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Report No: PAD2704

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR20.3 MILLION
(US$25 MILLION EQUIVALENT)

TO THE

REPUBLIC OF CONGO

FOR A

SUPPORT TO ENTERPRISE DEVELOPMENT AND COMPETITIVENESS PROJECT

May 8, 2018

Finance, Competitiveness and Innovation Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2018)

Currency Unit = XAF

XAF = 0.0019 US$

US$ = 0.8089 EUR

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

ADPME	*Agence pour le Développement des Petites et Moyennes Entreprises (*Small and Medium Enterprises Development Agency)
AFD	*Agence Française de Développement (*French Development Agency)
AFDB	African Development Bank
AGP	Agriculture Growth Partners
AO	Call for Tenders
APA	Alternate Procurement Arrangements
API	*Agence pour la Promotion des Investissements* (Investment Promotion Agency)
APNI	*Association Pointe-Noire Industrielle (*Industry Association of Pointe-Noire)
AWPB	Annual Work Plan and Budget
AZES	*Agence pour la Promotion et le Développement des Zones Economiques Spéciales* (Special Economic Zones Agency)
BCIU	United States Business Council for International Understanding
BDS	Business Development Services
BPC	Business Plan Competition
CEMAC	*Communauté économique et monétaire d'Afrique centrale* (Central Africa Economic and Monetary Community)
CEMACO	Center of Mediation and Arbitration of the Republic of Congo
CFE	*Centre de Formalités des Entreprises* (Center for Business Formalities)
CFCO	*Chemin de Fer Congo Océan (*National Railway Company)
CGA	*Centre de Gestion Agréé (*Management Center)
CNLCCF	*Commission Nationale de Lutte contre la Corruption, la Concussion et la Fraude* (National Anti-Corruption Commission)
COSPECO	Kinshasa-Brazzaville Special Cooperation Commission
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CQS	Qualification Based Selection
CRI	Corporate Results Indicators
DB	Doing Business
DFID	United Kingdom's Department for International Development
DL	Disbursement Letter
DLI	Disbursment-linked Indicator
DM	Development Marketplace
DRC	Democratic Republic of Congo
EA	Environmental Assessment
ECCAS	Economic Community of Central African States
EPD Grants	Entrepreneurship Promotion and Development Grants (under Project Component 2.1)
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessement
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FACP	*Fonds d'Appui à Coûts Partagés (*Matching Grant Fund)
FBS	Fixed Budget Based Selection
FCFA	Franc of the Central Africa Economic and Monetary Community
FCS	Fragile and Conflict Affected Situations
FCV	Fragile, Conflict, and Violence

FDI	Foreign Direct Investment
FI	Financial Intermediaries
FM	Financial Management
FMA	Financial Management Assessment
FPD	Finance and Private Sector Development
FSDS	Financial Sector Development Strategy
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIE	*Groupement d'Intérêt Economique (*Economic Interest Group)
GRS	Grievance Redress Services
GUOT	*Guichet Unique des Opérations Transfrontalières (*One-Stop Shop for Cross-Border Trade)
HCDPP	*Haut Conseil du Dialogue Public Privé (*High Council for Public Private Dialogue)
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IC	Investment Climate
ICR	Implementation Completion and Results Report
ICT	Information and Communications Technology
IDA	International Development Association
IDP	Internally Displaced People
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFR	Interim Financial Report
IGF	Inspectorate General of Finances
IPF	Investment Project Financing
IPMP	Integrated Pest Management Plan
IPO	Initial Public Offering
LCS	Least Cost Based Selection
MFI	Microfinance institutions
MEDEF	*Mouvement des Entreprises de France (*French Business Association)
M&E	Monitoring and Evaluation
MIS	Management and Information System
MPA	Multiphase Programmatic Approach
MPSRI	Ministry of Planning, Statistics, and Regional Integration
MSME	Micro, Small, and Medium Enterprise
NGO	Non-Governmental Organization
NPF	New Procurement Framework
NDP	National Development Plan
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (Organization for the Harmonization of Corporate Law in Africa)
PACADEC	*Projet d'Appui Institutionnel pour l'Amélioration du Climat des Affaires et la Diversification de l'Economie Congolaise* (Investment Climate and Diversification Support Project)
PACIGOF	*Projet d'Appui au Climat des Investissements et à la Gouvernance Sectorielle Forêt/Bois* (Investment Climate and Forest Sector Governance Project)
PADE	*Projet d'Appui à la Diversification de l'Economie* (Support to Economic Diversification Project)
PADEC	*Projet d'Appui au Développement des Entreprises et à la Compétitivité* (Support to Enterprise Development and Competitiveness Project)
PAPN	*Port Autonome de Pointe-Noire* (Port of Pointe-Noire)
PDAC	*Projet d'Appui au Développement de l'Agriculture Commerciale (*Commercial Agriculture Project)

