfactory or existing today, in the SDCs as in the CMECs.

(2) The Project should carry out credit support activities that will support the development of healthy credit in partner FIs: customer management support system, financial education of Project beneficiaries, clear communication on the private nature of credit.

The credit support activities identified and budgeted are as follows:

- ④ **Support system in customer management:** Some management support structures exist in Congo such as the Forum des Jeunes Entreprises (FJEC) or the Pointe-Noire Industrial Association (APNI), set up by the Pointe Noire Chamber of Commerce, for VSEs / SMEs / PMI, and Agricongo for farmers. Management support is part of

their activities. It is billed to customers in the case of FJEC and APNI and is difficult to finance in the case of Agricongo. A budget is provided here that allows them to support the Project targets. The payment methods of this budget must be consistent with the intervention methods of each support institution and could consist either in the assumption of specific costs (facilitators, travel, etc.) or in a subsidy to the client to support part of its contribution to the support received. They should be discussed with each structure and individualized.

- ④ **Financial education of project beneficiaries:** This is the training of beneficiaries on the basis of financial management: credit, reimbursements, consequences of delays, savings... Financial education should be designed and defined with partner FIs likely to finance each segment.
- ④ **Clear communication on the private nature of credit:** One of the difficulties in financing activities accompanied by a Project, cited by most of the FIs encountered in Congo, is the assimilation of the support provided in credit to that provided as a grant: the beneficiaries believe that the FI which grants them a credit in addition to a subsidy or support Project has received a subsidy to finance them and therefore do not see why repay if they encounter a difficulty. This is often observed and even if the communication of the FI is perfectly clear, constituting an easy excuse for the borrower. The FI must then spend a significant amount of energy clarifying things and despite everything often has collection difficulties, all the more damaging as they can have a ripple effect on other clients. It is therefore necessary that the Project clearly communicates that it does not provide grants to FIs to finance loans. The content of the message should be reflected on and refined with the partner FIs.

Technical support for customers is not budgeted here. It is budgeted by CIRAD for promoters implementing the technical routes selected for the Project. A large part of the other identified promoters also need technical support (cf. 2.2), which should be put in place so that the FIs are interested in financing them: good support strengthens the attractiveness of a clientele.

Partnerships with FIs

(1) For a lasting impact in terms of financing, the support of the Project must not aim at the development of the financing of the only sub-projects identified by CIRAD but the development of a line of activity in each partner FI, which includes this segment. .

To mobilize the FIs towards financing the beneficiaries of the Project, currently very little served, it is essential to broaden the support to be provided to the partner FIs in the development of a coherent and profitable line of activity for them. In line with the options taken in this report, it can be agriculture (with constraints so that the credit line can only be mobilized for clients practicing climate-smart agriculture), agroforestry, woodfuel production and upstream and downstream activities of agricultural value chains. The precise definition of

beneficiaries of the support must be specified with each FI according to its positioning and its strategy for reaching these potential borrowers. Restricting support to customer segments corresponding to the technical routes identified by CIRAD will not be attractive: these are innovative activities, therefore at risk, and often with delayed profitability. In general, we observe that overly targeted projects are difficult to implement for the FIs and therefore often have difficulty in being disbursed.

(2) Partnerships with FIs should be implemented in stages, with a first phase of support for the realization of individualized preliminary studies, allowing each FI to be given the opportunity to validate the opportunity of a potential collaboration with the Project. and its integration into their strategy, before the possible conclusion of a partnership.

The pre-identified financial institutions have expressed an interest in working with the Project, more or less pronounced, but will only effectively disburse credits if they are confident in the profitability of the activities of the promoters supported by the Project, in the seriousness of their promoters. and in the possibility for them to serve this clientele profitably. In this perspective, two of them (MUCODEC and HOPE) expressed the need for preliminary studies before being able to engage in a partnership with the Project: they will need to target more precisely the customer segments eligible for the Project. that they can integrate into their strategy, in particular by collecting precise information on the profitability of the activities envisaged,

Each of the potential partner FIs will need a specific study to be able to frame its collaboration with the project: objective, integration into its strategy, expectations, means to be implemented. It is preferable that these studies be entrusted by the FIs to consultants external to the project to avoid conflicts of interest if the project TA is involved in the strategic advice to potential partners.

