

# DOMINICAN REPUBLIC EMISSION REDUCTION PROGRAM



**THE WORLD BANK**

IBRD • IDA

Rodrigo Martinez Fernandez

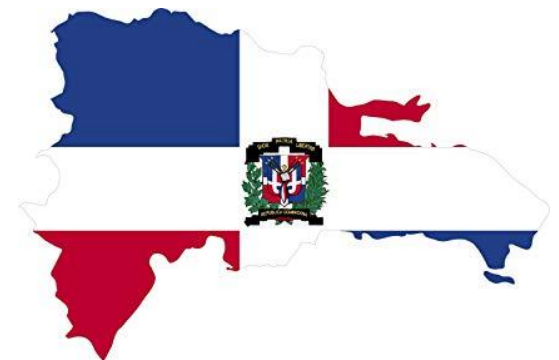
Carbon Fund 20<sup>th</sup> Meeting

Washington D.C., USA

July 8-12, 2019

# Outline

1. Summary of ER-Program preparation support
2. ER-Program strategic fit with the Bank's portfolio
3. Status of due diligence
  - a. Country Partnership Framework
  - b. Leverage of other investments, Programmatic Approach
  - c. Analytical and policy support
  - d. Coordination with development partners
4. Next steps and timeline
  - a. Outcome of and feedback form PCN meeting
  - b. Development Objective
  - c. Key Risks (SORT)
  - d. Safeguards Assessment
  - e. Program Financing





# Summary of ER-Program Preparation Support

Milestones	Date
Dominican Republic's ER-PIN approval by the FCPF	September 21, 2015
Concept Note approved by Country Director	September 17, 2018
Final ERPD Submitted	May 2019
Readiness Package endorsed at PC27	March 2019
TAP assessment: rated 1 indicator as NOT met	June 17, 2019

**WB Consultant support: 3 safeguard specialists, 2 lawyers, 1 carbon accounting Specialist, 1 Benefit Sharing Plan consultant, 2 management and financing analysis**

# ER-Program Fit into WB's Support Strategy

## Country Partnership Framework

CPF's (FY20-24) Focus Area 3: Promoting Environmental Sustainability and Resilience

### **Objective 6:** Improve natural resource management

- States that: *Inadequate natural resource management has led to environmental degradation and increased vulnerability to climate change and can eventually negatively impact growth. The ER-Program is based on protected areas conservation and shade-grown cocoa and coffee and silvopastoral systems with nationwide coverage*
- Calls to promote a: *sustainable environment and a sustainable management of natural resources. In forest management, through “REDD+ interventions, will assist the government in the implementation of key readiness activities to develop a national REDD+ strategy in addition to reducing Greenhouse Gas (GHG) emissions from deforestation and forest degradation”*

# ER-Program Fit into WB's Support Strategy

## World Bank Financing Support Program

- DR Resilient agriculture and integrated water resources management operation  
*USD 80M +*
- Council Approved GEF-7 Project, “Integrated productive landscapes through land use planning; restoration; and sustainable intensification of rice crops in the Yaque Norte and Yuna Watersheds,” *USD 4.5M*
- REDD+ Readiness, *USD 2.2M until December 2020*

### *Prospective:*

- MRV with private sector DR Cacao Foundation with European Space Agency  
*USD 150K*

# ER-Program Fit into WB's Support Strategy

## Analytical and Policy Support

- Forest Country Note with PROFOR USD 150k
- ER Program Gender Gap Analysis USD 100k
- NDC Support Facility funding looking at private sector involvement and GHG inventories of sectors including AFOLU USD 500k
- Financing Plan for the ER-Program

# ER-Program Fit into WB's Support Strategy

## Coordination with Development Partners





# Dominican Republic ER-Program Due Diligence

- The ER-Program follows the Bank's Investment Project Financing (IPF) standard preparation
- Completeness check done by the FMT
- TAP country visit and ERPD reviews held, most recently in June 2019
- Safeguards package sent to Environmental and Social Standards Advisory (ESSA), includes evaluation of capacity of the Executing Entities. Comments are being included in new version at the moment
- Next steps:
  - Fiduciary Due Diligence of the BSP on behalf of financial and procurement specialist of the Bank.