PDCE	*Projet pour le Développement des Compétences et l'Employabilité (*Skills and Jobs Project)
PDFO	*Projet dorsale a fibre optique d'Afrique Centrale (*Central Africa Backbone Project)
PDCRH	*Projet pour le développement des compétences et des ressources humaines (*Skills Development Project)
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Project Implementation Manual
PMU	Project Management Unit
PPD	Public Private Dialogue
PPSD	Project Procurement Strategy for Development
PRCCE	Commercial and Entrepreneurial Capacity Building Program
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RAP	Resettlement Action Plan
RCCM	Commercial and Collateral Registry
RFQ	Request for Quotations
RoC	Republic of Congo
RPF	Resettlement Policy Framework
SCD	Systematic Country Diagnostic
SD Grants	Support and Development Grants (under Project Component 2.2)
SEAF	Small Enteprise Assistance Funds
SEZ	Special Economic Zone
SMART	Specific, Measurable, Attainable, Realistic and Time-Bound
SME	Small and Medium Enterprises
SOE	Statement of Expenditure
SOP	Series of Projects
SORT	Systematic Operations Risk-Rating Tool
SP	Service Provider
SSA	Sub-Saharan Africa
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TOR	Terms of Reference
TWG	Technical Working Group
VCs	Value Chains
WA	Withdrawal Applications
WB	World Bank
WWF	World Wildlife Fund

BASIC INFORMATION

Country(ies)	Project Name	
Congo, Republic of	Support to Enterprise Development and Competitiveness Project	
Project ID	Financing Instrument	Environmental Assessment Category
P161590	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[✓] Fragile State(s)
[ ] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
30-May-2018	30-May-2023

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The objective of the Project is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo's territory.

Components

Component Name	Cost (US$, millions)
Regulatory and institutional support to strenghten the enabling environment for private sector development	10,000,000.00
Direct support to MSMEs to enhance the development and competitiveness of selected value chains	12,000,000.00
Project implementation and coordination	3,000,000.00

Organizations

Borrower:	Republic of Congo
Implementing Agency:	Ministry of Plan, Statistics and Regional Integration

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	25.00
Total Financing	25.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	25.00

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.00	1.85	3.85	6.49	7.15	5.67
Cumulative	0.00	1.85	5.69	12.18	19.33	25.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Agriculture, Transport & Digital Development

Climate Change and Disaster Screening

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

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

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

COMPLIANCE

Policy

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

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Not later than (3) months after the Effective Date, the Borrower, through the MPSRI, shall:

(a) recruit, based on terms of reference satisfactory to the Bank, and thereafter maintain throughout the implementation of the Project, additional staff for the PMU in order to strengthen its functional and geographic coverage, as further detailed in the PIM;

(b) establish technical working groups, acceptable to the Bank, for the following areas: business startup, dealing with construction permits, access to electricity, property transfer, paying taxes, and trading across borders, to be responsible for identifying and formulating the reforms to be implemented under Part 1 of the Project;

(c) recruit a service provider ("Service Provider 1"), in accordance with Section 5.13 of the General Conditions, to assist in the carrying out of Part 2(a) of the Project, based on terms of reference satisfactory to the Bank;

(d) recruit a service provider ("Service Provider 2"), in accordance with Section 5.13 of the General Conditions, to

assist in the carrying out of Part 2(b) of the Project, based on terms of reference satisfactory to the Bank; and
(e) to facilitate the implementation of Part 2 of the Project, the Borrower through the MPSRI, shall establish a Grant Selection Committee, based on terms of reference satisfactory to the Bank, to be responsible for the selection of Beneficiaries and Subprojects under Part 2 of the Project. (Schedule 2 Section I.A.4)

Sections and Description
The Borrower shall, not later than December 31 in each calendar year during Project implementation, prepare and furnish to the Bank for its review and approval, after approval by the Steering Committee:
(a) a program of Project activities that will be implemented during the following calendar year, which includes detailed disbursement forecasts and budgets ("Annual Work Program and Budget"; and
(b) annual reports of the previous calendar year. (Schedule 2 Section I.D.1)

Sections and Description
Before the Effective Date, the Borrower, through the MPSRI, shall recruit one environmental specialist and one social specialist, based on terms of reference satisfactory to the Bank, to be part of the PMU. (Schedule 2 Section I.A.5)

Conditions

Type	Description
Disbursement	Under Categories 2 and 3 unless the Grant Selection Committee has been established in accordance with Section I.A.4(e) of Schedule 2 to the Loan Agreement.
Effectiveness	The Borrower shall have established the Steering Committee in a form and manner acceptable to the Bank.
Effectiveness	The Borrower, through the MPSRI, shall have adopted the Project Implementation Manual in a form and manner acceptable to the Bank
Disbursement	Under Category 2 unless Service Provider 1 has been recruited in accordance with Section I.A.4(c) of Schedule 2 to the Loan Agreement;
Disbursement	Under Category 3 unless Service Provider 2 has been recruited in accordance with Section I.A.4(d) of Schedule 2 to the Loan Agreement.