(3) On the basis of the preliminary study and the strategy of each FI, the terms of the Project-FI collaboration will be specified, integrating line of credit, line of guarantee and technical assistance. A global envelope has been defined in the budget which will have to be allocated precisely according to the needs that emerge.

In this context and depending on the institution's strategy, two types of technical support can be considered:

- ④ If the FI confirms a strong motivation to integrate this activity into its strategy, a long support with
 - (i) resident technical assistance which makes it possible to create a unit or a team in charge of this market and to integrate a new line of activity into the operational system of the institution over a first period of 18-24 months, (ii) followed by pearl technical assistance for 2-3 years. This support can go through a more general reinforcement according to the needs identified for the FI. Long-term support seems relevant to develop this new activity in the FIs encountered but must be validated with the institutions concerned, which may prefer to mobilize short-term support if they consider this approach more suited to their operation and governance.

- ④ Mobilization of targeted short-term expertise, which could include various supports, for example:
- Potentially necessary preliminary reinforcement: this may involve improving credit risk control, by working upstream on methodologies for setting up credit, up to monitoring and collection, in particular for non-salaried customers and on the informal sector, prior to the development of a specific offer with the Project ...
 - Studies of the establishment of rural agencies in areas targeted by the Project (market study, definition of the agency's organization, etc.): it will be necessary to study the agency's market to be opened (not only on the clienteles targeted by the Project: this will involve confirming the possibility of making an agency profitable in this location, on the basis of all the clienteles that the FI will be able to serve there) and defining an adapted agency organization (adapted configuration to the size of the market organization of network supervision, etc.).
 - Definition and implementation of an adapted credit offer: on the basis of the results of the first studies and the targeted customer segments, an adapted credit offer must be defined, integrated into the procedures and the information system; the staff concerned should be trained.
 - Simple support for the definition of an analysis methodology for certain types of files and support for implementation.
 - Support for the reception and management of the credit line.

The Project TA will be able to make a diagnosis of potential partner FIs and assess with them the capacity building needs as well as the appropriate modalities in their situation. A global envelope was indicated, to be negotiated by the TA of the Project with the partners.

CMEC network rehabilitation option

(1) The rehabilitation of the CMEC network is a possible activity for the Project, expensive, the relevance of which needs to be confirmed. It has been included in the budget separately and should be considered as an option.

The situation of the CMECs and the rationale for supporting them is described in the offer section (2.3, points (2) and (3)). If the choice is made to rehabilitate this network, permanent support would be relevant, reinforced by short-term assistance. It is a big investment, the desirability and architecture of which should be studied more precisely, taking into account the ongoing support. This rehabilitation should be accompanied by an endowment in credit funds to provide the network with the necessary resources to finance the activities supported by the Project.

Option to create a microfinance activity in the SDCs

(1) For the establishment and management of revolving funds in SDCs, a call for projects should be launched to allow all MFIs targeting small clienteles to position themselves on this opportunity to develop their network with good risk coverage. If there is

no candidates, it is possible to launch them as part of the Project, with a view to being taken over by an EMF after proof of feasibility.

As indicated in 2.2 (7) above, the work in the CDS should start with a phase of re-appropriation of development by the local populations. Secondly, to launch a microcredit activity in the SDCs by giving it a good prospect of sustainability, it would be desirable to launch the project by associating an EMF interested in integrating this activity into their network eventually (see 3.6 (3)).

While the MUCODECs have clearly stated that they are not interested in developing their network in the SDC areas, the EMFs targeting smaller clienteles have expressed an interest:

- ④ HOPE subject to confirmation of the opportunity for the network with regard to their development and the potential of these areas.
- ④ The CMECs have declared an interest but their network should be rehabilitated before they can consider launching into new areas.

It is therefore not certain that it is possible to find a candidate among the MFIs envisaged following the field missions. Some smaller EMFs not met during the HORUS missions, sometimes put in difficulty by political and security disturbances, have developed interesting offers for the financing of small-scale agriculture, in particular in partnership with NGOs (female savings and credit union mutual, CAPEB, Credit MUPROCOM, COMIFI). It therefore seems useful, if support for the development of a microfinance offer in the SDCs is retained, to proceed by appeal to all the potential promoters, by assessing their capacities and their situation at that time. In the decision to support an EMF,

If an EMF that is not yet a partner in the Project is selected for the establishment and management of revolving funds in the SDCs, it will be important to consider its overall capacity building needs so that the activity in the SDCs can ultimately be integrated. to a strong network.