# Dominican Republic ER-Program Due Diligence

## Outcome and Feedback from the PCN Meeting

- Peer review and Country Management comments discussed during Project Concept Review Meeting held on September 17, 2018, chaired by the country director
  - **PDO and Project Design:** Appropriate PDO, but project design needs more attention to the enabling policy structure and institutional capacity to address the drivers of deforestation and degradation.
  - **Costing:** More information is required on the finance gaps of the program.
  - **Benefit Sharing Plan:** Proposal for BSP will have detailed implementation arrangements.
  - **Safeguards:** Clear implementation arrangements that outline who is responsible for what, and where the budget will come from are necessary. Clarified the role of the Bank to guarantee capacities to implement its safeguard policies are in place.
  - **Risks:** Concerns about the impact of the elections on Political Governance and Macroeconomic risk. Ex-ante assessment on financial management arrangements will ensure BSP.
- The chair highlighted the importance of the project for DR, its alignment with the country's priorities and political agenda, and authorized the team to move ahead with preparation of the project

# Dominican Republic ER-Program Due Diligence

## Project Development Objective (PDO)

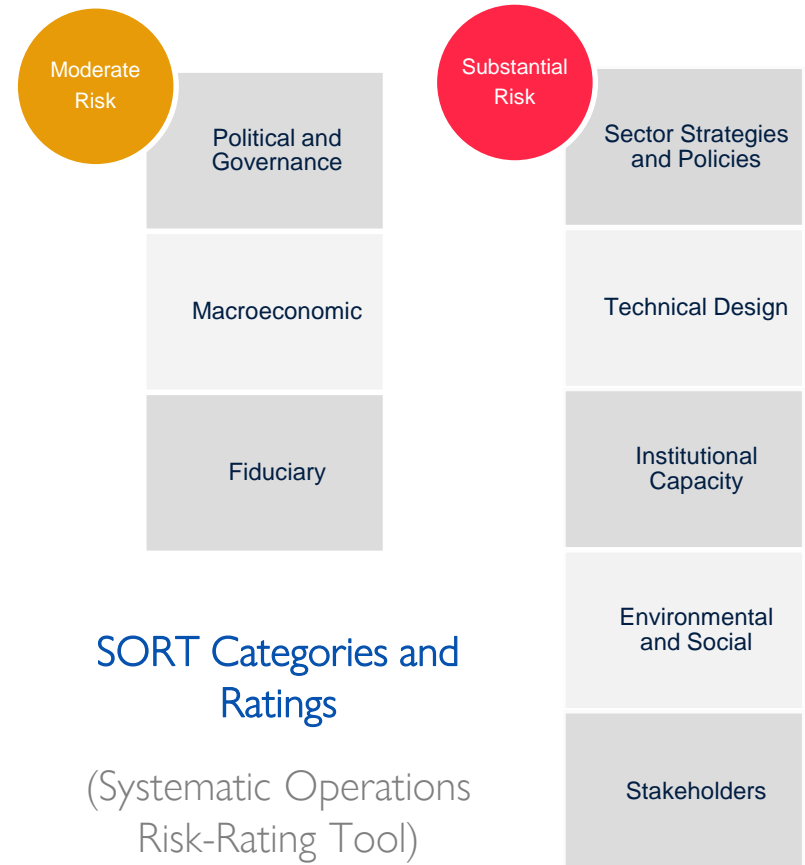
The objective of the Program is to incentivize reduced deforestation, forest degradation and enhancement of forest carbon stocks (REDD+) at the national level in the Dominican Republic, through payment of verified emission reductions (ER) and to ensure that paid amounts are distributed according to an agreed BSP.

PDO Indicators	Unit	Target Value
1. <b><u>Volume of CO<sub>2</sub> Emissions Reductions</u></b> that have been measured and reported by the Program Entity, verified by a Third Party, and transferred to the FCPF Carbon Fund	tCO <sub>2e</sub>	6.3 million tCO <sub>2e</sub>
2. <b><u>Payment by the FCPF Carbon Fund</u></b> for CO <sub>2</sub> Emissions Reductions generated by the Program	USD	US\$26M (expected)
3. <b><u>ER payments distributed</u></b> in accordance with an agreed benefit-sharing mechanism	Yes/No	Yes