CONGO, REPUBLIC OF
CG-SUPPORT TO ENTERPRISE DEVELOPMENT AND COMPETITIVENESS PROJECT (P161590)

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I. STRATEGIC CONTEXT

A. Country Context

1. **The Republic of Congo is a lower-middle income country located in central Sub-Saharan Africa (SSA), characterized by a heavy reliance on oil, a limited domestic market, and representing a strategic transit conduit to the regional market.** Located along the Equator, the Republic of Congo (RoC) occupies an area of 342,000 square kilometers with a population of 4.6 million inhabitants. The population is primarily concentrated in urban areas (particularly in the cities of Brazzaville and Pointe Noire) where close to 70 percent of the population lives, making the RoC one of the most urbanized nations in SSA. The economy enjoys several assets, including: (i) abundant natural resources in hydrocarbons[1], minerals and forestry; (ii) a strategic transit location to regional markets through the only deep-sea port in the region (Pointe-Noire) integrated within a multimodal platform (railway, road, river transport)[2]; and (iii) significant agriculture development potential.[3]

2. **The country has not been able to fully exploit its potential and faces significant challenges in increasing economic diversification and creating jobs.** Over the years, the dependency on oil-derived rents has contributed to an adverse institutional and governance environment – hampering private sector led growth, competitiveness and diversification. The RoC's economy remains highly concentrated in natural assets (with its production and exports concentrated in the oil and minerals sectors) and vulnerable to external shocks. Despite some non-oil growth observed in recent years, extractive industries continue to account for close to 90 percent of total exports and 75 percent of GDP. Between 2010-2015, non-oil investments have remained under 10 percent of GDP, while a 2.9 percent increase in FDI has been registered in the extractive sectors. Beyond the immediate impact of fluctuations in oil prices on spending, economies that are highly dependent on extractive industries such as the RoC have historically demonstrated a tendency for a weak management of oil revenues, particularly when implementing large infrastructure projects. The oil sector – by its very nature capital intensive - has a limited capacity to generate employment[4] and has diverted resources from labor intensive toward extractive activities. The banking sector is highly concentrated and lags behind regional peers. Banking penetration remains in the five-to-seven percent range. High intermediation costs and high collateral requirements limit the pool of customers to well established firms, particularly in the oil sector.

3. **Since the end of the civil strife in the early 2000s, the country enjoyed relative political stability and growth. However, the overall performance of the economy was insufficient to reduce high structural levels of poverty, inequality, and unemployment.** High commodity prices and some

[1] RoC has 1.6 billion barrels of proven oil reserves and 90 billion cubic meters of natural gas reserves, and is the fourth largest oil producer in Sub-Saharan Africa (with an output of over 100m barrels per year).
[2] The multi modal platform of the Port of Pointe-Noire provides the RoC a unique position to tap into a regional market of 110 million consumers, with immediate access to a market of 12 million in Kinshasa, as well as a pathway to the Central African Republic and Southern Cameroon, through key regional trade corridors (Pointe Noire – Brazzaville - Kinshasa; Pointe Noire – Cabinda; Brazzaville – Ouesso - Douala; Brazzaville – Bangui; Pointe Noire – Dolisie – M'binda - Franceville).
[3] Only 2 percent of the 10 million hectares of arable land is currently exploited, whereas the RoC's basin presents a significant potential to leverage connectivity and linkages between and among local and regional value chains.
[4] The oil sector employs less than one -percent of the population.

structural reforms enabled growth to resume - averaging 5.5 percent for the period 2008-2014. This period of relative growth resulted in an increase in government spending, particularly directed toward public investment and infrastructure projects. However, the effective planning and absorption capacity of institutions in charge of large public investment did not translate to efficient disbursements, causing implementation delays and overspending, and therefore generating an additional drag on economic activities. Ultimately, these large investments resulted in modest linkages/spillover effects into the non-oil private productive sectors and have not led to a significant reduction in sector concentration.

4. The unemployment rate is estimated at around 25 percent (42 percent among the youth.) Poverty has decreased at a slower rate than expected from 51 percent in 2005 to 46.5 percent in 2011[5], and inequality remains high (*Gini coefficient* is 0.465). Likewise, the *Gender Inequality Index* is still high at 0.592 in 2015 — reflecting existing challenges for women, in reproductive health (high maternal mortality), relatively low women empowerment, including inadequate political representation and unequal access to economic opportunities (reflecting involvement in informal trade and agriculture sectors). In addition, disparities have increased between wealthier urban centers where poverty levels fell to 30 percent and rural areas where it increased to 75 percent.