If no candidate appears for this activity, it is also possible that the Project launches it directly, with a view to demonstrating that it is possible to set up financial services for these populations while covering the costs, and then find an EMF who, after this first phase of testing, will be interested in resuming this activity. This is not ideal: the transfer of project activities to independent actors is not easy, but remains a possibility.

3.7.2 Mechanism of the investment subsidy accompanying the credit

(1) In all cases, the subsidy must be cost-shared. The contribution of the beneficiaries should be deposited in an account opened with a financial institution, preferably after the grant award decision. In cases where the subsidy can be paid during or at the end of the project, it can constitute a guarantee for the credit.

The assumption of responsibility for a significant part of the investment by the beneficiaries is one of the key points in the appropriation of the subsidized project and therefore of its sustainability, which is particularly emphasized in the principles of Smart Subsidies.

The grant / credit sequencing of the financing should therefore be as follows:

1. Granting of the grant:

NB: the release should, as much as possible depending on the situation of the promoters, be done after the launch of the investment project:

- Ideally, for promoters with sufficient financial resources (equity or debt), the subsidy could be paid after acknowledgment of achievements in the field. This could facilitate access to credit by constituting a relatively secure guarantee (if the promoter is serious) and easy to mobilize.
- In all cases, for suitable projects, the subsidy should be paid in several installments, on the basis of performance checks. The following installments can constitute guarantees even if part of the subsidy is paid at start-up.

2. Deposit of the own contribution in an account opened with an FI, thus initiating the relationship which can then lead to a loan or access to other suitable financial services.

NB: The grant decision can be made subject to the contribution of the promoter. Currently, the deposit of the own contribution is often required when submitting the grant file. However, this is only desirable in cases where the grant decision process is short (15 days maximum). As the grant awarding process often requires a bit of a long time, blocking the own contribution to a bank account is then counterproductive: (i) the beneficiary no longer has funds to run his activity or to engage an investment and (ii) the FI's image is damaged because it finds itself associated in the minds of its clients with the slowness of the grant decision process.

3. Grant disbursement: before or after step 4 depending on the type of beneficiary, if possible in installments.

4. Credit analysis and decision by the partner financial institution. Risk limited by the subsidy received (impact on profitability) or to be received (impact on flows and possible source of reimbursement) and reinforced by the silent partial guarantee.

5. Disbursement of the subsidy: installments disbursed on the basis of the observation of achievements.

6. Increase in the amount of credit according to the needs of the activity, always supported by the silent guarantee.

(2) For businesses in particular, an a posteriori plant subsidy mechanism based on achievements, similar to that of the SGPS set up by FAO in Uganda, seems relevant and would promote access to credit.

A subsidy mechanism similar to that of the Sawlog Production Grant Scheme (SGPS) set up by FAO in Uganda could be relevant to support private projects contributing to carbon sequestration. This mechanism provides that the investment is pre-financed by the beneficiary company, which receives the subsidy in installments over the period preceding the start of production, on the basis of checks on the implementation and maintenance of the plantations at the end of each of the 1st years. The eligibility criteria should be clearly defined.

As with all subsidy mechanisms, one of the key points of a positive impact is to avoid the monopolization that a link position in the chain of granting and disbursing the subsidy can allow. This mechanism is based on the following steps:

- ④ Presentation of a grant application file.
- ④ Field control of the achievements on each of the agreed dates.
- ④ Disbursement in installments to the account of the designated financial institution.

The subsidy can be integrated into the business plan of the company as a predictable income and thus improve its profitability and the timing of the income and therefore make the credit more attractive for a bank, especially as the income from the grant can be domiciled on the account of the company in this bank. This mechanism would thus make it possible to encourage companies wishing to embark on large-scale plantations, whether they concern fuelwood or food production (cocoa, oil palm, fruit trees, etc.).

(3) Decisions to award investment grants could use different channels depending on whether they concern formal enterprises or small producers. For the latter, it is essential that they rely on local structures that are familiar with the context.

The key elements of a subsidy mechanism making it possible to maximize the chances of effective allocation to the target populations are:

- ④ The principle of four eyes, with at each stage (decision, disbursement, release in installments if necessary, monitoring of the implementation and a posteriori control) responsibilities associating a representation of the Project and a representation of the beneficiaries.