# Dominican Republic ER-Program Due Diligence

## Key Risks

- The overall risk is rated Substantial



# Dominican Republic ER-Program Due Diligence

## Safeguards Assessment

As part of the requirements established under the common approach, the Cancun safeguards and the Bank's operational policies, the DR has prepared the following assessments and safeguards instruments reviewed by VVB ESSA:

- 1) Strategic Environmental and Social Assessment (SESA)
- 2) Environmental and Social Management Framework (ESMF)
  - 1) Annex: Involuntary Resettlement Policy Framework and Procedural Standards (RPF)
- 3) Feedback , Grievance , Redress Mechanism (FGRM)
- 4) Safeguard Information System (SIS)
- 5) Environmental and Social Management Plan (ESMP) for the 5 prioritized REDD+ areas

In total, more than five hundred meetings and/or workshops on consulting, validation, technical work and negotiation have been held, for a total of **3,325 participants**.

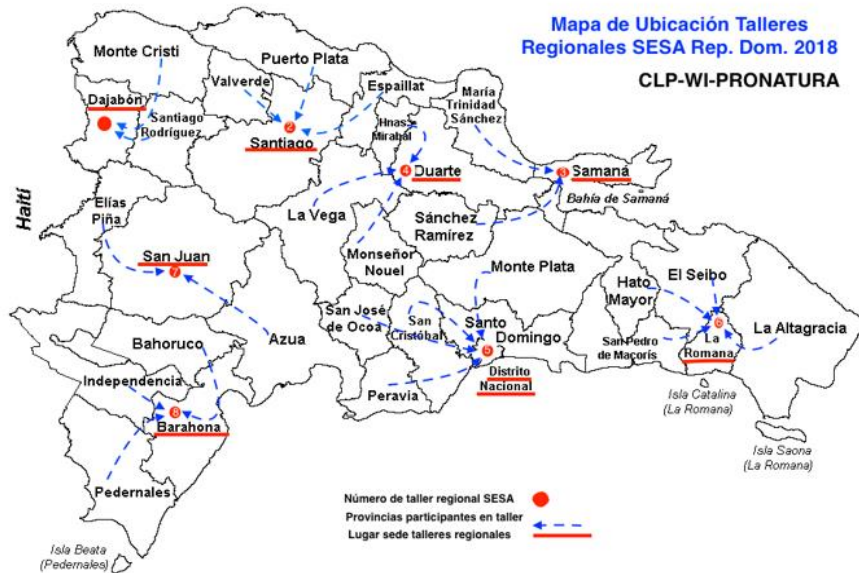


# Dominican Republic ER-Program Due Diligence

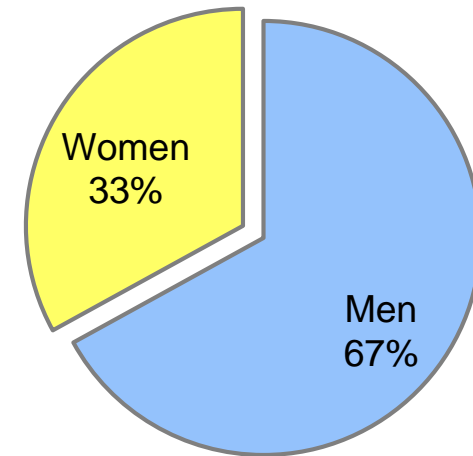
## SESA Workshop Participation

A total of 451 people took part in the regional and national SESA participatory workshops.

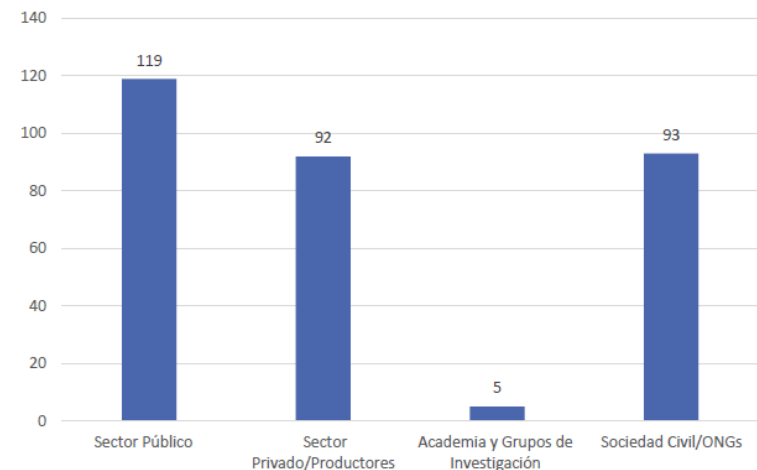
The map highlights the location of the 8 regional workshops held throughout the country:



## Participation by Gender



## Participation by Sector



# Dominican Republic ER-Program Due Diligence

## SESA Results

SESA concerns that came up in the participation process below were taken into account for the National REDD+ Strategy and the ER-Program:

- Reduction of livelihoods and loss of income
- Involuntary displacements and removal
- Social and economic exclusion of vulnerable groups
- Distribution of the benefits and payments to small producers and local communities
- Restriction of access to the benefits and non-recognition of rights for those who do not have land property titles
- Non-compliance on the part of the authorities and political cronyism
- Substitution of native and endemic species
- Discontent, resistance, and disputes as a result of unilateral decisions
- Phytosanitary measures and control

# ER-PROGRAM BUDGET AND FINANCING

## ER-Program Activities

Classified into 2 Types:

### Enabling Environment Activities

- Strengthening of legal and institutional conditions for the reduction of carbon emissions, sustainable management of forests, and preparation for the receipt of REDD+ payments
- Expected to be financed with public resources

### Direct Investment Activities

- On the ground actions that contribute to carbon emissions reductions, protection of forests, restoration of degraded forest areas, and the transformation of agriculture and agroforestry areas
- Expected to be financed by both the public and private sector

# SOURCES OF FINANCING

## Enabling Environment Activities

(in thousands of USD)

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	TOTAL
<i>Government budget</i>	Directorate of Protected Areas	1,134	1,134	1,134	1,134	1,134	-	5,670
	Directorate of Reforestation	9,637	9,637	9,637	9,637	9,637	-	48,185
	Directorate of Forest Management, which includes the Forest Fires division	997	997	997	997	997	-	4,985
	Protection and supervision agency made up of forest and park rangers and environmental inspectors	723	723	723	723	723	-	3,615
<i>Donations and subsidies (non-refundable contributions)</i>		-	-	-	-	-	-	-
<i>Credit resources – IDB Credit: Agroforestry Program</i>		12,980	19,369	21,869	12,593	6,534	-	73,345
<i>Income from contracted reductions USD 5/tCO<sub>2</sub> (80% effectiveness)<sup>51</sup></i>		-	-	11,319	-	-	19,816	31,135
<b>TOTAL GOVERNMENT RESOURCES</b>		25,471	31,861	45,679	25,084	19,025	19,816	<b>166,939</b>



# SOURCES OF FINANCING

## Financing on-the-ground REDD+ Actions

The First 5 Years (2020-2024)

Of the USD \$248.6 million needed to execute the Program, approximately 75% has been secured, including the expected payments for emission reductions. The rest it is expected to be raised internally, through international cooperation, and incentives to deter expansion of livestock frontier.

The breakeven point will start in year 5, and net positive returns will continue guaranteeing the long-term stability of REDD+ activities.

### Costs and Benefits Resulting from Direct Activities (Thousands of \$US)

Program Cashflows (benefits - costs)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Ys 6-10	Ys 11-15	Ys 16-20
Flow of net benefits = benefits - costs	-9,481	-7,199	-1,539	8,688	19,332	232,332	123,305	223,576
Cumulative net benefits	-9,481	-16,681	-18,219	-9,531	9,801	242,134	365,439	589,015

# Next Steps and Timeline

Milestones	Date
ERPD endorsement at CF20 expected	July 10, 2019
ERPA negotiation process expected	July -November 2019
ERPA in country Workshop	August 15, 2019
Quality Enhancement Review (QER) for Project Appraisal Document (PAD) and Benefit Sharing Plan (BSP) expected	August 21, 2019
WB Decision Review Meeting	August 27, 2019
ERPA signature expected	November - December 2019
Letter of Intent (LOI) signed expires	April 2, 2020



THANK YOU



**THE WORLD BANK**

IBRD • IDA

Rodrigo Martínez, Dora Andrade,  
Ben de Jong, Lilian Pedersen,  
Laura Calderón, Gustavo  
Vargas, Julián Gonzalo