5. **Following persistent low oil prices since end-2014, RoC's economy continued to decline in 2017.** With oil accounting for about a third of the country's GDP, two thirds of its fiscal revenue, and more than 80 percent of its goods exports, the sharp decline in oil prices since 2014 has provoked a major fiscal and economic crisis. Indeed, Congo's economic fundamentals were weakened by persistently low oil prices, due to the excessive reliance on oil exports and revenues. This underscores the critical importance of the economic diversification and inclusive growth agenda. GDP contracted by 4.6 percent in 2017 from -2.8 percent in 2016. Non-oil activities sharply decreased by 9.2 percent in 2017 as a tight financial situation following accumulation of government arrears forced many companies to reduce activities and staff. The decrease in demand triggered a deceleration in inflation at 0.5 percent in 2017. Revenues decreased from an estimated US$5.4 billion in 2014 to US$2 billion in 2017. Non-oil fiscal deficit reached 19.3 percent of GDP in 2017 as oil revenues declined from a high of 68.6 percent of non-oil GDP in 2014 to 14.7 percent of non-oil GDP in 2017. International reserves fell and stood at only at less than one month of imports. The country's pro-cyclical public investment scale-up has led to a rapid increase in debt-to-GDP ratio from 20 percent at end-2010 when RoC reached the HIPC Completion Point, to an estimated 118.8 percent at end-2017, setting it at debt distress. There are some favorable prospects for 2018, with the proposed fiscal adjustment and as new mining projects in iron, which entered production in late 2013, may add as much as US$1 billion to annual government revenue. Oil production is also expected to increase in 2018 due to the optimization of the Moho-Bilondo phase I field and a new production facility at the Moho-North field. Economic growth is projected to slowly recover at 0.7 percent in 2018. However, persisting instability localized particularly in the Pool region, has disrupted the reliability of transport infrastructure (rail, road) between Pointe Noire and Brazzaville, limiting the outlook for private sector growth.

[5] World Bank 2011 Poverty and Households survey. This is the last known survey based poverty estimates. Recent estimates based on macroeconomic modelling estimates of 2016 show a stronger decrease to 29.5 percent.

B. Sectoral and Institutional Context

6. **A legacy of overbearing government presence has restrained private entrepreneurship and maintained industrial sector concentration on extractives.** The performance of the private sector is reflected by low levels of non-oil private investments which have remained low averaging only about 19.4 percent of total investments for 2011-2016. The private sector's contribution to growth and formal employment is not significant, representing 5 percent of GDP compared to 14 percent for Sub-Saharan Africa (and only about 30 percent of the country's 125,000 formal employees)[6].

7. **The private sector is structured as follows:** (i) an expatriate well organized segment with significant human and financial resources, operating mainly outside the sphere of government influence – with limited spillover and knowledge sharing with local MSMEs; (ii) a relatively well organized local and connected private sector, relying on government contracts and subject to public procurement vagaries (these arrangements have an adverse impact on transparency, competition and regulatory certainty, and constitute barriers to the entry of competitors in the sectors in which the connected firms operate); (iii) a growing but unstructured private sector that operates mostly informally, in several sectors including retail and wholesale trade, micro industries, agriculture and services (particularly transport). The MSME promotion and development law (046-2014) formally categorizes enterprises as follows:

	Turnover (FCFA)	Number of Employees
Micro	25,000,000	9
Small	100,000,000	20
Medium	2,000,000,000	100

8. **Data on the Congolese private sector is scant and not centralized.** In terms of its structure, the private sector is small and concentrated in the tertiary sector such as trade, retail and services, with little manufacturing aside from light manufacturing activities in wood, food and drinks processing. The private sector is composed of mostly smaller units operating along the Pointe-Noire Brazzaville corridor where 90 percent of firms are registered. A census survey estimates the total number of enterprises at 22,500 mainly composed of very small units of less than 5 employees (98 percent) operating in trade[7]. SMEs and large enterprises account for 2 percent (with a negligible number of very large firms), whereas enterprise creation is concentrated in Pointe Noire (40 percent) and Brazzaville (55 percent). Women's entrepreneurship represented a total of 3,592 units. A limited number of large firms are concentrated in Pointe Noire, the country's deep-sea port where the oil industry is located. A mapping of industrial activities undertaken under the Support to Economic Diversification Project (PADE) revealed close to 78 firms (both foreign and local) mostly operating in Pointe Noire (55 percent) and Brazzaville (27 percent).

[6] *Environnement de l'investissement Privé* (AfDB 2012).
[7] *Environnement de l'Investissement Privé (*AfDB 2012).

9. **Economic diversification is constrained across several economy-wide dimensions, including**: (i) adverse business environment and weak MSME ecosystem; (ii) inadequate financial sector; (iii) insufficient trade-related and industrial infrastructure; and (iv) lack of skills to meet private sector needs. The wide range of constraints is indicative of the multifaceted challenges required to unlock sustained private sector led growth and economic diversification[8]:

- ***Adverse business environment and weak MSME ecosystem.*** Private sector activity is constrained by a cumbersome regulatory framework and poor public–private consultation mechanisms. The government adopted the decree No. 2017-42 of March 28th, 2017 creating the interministerial Committee for the investment climate improvement chaired by the Prime Minister, but this has not resulted in concrete impact on the ground yet. The RoC was ranked 179th out of 190 countries in the 2018 Doing Business Report. Challenging areas include: (a) paying taxes and other administrative fees (*parafiscalité*); (b) trading across borders; (c) starting a business; (d) enforcement of contracts. MSMEs are constrained by the lack of basic managerial skills and are unable to adequately prepare business plans, cash flow predictions or even basic bookkeeping[9]. Existing support from business development services and market enabling institutions is insufficient and lacks coordination.