The establishment of joint committees including representatives of the Project / administration and representatives of beneficiaries is not easy in the Congolese context. The low degree of organization of the rural world implies a preliminary period of organization which can be long. The procedures and functioning of the bodies must be formalized. To limit investment in setting up such structures, collaboration with the PDAC could be considered, after analyzing the functioning of its bodies currently being launched.

Another option chosen by SGPS in Uganda is direct management by the donor of grant allocation. This can be manageable for large projects.

- ④ An inspection / internal audit function independent of project management, providing for quite a number of unannounced checks at the various stages, with the associated means, making it possible to monitor the implementation of projects on site, to listen to what the beneficiaries say, to verify the proper functioning of the joint committees, to check that the funded projects have actually been decided by the joint committees ...
- ④ For projects for which bank co-financing is planned, the subordination of the granting of the subsidy to the approval of the financial institution allows to benefit from an independent look and concerned with the profitability in the long term of the project, therefore to maximize the lasting impact of the subsidy.

For small producers and to take into account the fact that the structuring of the rural world is underdeveloped in the Congo, it seems relevant to rely on local structures that know the context well, which could be NGOs in the field and / or Project branches that support them. Indeed, it has been observed that in order to meet the PDAC criteria which provide in particular for producer groups a 'continuous activity effectiveness of at least two years through activity reports and accounting documents', certain groups are currently recording backdated. Literature-based criteria find their limits here.

3.8 Budget estimate for credit related TA

(1) A rough estimate figures the technical assistance budget necessary for the support of the credit linked to the Project at 5.2 M EUR, including 1.5 M for the project mechanism and customer support, 1.6 M for approved FIs, 0.9 M if the choice is made to rehabilitate the CMEC network and 1.2 M to launch revolving funds in the SDCs.

Credit-related technical assistance estimate

(figures in 000 €)

Project

Permanent technical assistant financial expert	month	12	84	1008
Rural finance technical expert	month	1.5	84	126
Funding team assistant	month	0.7	84	59
car mechanic driver	month	0.5	84	42
perdiem of supervisory staff 15 days / month	day	0.03	1260	38
perdiem of the drivers (15 days per month)	day	0.02	1260	25
financial education of project beneficiaries	campaign	10	7	70
communication on credit financing terms: 100% private	campaign	3	4	12
Establishment of a support system for clients in management	device	148	1	148
Project subtotal				1528

Financial institutions

Approved FIs:

preliminary study: FVC partnership opportunity and strategy definition	study	40	4	160
capacity building envelope for the partnership: adapted to the need of each FI, permanent expertise or CT	IF	350	4	1400
Sub-total approved FIs				1560

CMEC option

Permanent AT 4 years	month	8	48	384
ad hoc expertise to be specified	days	0.7	150	105
endowment in credit funds	50% current portfolio			375
CMEC subtotal				864

SDC option

support of the joint with the FDL		600	1	600
preliminary studies: validation of the relevance of revolving funds		40	2	80
support from the partner FI in setting up revolving funds		100	1	100
Option, according to partner FI needs: general support to the partner FI		150	1	150
CT expertise: development of adapted financial products		30	2	60
CT expertise: procedures development and GIS integration		30	2	60
establishment of local funds		5	5	25
revolving fund endowment		30	5	152
SDC Subtotal				1227

Total Project **5180**

The customer segments targeted in this report have technical and management support needs. Only needs linked to credit and the good management of their activity are considered here. Technical support needs are not taken into account. The budget defined by CIRAD covers these needs for the activities covered by the project proposed by CIRAD.

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Annex 2: Reminder of investment projects eligible for the Green Climate Fund as defined in the TOR

