



ELABORATION OF THE INFO-MEMO PROJECT AND INVESTMENT PLAN FOR THE "NOVACEL SUD KWAMOUTH" REDD+ PROJECT

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Expert(s)	Country	Volume (md)	Amount* (€)	Beneficiary	Funding	Start date	End date	Partner(s)	Reference
Jérôme Maurice	DR Congo	17	10,000 <i>*For the referred expert, within ONFI</i>	Novacel SPRL	UNEP Risø Center	Aug. 2012	Nov. 2012	Novacel SPRL	nicolas.grondard@onf.fr +32 484 955 041

Detailed description of the project	Services provided
<p>The “Novacel Sud Kwamouth” (NSK) REDD+ project is located on the Plateaux Batéké, in the east of Kinshasa. The project is a public-private partnership, funded by the Congo Basin Forest Fund (CBFF) from the African Development Bank (AfDB), the Government of the Democratic Republic of Congo and private investors. The project operator, Novacel SPRL, is a congolese company specialized in agroforestry, known for having implemented the “Ibi Batéké degraded savannah afforestation project for fuelwood production” (Project n°4176 registered under the Clean Development Mechanism).</p> <p>The NSK REDD+ project targets the management of a total of 8,471 ha of plantations between 2013 and 2020, including 891 ha planted since 2008 and 7,580 ha remaining to be planted. These plantations regroup both trees (<i>Acacia mangium</i> or <i>Acacia auriculiformis</i>, or <i>Millettia laurentii</i>) and crops (cassava or maize). The project should produce 191,300 tons of charcoal (“makala”) and 129,500 tons of high quality cassava flour over 20 years, to be commercialized on the Kinshasa market. The plantations should store 25,700 tCO₂eq per year on average.</p> <p>The plantations are located near Ibi village, the project’s agro-industrial core operated by Novacel, and close to several other villages along the road to Bandundu (Boku, Botulu, Fadiaka, etc.) Novacel not only operates in regulated land on behalf of owners and private investors, but the company is also implementing a program of contract farming to provide agroforestry services to local producers and to buy back their production at the end. The project is expected to generate a positive impact on deforestation and degradation by (i) targeting local charcoal producers (ii) providing Kinshasa’s markets with sustainable biomass energy, and (iii) reducing fallow periods and diversifying crops (slowing down the agricultural clearing rates).</p>	<p>The expert involved was responsible for the elaboration of the info-memo and investment plan of the project. Two field missions and three workshops were organised with the project’s operator Novacel, in Kinshasa and Bruxelles, in order to collect the data (economic analysis of the woodfuel and cassava flour sectors) and to elaborate a business plan, prior to the investment plan. The deliverables were: (i) a business plan over 20 years and (ii) a 29-page info-memo, presented at a roundtable of potential investors (end November 2012).</p> <ul style="list-style-type: none"> • The business plan gathers information about costs (OPEX/CAPEX, management/operation including a component related to carbon credits, debt structure, subsidies, taxes, etc.) and revenue (based on the production and price projections for charcoal, cassava flour and carbon credits), in order to assess the annual gross margin, earnings before taxes, and free cashflows. Equity needs are then assessed based on the known mix of financing sources (subsidies, reinvestment, debt, etc.) The Internal Rate of Return (and Return On Equity) and their variability are assessed, which are mainly dependent on three factors: (i) price and yield of cassava processing; (ii) traditional or improved carbonization methods; (iii) plantation rotation period. • The project's info-memo describes the location and timing of planting depending on the type of ownership and operating arrangements (contract farming for example). It also presents the main hypotheses explaining income projections for each product (cassava flour, charcoal and carbon credits). Opportunities of capital-risk investments are explained based on the business plan calculations and project cashflows over 20 years are detailed. The document was presented by Novacel, at the end of November 2012, during a roundtable of private investors.