- ***Inadequate financial sector.*** Major sector constraints identified by the Financial Sector Strategy (2017) include: (i) weak intermediation mechanisms; (ii) high sector concentration in oil; and (iii) insufficient credit information. These conditions mean that banks do not find a buoyant market that would allow them to serve the SME segment. Borrower credit information is non-existent, collateral requirements from the applicants are substantial and recovery mechanisms are weak. The financial sector is dominated by the banking sector (comprising 11 banks, mostly foreign owned.) Most banks operate as financial intermediaries for mining and oil companies, their suppliers and outsourcing parties. Loans and credits to the private sector only account for 32 percent of GDP. The financial sector is risk averse and not responsive to MSMEs, with limited potential to support diversification in agriculture and other sectors with growth and innovation potential. About 12-15 percent of MSMEs have access to bank finance (as opposed to 22 percent in SSA), and the great majority (85 percent) confirm that despite demand, access to credit is hampered by high costs, complex procedures and lack of credit information. The negative impact of the recent oil price shock is felt by the banking sector through direct or indirect exposure to Government spending and adverse effects on increasing non-performing loans (15 percent in 2016 from 2.5 percent in 2015).

- ***Insufficient trade-related and industrial infrastructure.*** Better performing trade-related and industrial infrastructure would enable the RoC to leverage on its strategic location in the south Atlantic, its access to the regional markets of the hinterland (the Republic of Congo has borders with Cameroon, the DRC, the CAR, Gabon and Angola) and improve the country's competitiveness

[8] Several studies highlighting challenges and opportunities include: (i) The World Bank 2009 Investment Climate Assessment; (ii) The World Bank 2016 Policy note on Diversification; (iii) The 2015 World Bank Trade Facilitation Intervention Report and; (iv) Studies undertaken within the framework of the PADE. All these studies indicate potential in logistics and transports, agribusiness, forestry, and wood transformation as well as a significant potential for regional integration.

[9] According to the World Bank's 2009 Enterprise Survey, only 17 percent of SMEs had a line of credit in a bank. This is confirmed by the INS in 2017 that 80 percent of companies use self-financing for the development of their activities.

and attractiveness for non-oil investments[10]. The Port of Pointe-Noire was ranked as one of the least competitive ports in the region. This is reflected in the country's Logistics Performance index which ranks the RoC at the 125th place out of 160 countries (down from 119th place in 2010), with poor performance on the infrastructure sub-index (2.0 out of 5.0) and the low performance in the Doing Business "Trading across Borders" indicator (it takes 397 hours to comply with border import compliance at a cost of US$1,581[11], with a ranking of 184 out of 189 countries). While significant public investment in recent years has been allocated to trade related and industrial infrastructure investment (including the Pointe-Noire – Brazzaville highway and the construction of new industrial parks) weak planning combined with inefficient management and maintenance, hamper improvements in infrastructure services and access to industrial land. While the Port of Pointe-Noire is mobilizing significant investment (including with support of AfD and EU) the Port of Brazzaville is not operational all year round and suffers from aging handling equipment and irregular port maintenance.) The national railway company *Chemin de Fer Congo Océan* (CFCO), is facing a chronic state of technical and financial disarray – requiring massive infrastructure investment and institutional reform to reinstate minimum operating standards. Despite significant investment in the energy sector over the last decade (US$2 billion), institutional inefficiencies and poor maintenance result in low and unreliable access to electricity – inflicting additional costs on users and firms. To circumvent these infrastructure shortcomings and to improve companies' competitiveness, the Government is planning four Special Economic zones (SEZs) across the country.

- ***Inadequate supply of human capital:*** Fifty one percent of the firms surveyed by the World Bank *Enterprise Survey* considered the inadequacy of their workforce's skills a major obstacle — reflecting a perceived gap between market requirements and the skills provided by training and learning institutions. In addition, private firms do not emphasize training and suffer from inadequate managerial skills (planning and financial management)[12].

10. **In addition to addressing the economy-wide challenges noted above, an effective diversification strategy will need to support the emergence of an MSME ecosystem clustered around non-oil sectors showing potential for growth. Key opportunities include:**

    - ***Agriculture and agribusiness:*** RoC's untapped endowment of arable lands, favorable climate, and transit infrastructure, provide the country with a strategic advantage in agriculture and food processing vis-à-vis its neighbors[13]. Manufacturing potential is mainly in the light consumer goods (including agro-based products, and wood processing)[14], taking advantage of the regional market. However, commercial agricultural is constrained by a multiplicity of factors: (i) agricultural production is performed primarily by smallholder farmers (81 percent

[10] The contribution of infrastructure to RoC's per capita growth over the past decade averaged a mere 0.5 percentage points (considerably lower than sub-Saharan Africa, where infrastructure contributes 0.99 percentage points on average).
[11] The time and cost for border compliance include time and cost for obtaining, preparing and submitting documents during port or border handling, customs clearance and inspection procedures. See the WB 2018 DB report.
[12] World Bank Group Country Partnership Strategy (CPS) 2013-2016 (Report number 71713).
[13] "*Trade Intervention in the Congo*, World Bank 2016.
[14] RoC's forests cover over 22 million hectares, or 65 percent of the land area. In 2010, the forestry sector provided 11,000 direct and 5,000 indirect jobs, contributing to 5.6 percent to RoC's GDP and 10 percent to the country's exports.

average two hectars per farm); (ii) lack of connectivity and coordination among key value chain components (processing and distribution); (iii) predominantly informal distribution and retail practices. The World Bank funded Commercial Agriculture Project approved in July 2017 supports improved food and nutrition security, import substitution, increased exports, and poverty reduction.