Departments	Drivers of deforestation and degradation targeted	Investment projects that will be targeted by the call for projects
Pool and Tray	Reduction in forest degradation linked à charcoal making and fuelwood harvesting	<ul style="list-style-type: none"> ▪ Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations)
	Reduction of deforestation due to the pressure of shifting cultivation on gallery forests	<ul style="list-style-type: none"> ▪ Large private plantation projects dedicated to wood energy production (new or existing plantations); ▪ Demonstrative savannah agro-forestry projects of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, oil palm, banana);
	Reduction of deforestation due to the pressure of shifting agriculture on forests	<ul style="list-style-type: none"> ▪ Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private; ▪ Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana); ▪ Small and medium-sized IGA (Income Generating Activities) projects, community or private, including the production of non-timber forest products (NTFPs), livestock and artisanal fishing;
	Reducing degradation from unsustainable logging	<ul style="list-style-type: none"> ▪ Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests
Sangha and Likouala	Reduction of deforestation due to the pressure of shifting agriculture on forests	<ul style="list-style-type: none"> ▪ Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private; ▪ Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana); ▪ Small and medium-sized IGA (Income Generating Activities) projects, community or private, including the production of non-timber forest products (NTFPs), livestock and artisanal fishing;
	Reduction of degradation linked to Forest exploitation not durable	<ul style="list-style-type: none"> ▪ Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests
	Reduction of forest degradation linked à charcoal making and fuelwood harvesting	<ul style="list-style-type: none"> ▪ Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations) ▪ Large private plantation projects dedicated to wood energy production (new or existing plantations);
	Reduction of degradation linked to Forest exploitation not durable	<ul style="list-style-type: none"> ▪ Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests
Kouilou and Niari	Reduction of degradation linked to Forest exploitation not durable	<ul style="list-style-type: none"> ▪ Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests

Color codes make projects of the same type stand out in different locations.

Annex 3: Assessment table of the feasibility of credit financing of RDT investment projects, specifying the major constraints

In the table on the following pages, the classification of investment projects according to the possibility of credit financing within the framework of the GCF Project, broken down by type of actor, is repeated. The colors have the following meanings:

- ④ Red: Characteristics of the demand for credit too far removed from the supply requirements to be remedied during the life of the project. Recommendation for funding such initiatives as grants.
- ④ Blue: Interesting projects but the financing need for which is too far from the offer of the Congolese financial sector. Recommendation to finance such initiatives with other types of resources external to the project.
- ④ Orange: According to the consultant, the gap between the requirements of the offer and the characteristics of the demand for credit requires the mobilization of investment subsidies and a strong capacity building so that access to credit is possible.
- ④ Green: The gap between supply requirements and the characteristics of credit demand can be bridged by good technical support of supply and demand without investment subsidies.

Departments	Investment projects that will be targeted by the call for projects	Potential private actors	Major constraints of the segment for access to finance
Pool and Tray	<ul style="list-style-type: none"> Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations) 	Landless communities	Land ownership Lack of guarantees Credit duration and repayment terms not offered by FIs Geographical accessibility of FIs and financial education Lack of experience (technical and management) and economic fragility of the players Bottleneck in the wood-energy sector: marketing Limited profitability of the sector
		Individual land owners	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Lack of guarantees corresponding to the expectations of FIs (in particular: unrecognized land ownership) Limited profitability of the sector Lack of experience of some actors
	<ul style="list-style-type: none"> Large private plantation projects dedicated to wood energy production (new or existing plantations); 	Foresters or other major players	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Mixed interest from stakeholders in the demand for wood energy Lack of guarantees corresponding to the expectations of FIs Profitability of the sector limited
	<ul style="list-style-type: none"> Demonstrative savannah agro-forestry projects of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, oil palm, banana); 	Landless communities	Land ownership Absence of guarantees Credit term and repayment terms not offered by FIs Geographic accessibility of FIs Lack of experience and economic fragility of the players Lack of maturity of certain perennial crop sectors, particularly in terms of marketing (e.g. cocoa)
		Individual land owners	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Lack of guarantees corresponding to the expectations of FIs (in particular: unrecognized land ownership) Lack of experience of some actors
	<ul style="list-style-type: none"> Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private; 	SDC	Lack of guarantees Geographical accessibility of FIs (but possibility of relaying by foresters) Lack of experience and interest, economic fragility of the actors Assistance relationships with foresters Marketing issue for actors located in remote forest areas
Sangha and Likouala	<ul style="list-style-type: none"> Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana); 	SDC	Lack of guarantees Geographical accessibility of FIs (but possibility of relaying by foresters) Lack of experience and interest (except for cocoa), economic fragility of the actors Assistance relations with foresters Marketing issue for actors located in remote forest areas Lack of maturity in certain sectors, particularly in terms of marketing
	<ul style="list-style-type: none"> Small and medium-sized IGA (Income Generating Activities) projects, community or private, including the production of non-timber forest products (NTFPs), livestock and artisanal fishing; 	SDC	
	<ul style="list-style-type: none"> Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests 	Landless communities	Credit term impossible to offer for Congolese FIs Actors who do not have the capacity to finance plantations with their own funds or to raise funds on international markets.
		Individual land owners	Credit term impossible to offer for Congolese FIs Need for international fundraising and / or equity financing
		Foresters	

Department nts	Investment projects that will be targeted by the call for projects	Potential private actors	Major constraints of the segment for access to finance
Kouilu and Niari	▪ Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private;	Small subsistence farmers	Lack of guarantees Repayment terms not offered by FIs Geographical accessibility of FIs (except for urban and peri-urban) and financial education Lack of experience of actors in climate-smart agriculture and / or sustainable and in management Economic fragility of actors High production and marketing risks
		Small farmers or business groups	Lack of guarantees Repayment terms not offered by FIs Geographical accessibility of FIs (except for urban and peri-urban) Lack of experience of actors in climate-smart agriculture and / or durable
		Neorurals	Lack of interest from FIs in the sector and reluctance (amounts of credit limits) Sometimes limited guarantees Lack of experience of actors in climate-smart agriculture and / or sustainability of certain actors
	▪ Small agro-forestry projects, small and medium size, community or private, integrating crop production food crops, in association with perennial crops (e.g. : cocoa under shade, banana);	Landless communities	Land ownership Lack of guarantees Credit term and repayment terms not offered by FIs Geographic accessibility of FIs and financial education Lack of experience (technical and management) and economic fragility of actors Lack of maturity in certain perennial crop sectors, in particular at the marketing level (e.g. cocoa)
		Individual land owners	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Lack of guarantees corresponding to the expectations of FIs (in particular: unrecognized land ownership) Lack of maturity in certain perennial crop sectors, in particular at the marketing level (e.g. cocoa)
	▪ Small and medium-sized IGA (Income Generating Activities) projects, community or private, including the production of non-timber forest products (NTFPs), livestock and artisanal fishing;	Landless communities	Land ownership for investment credit Lack of guarantees Repayment terms not offered by FIs Geographic accessibility of FIs and financial education Lack of experience (technical and management) and economic fragility of actors <u>Lack of maturity in certain sectors (beekeeping, essential oils)</u>
		Individual land owners	Lack of interest from FIs in the sector Lack of guarantees corresponding to the expectations of FIs (in particular: unrecognized land ownership) Lack of maturity in certain sectors (beekeeping, essential oils)
	▪ Community or private projects of precious wood plantations as an alternative activity to the exploitation of natural forests	Landless communities	Credit term impossible to offer for Congolese FIs
		Individual land owners	Actors who do not have the financial capacity of plantations on funds own or raise funds on international markets.
		Foresters	Credit term impossible to offer for Congolese FIs Need for international fundraising and / or fundraising clean

Department	Investment projects that will be targeted by the call for projects	Potential private actors	Major constraints of the segment for access to finance
Kouilu and Niari	<ul style="list-style-type: none"> Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations) 	Landless communities	Land ownership Lack of guarantees Credit term and repayment terms not offered by FIs Geographic accessibility of FIs and financial education Lack of experience (technical and management) and economic fragility of actors Bottleneck in the wood-energy sector: marketing <u>Economically interesting sector only if there is no alternative</u>
		Individual owners of land	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Lack of guarantees corresponding to the expectations of FIs (in particular: unrecognized land ownership) Unprofitable sector for actors wishing to use labor exterior Lack of experience of some actors
	<ul style="list-style-type: none"> Large private plantation projects dedicated to wood energy production (new or existing plantations); 	Foresters or other large actors	Credit term and repayment terms not offered by FIs Lack of interest from FIs in the sector Mixed interest from demand actors for wood energy Lack of guarantees corresponding to the expectations of FIs Non-profitable sector for industrial players

Annex 4: Conditions of access to credit for RDT projects

The tables on the following pages present, for projects and segments likely to be financed on credit, the elements of access to credit:

- ④ Pre-identified IFs likely to serve this segment.
- ④ Subsidy support recommended on the demand side, in coordination with the credit supply: technical support, investment subsidies, government support.
- ④ Credit prerequisites: concerning the supply of credit, financial support to FIs, maturity of demand, institutional environment (land, natural resource management).
- ④ Possible credit start-up year by an FI, depending on the maturity of the request and the preparation time required for the FIs: depending on the segments, the start-up is planned between years 3 and 5 of the Project.