- ***Transport, Logistics, & Information and Communications Technology (ICT):*** The services sector experienced an average growth rate of 10 percent over 2001-2010, driven mainly by transport and telecommunications. There is still opportunity for growth especially in regional transit services and ICT tapping into the unrealized potential of the deep-sea port of Pointe Noire. Beyond transport and logistics, there is the potential for further development of ICT related services. With demand continuing to increase, the RoC has embarked on large national and intra-regional projects to expand the existing telecommunications network and establish intra-regional connections with neighboring countries. These developments leverage existing infrastructure such as the undersea fiber optic cable and foster infrastructure development of the national and regional backbone (initiated through the World Bank funded Central Africa Backbone project.)

- ***Tourism.*** Owing to its strategic regional location and its vastly unexploited natural assets, Republic of Congo presents several opportunities to develop niche tourism products (forest, parks, beaches) as well as those related to business tourism (conferences, events) which are the heart of the recently prepared National Tourism and Sustainable Development Strategy (2017). However, the sector faces significant constraints related to access and connectivity, an adverse investment and private sector environment, and gaps in branding and image. The Government is keen to leverage its assets, and attract private investors for the development of the sector. Strategic assistance is sought to strengthen the enabling environment and improve the management of hospitality, sports and conference facilities investments – particularly around Brazzaville.

C. Higher Level Objectives to which the Project Contributes

11. **The Government of RoC through the Ministry of Planning has requested the renewed assistance of the World Bank to provide the technical expertise and resources required to further the diversification agenda envisioned under the National Development Plan (NDP)**[15]. The NDP (2012-2016) has designed detailed action plans for several sectors including two pillars dedicated to diversification based on exploiting the country's natural endowments, and on developing sectors with

[15] The country's economic diversification objective requires coordinated action around three main axes: (i) strategies / direct actions to stimulate productive sectors, agriculture and forestry services; (ii) public investment to strengthen infrastructure and human resources ("inputs") to reduce factor costs and improve the competitiveness of the economy; (iii) strategies/actions to support economic operators ("economic actors"), including the farmers and the private sector, to improve the business environment and investment. The NDP regrouped the sectors into seven clusters and has presented investment as well as reforms needed to grow each of these clusters. (Policy Note on Diversification, World Bank 2016).

an identified comparative advantage such as in agriculture and agribusiness, transport/ICT, tourism. A new NDP for the period 2018-2022 is currently under preparation with a renewed focus on diversification — placing the private sector at the heart of the country's economic transformation.

12. **The proposed IBRD Support to Enterprise Development and Competitiveness Project (PADEC) operation will build on the achievements and experience of IDA Support to Economic Diversification project (PADE)[16] — providing an enabling platform to strengthen the investment climate, leverage public investments and crowd in private sector.** The Project will contribute to the main objectives of the recently completed Systematic Country Diagnostic (SCD) – and particularly on Focus Area 1 (promoting economic diversification and equitable growth, improving trade facilitation and SME development), with regard to the forthcoming World Bank Group Country Partnership Framework (CPF). Private sector development and diversification are essential to creating opportunities for jobs, particularly for vulnerable and excluded segments of the population (women, youth, poor). In this regard, project activities supporting entrepreneurship and MSME development contribute to empowering the poor, reducing poverty, and fostering inclusive and sustainable growth.

13. The project will act as a catalyst for economic diversification and inclusive growth, unlocking opportunities in strategic sectors – agriculture/agribusiness, transport /logistics, ICT and tourism with untapped potential in the Republic of Congo.

- Agriculture / Agribusiness employs around 500,000 people (70 percent female) mostly in small scale production and limited transformation, while only 2 percent of the 10 million hectars of arable land is currently exploited. Unlocking the sector's potential would generate productivity gains and jobs, and therefore positively impact poverty reduction and inclusion.

- Transport and logistics sector development (tapping the multimodal platform of the Port of Pointe Noire) would enable the Congo Basin economy to leverage connectivity and linkages between and among local and regional value chains, and access a regional market of 110 million consumers (including Democratic Republic of Congo, Central African Republic, Southern Cameroon, through key regional trade corridors extending from the Pointe Noire-Brazzaville Ouesso backbone).

- ICT sector presents further opportunities for growth. While the services sector continues to experience sustained growth (10 percent over the last decade), demand is set to continue increasing leveraging on an expanding telecommunications network and the undersea fiber optic and intra-regional connections. This is set to crowd in opportunities for private sector investment, technology diffusion, and entrepreneurial innovation.

- Tourism sector opportunities reflect Congo's strategic location combined with vastly unexploited natural assets (forest, park, beaches) and increasing demand for business tourism

[16] The PADE closed in December 2017. See Annex 7 for a review of lessons learned.