Departure lies	Investment projects that will be targeted by the call for projects	Potential private actors	Pre-identified FIs likely to serve this segment	Recommended grant support side demand, in coordination with the credit supply	Credit prerequisites	Possible year of start of credit by an FI
Pool and Tray		Landless communities				
	■ Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of sustainable wood energy (new or existing plantations)	Individual land owners	MUCODEC, COFINA, Société Générale for the bigger ones	Investment grant Need for technical support very variable from weak to strong Support from PRONAR / FVC essential for some	IF concerned in a position to make agro-forestry credit Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Development of a suitable credit offer Improved surveillance of protected areas and concessions Communication / awareness Subsidy of the first rotation	3
	■ Large private plantation projects dedicated to wood energy production (new or existing plantations);	Foresters or other major players	Societe Generale	Probably: support for the planting phase by the State Support for obtaining certifications / improving environmental and social practices	Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Development of a suitable credit offer Provision of long-term financial resources	3
	■ Demonstrative savannah agro-forestry projects of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, oil palm, banana);	Landless communities Individual land owners	MUCODEC, COFINA, Société Générale for the bigger ones	Need for technical support very variable from weak to strong Specialized technical support essential for some	IF concerned in a position to make agro-forestry credit Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Development of an appropriate credit offer Existence of opportunities	3
Sangha and Likouala	■ Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private;	SDC	Revolving fund in conjunction with an FI present in the area	Possible investment subsidies Climate smart / sustainable agriculture techniques	Specific market studies of credit demand Presence of an FI in the area (to articulate revolving funds) Improvement of geographic accessibility to FIs Development of an appropriate loan offer Prior technical support & experience in climate agriculture smart / sustainable borrowers Existence of opportunities	4
	■ Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana);	SDC	Revolving fund in conjunction with an FI present in the area	Investment grants required Improvement of cultivation techniques to increase yields Drying techniques Marketing	Specific market studies of credit demand Presence of an FI in the area (to articulate revolving funds) Provision of long-term refinancing lines to FIs Development of a suitable loan offer Improving geographic accessibility to FIs Target producers who are already using cocoa / bananas Existence of outlets	4
	■ Small and medium-sized IGA projects (Generating activities income), community or private, including production of non-timber forest products (NTFPs), livestock and artisanal fishing;	SDC	Revolving fund in conjunction with an FI present in the area	Possible investment grants Training and support Marketing support	Specific market studies of credit demand Presence of an FI in the area (to articulate revolving funds) Improving geographic accessibility to FIs Prior technical support or target producers already invested in these activities Existence of opportunities	4
	■ Community or private projects of plantations of precious wood as an alternative activity to logging natural forests	Landless communities Individual land owners Foresters				

Start investment projects that will be targeted by the call for projects	Potential private actors	Pre-identified FIs likely to serve this segment	Recommended grant support side demand, in coordination with the credit supply	Credit prerequisites	Possible year of credit start-up by an FI
■ Small and medium-sized climate-smart agriculture and / or sustainable agriculture projects, community or private;	Small subsistence farmers	HOPE	Possible investment grants Climate smart / sustainable agriculture techniques Management support	IF concerned in a position to make agro-forestry credit Availability of appropriate resources in the relevant FIs Credit enhancement envelope Provision of a line of guarantee to FIs Improving geographic accessibility to FIs Support by the project towards a more commercial approach Prior technical support & experience in climate agriculture smart / sustainable borrowers	4
	Small farmers or groups commercial	MUCODEC, COFINA, HOPE for the most small	Possible investment grants Climate smart / sustainable agriculture techniques	IF concerned in a position to make agro-forestry credit Development of a suitable credit offer Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Improving geographic accessibility to FIs Prior technical support & experience in climate agriculture smart / sustainable borrowers	3
	Neorurals	MUCODEC, COFINA, Societe Generale for The biggest	Possible investment grants Climate smart / sustainable agriculture techniques	IF concerned in a position to make agro-forestry credit Check the solidity and reliability of projects Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs	3
	Landless communities			Experience in climate-smart / sustainable agriculture of borrowers	
■ Small agro-forestry projects, of small and medium size, community or private, integrating the production of food crops, in association with perennial crops (eg: cocoa under shade, banana); Kouilou and Niari	Individual land owners	MUCODEC, COFINA, Societe Generale for The biggest	Investment grants required Improvement of cultivation techniques to make increase yields Drying techniques Marketing	IF concerned in a position to make agro-forestry credit Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Development of a suitable credit offer Target producers who already exploit cocoa / bananas or others fruit trees Existence of outlets (including targeted market studies) Settle the land issue (for investments only) Relevant FIs in a position to provide agricultural and rural credit Availability of appropriate resources in the relevant FIs Credit enhancement envelope Provision of a line of guarantee to FIs Improving geographic accessibility to FIs Prior technical support for borrowers or targeting of producers already invested in these activities Existence of opportunities	3
	Landless communities	HOPE	Recommended investment grants Training and support Marketing support	IF concerned in a position to make agro-forestry credit Availability of appropriate resources in the relevant FIs Credit enhancement envelope Provision of a line of guarantee to FIs Improving geographic accessibility to FIs Prior technical support for borrowers or targeting of producers already invested in these activities Existence of opportunities	5
	Individual land owners	MUCODEC, COFINA, Societe Generale for The biggest	Possible investment grants Training and support Marketing support	Relevant FIs in a position to provide agricultural and rural credit Prior technical support for borrowers or targeting of producers already invested in these activities Availability of appropriate resources in the relevant FIs Provision of a line of guarantee to FIs Existence of opportunities	3
	Landless communities Individual land owners Foresters				
■ Small and medium-sized agro-forestry and forest plantation projects, community or private, mainly dedicated to the production of fuelwood	Landless communities				
	Individual land owners				
■ Large private plantation projects dedicated to wood energy production (new or existing plantations);	Foresters or other major players	Societe Generale	Probably: management of the phase of state plantation Support for obtaining certifications / improvement environmental and social practices	Availability of appropriate resources in the relevant FIs Provision of a guarantee line to FIs Development of a suitable credit offer Provision of long-term financial resources Establishment of a guarantee line	3