(conferences, meetings, events). Tourism development stands to create opportunities for different private sector segments (small local investors, foreign direct investors) but also foster linkages through associated sectors (for example services, agriculture supply, handicraft).

14. The project will also maximize finance for development by leveraging interventions led by other Global Practices (notably the Commercial Agriculture, Central Africa Backbone, and Skills Development for Employability projects), projects led by development partners (EU, AfD, AfDB), and fostering private and public investments. Specifically, the project will address institutional, regulatory and firm level constraints in targeted sectors – complementing infrastructure investments carried out through related public and private projects, including for example:

- Agriculture: RoC committed significant investment in agriculture, (supported by IDA US$100 million Commercial Agriculture Project) including critical infrastructure and productivity support. Other donors and private sector are investing in Value Chain (VC) growth and competitiveness.

- ICT: The Central Africa Backbone project comprises significant investment including the WB US$30 million to connect RoC to Gabon and the AfDB US$55 million to develop the backbone. Meanwhile, the Government has built 4000 kilometers of optic fiber from Pointe Noire to Oyo.

- Transport and logistics: An investment program to expand the platform of the Port of Pointe Noire is underway, including inter alia investment from AfDB (Euro 70 million). RoC also recently completed the rehabilitation of the Pointe Noire – Brazzaville road.

- Tourism: RoC invested in world class conference centers and sport facilities, positioning Brazzaville as a potential conference, events and meetings hub for Central Africa. Additional projects are underway regarding natural parks conservation (funded through the Global Environment Facility and and World Wildlife Fund).

15. PADEC is not structured to tackle broader financial sector issues in a comprehensive manner, and no financial intermediation will be supported directly by the project. However, the project will adopt an opportunistic approach by testing and introducing instruments such as the Entrepreneurship Promotion and Development grants and the Support and Development grants that will in the short to medium terms alleviate the most pressing bottlenecks faced by firms and entrepreneurs. This will complement advisory support on the implementation of the Financial Sector Development Strategy

(FSDS)[17] and ongoing IFC programs[18]. PADEC will address demand side constraints for MSMEs (including managerial and technical capacity, market information), increasing the pool of MSMEs eligible for banking sector support. The implementation of the FSDS recommendations will strengthen the credit information infrastructure.

16. Leveraging the policy dialogue launched through the World Bank funded analytical and advisory assistance on Spatial Development for Competitive Industries, the PADEC will also contribute to fulfilling the country's vocation as a multimodal industrial and logistical platform in the heart of the *Central Africa Economic and Monetary Community* (CEMAC) and the *Economic Community of Central African States* (ECCAS). The project will improve the competitiveness of products and services by: (i) reducing transaction costs; (ii) improving connectivity to national and international value chains, growing markets at the national, sub regional and international levels; (iii) accelerating the improvement of the business climate and public-private dialogue; and (iv) improving the ecosystem that supports the development of MSMEs.

17. PADEC will also support the programmatic series of DPF operations under preparation, focusing on: (i) revenue mobilization and efficiency of public spending; (ii) economic diversification through agriculture, forestry, energy and ICT within an improved investment climate; and (iii) strengthening resilience of social sectors. Dialogue with the Government has so far not been conclusive, particularly regarding the endorsement of the Policy Matrix measures related to the management of revenues from natural resources. The World Bank Board's consideration for the first operation of the Development Policy Operation (DPO) series is expected by mid-September 2018.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

The objective of the project is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo's territory.

B. Project Beneficiaries

18. The project will be deployed mainly in the urban and peri-urban centers of Pointe Noire and Brazzaville, and along the Pointe-Noire-Brazzaville-Ouesso growth corridor — areas that are home to

[17] The FSDS advocates a comprehensive package of financial sector reforms to improve access to finance for SMES: (i) the reduction of information asymmetries by improving credit information; (ii) improving financial intermediations for SMEs; and (iii) instruments to improve the regulatory framework (application of OHADA texts etc).
[18] IFC initiated two risk sharing facility pilot programs in partnership with two Regional Banks operating in RoC - Credit du Congo and EcoBank. The program has thus far yielded inconclusive results – due to weak demand and very few eligible SMEs, underscoring the challenges described above.

the country's largest agglomerations where the bulk of the economic activity is located. This zone includes areas with significant potential in agriculture and derived agri-business activities, trade-related and industrial infrastructure, and tourism. Project beneficiairies include: select Government entities and market enabling institutions in charge of designing and implementing public policies and support services for private sector development (including Ministry of Planning, Ministry of SMEs, Ministry of Economy and Industry, the SME Development Agency, the Investment Promotion Agency), as well as targeted MSMEs (receiving direct technical and financial grants and also benefiting from investment climate reforms associated with reduced compliance costs).