Annex 5: CIRAD - Program by department

PROGRAM BY DEPARTMENT								
						Whose:		
	Technical routes	Area	Products	Operator	Estimate number of projects	projects industrial	SME	commu- nautés <i>= small producers</i>
Kouilou						Whose:		
ex massive EFC	Plantation coppice management existing eucalyptus	5,000 ha	Wood energy	Private partner	1 project	1		
Hinda, Louémé basin, axis RN 1	Simple management plans (PSG) with Assisted Natural Regeneration (ANR)	Indeterminate	Restoration	PRONAR SNR				
Niari and Bouenza								
Dolisie, axis RN 1	Acacia-cassava agroforestry	2,500 ha	But Cassava Wood energy	Communities and Private	50 to 100 projects		7	63 1260
Massive loudima	Coppice management of plantations eucalyptus from the Loudima massif	2,000 ha	Wood energy	Private partner	1 project	1		
Pool								
Ignié and Ngabé District, PRoNAR block B	Mixed forest plantations acacias / eucalyptus	2,500 ha	Wood energy	Private partner	1 to 2 projects	1-2		
Ngoma Tié-Tié Axis - Kinkala	Acacia-cassava agroforestry	4,500 ha	But Cassava Wood energy	Communities and Private	80 to 150 projects		15	100 2000
Trays								
PRONAR blocks G, H, J, K, E	Mixed forest plantations acacias / eucalyptus	2,500 ha	Wood energy	Private PRONAR / SNR	1 to 2 projects	1-2		
Bowl								
Around the towns of Boya, Mvoula and Ngoko-Eloundji	Cocoa production in systems agroforestry	1000 ha	Cocoa Plantain But Wood	Communities	10 to 15 projects			12 240
	Total					4-6	22	175 3500

Annex 6: Calculation bases for the absorption capacity of FIs, validated with the FIs

Estimated need online (figures in MFCFA) and guarantee for fundable initiatives: offer approach

MUCODEC Neorurals, good POs, SMEs															
COFINA	SMEs, neorurals, good POs			1,300	2,870	1,300	75%	980	80%	1,040	86,000	5.200	25%	1,300	2.0
HOPE	Small farmers in groups			6,000	2,870	1,570	100%	1,570	80%	1,256	5,500	4,400		6,000	9.1
	joint surety			1,200	+	1,200	100%	1,200	80%	960	2,400	2,400	50%	1,200	1.8
SG	large SMEs, projects														
	industrial	20	200	4000	4,000	4.630	4.630	100%	4,000	80%	3,704			4,000	6.1
TOTAL M FCFA						8,700		7.750		6.960					
or M EUR						13		12		11					

in sky blue assumptions

NB: MUCODEC plans to start with its own resources and possibly set up a line of credit if the request is confirmed

Estimation of credit and subsidy needs for fundable initiatives: demand approach
(figures in MFCFA)

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