C. PDO-Level Results Indicators

19. **The proposed key result indicators that will be used to measure the achievement of the PDO are:**

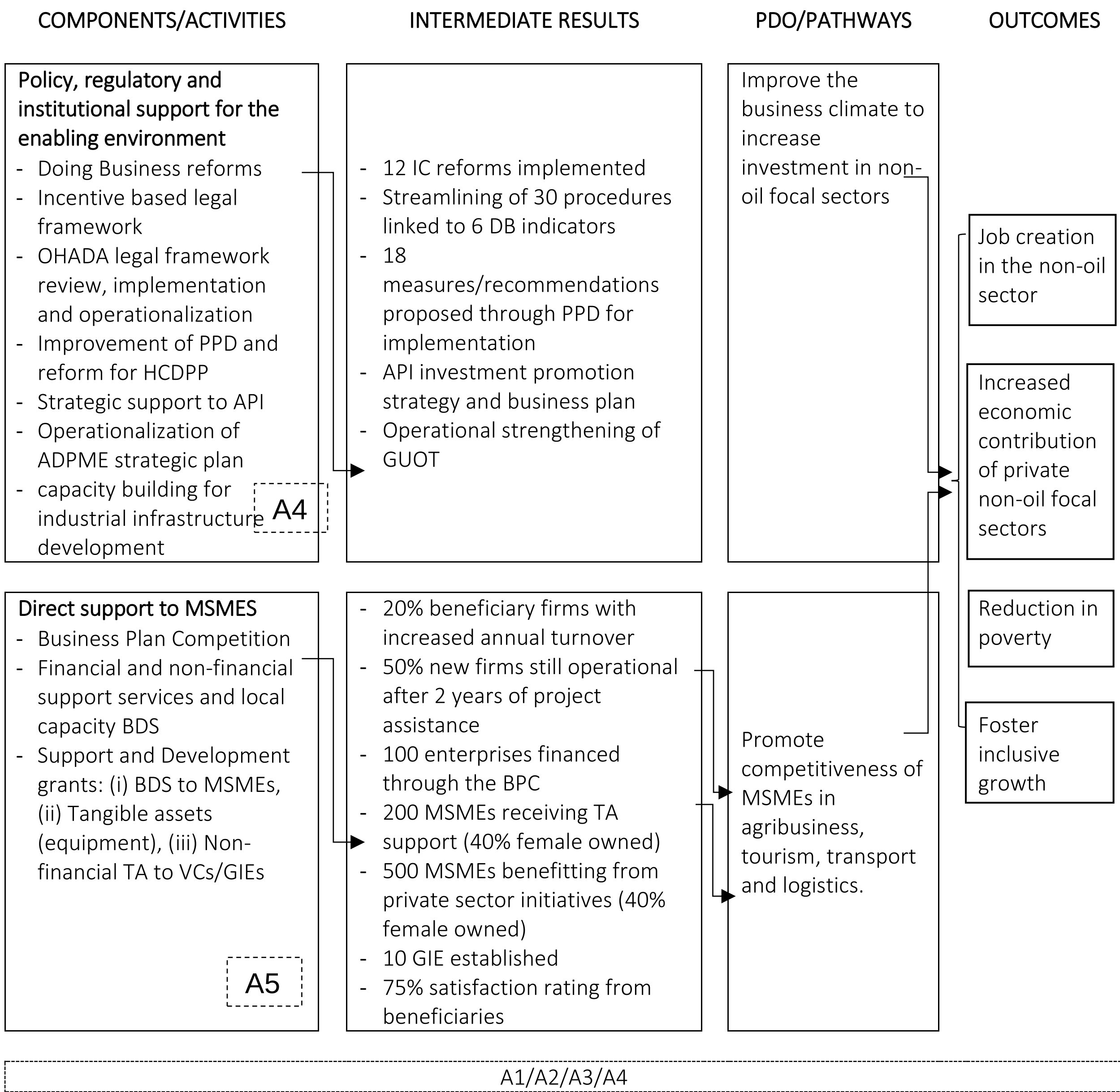
- Number of Investment Climate reforms approved and implemented.
- Share of beneficiary firms under the Support to Enterprise Development grants demonstrating a sustained increase in annual turnover.
- Share of new firms supported under the Business Plan Competition (BPC) that are still operating 24 months after receiving assistance (financial and non-financial).

III. PROJECT DESCRIPTION

A. Project Components

20. **Theory of Change.** The project provides: (i) policy, regulatory and institutional support to strengthen the enabling environment for private sector development and (ii) direct support to MSMEs to foster entrepreneurship and enhance firm competitiveness in selected sectors (identified under the National Development Plan, including agriculture and agribusiness, tourism, transport/ICT). Improving firm competitiveness and developing entrepreneurship will lead to more investment and inclusive growth thereby generating more private sector employment and opportunities for the poor to access the job market, increasing income generating capacities and standard of living. As a result, project activities strengthen efforts to reducing poverty and empowering the poorest and most vulnerable segments of the population. The achievement of the expected outputs from this project will contribute to the intermediate and long-term outcomes including promotion of the competitiveness of MSMEs and improvement of the business climate to increase investments in the targeted sectors. Improved competitiveness and business climate will ultimately play an important, foundational role to the longer-term objectives of enhancing economic diversification, creating jobs and moving towards overall reduction of poverty and inclusive growth in RoC.

Theory of Change



Critical assumptions	
A1	Oil price stabilization and oil sector recovery
A2	Continued economic growth
A3	Lack of significant disruption from 2021 Presidential election
A4	Ownership and capacity of government to implement reforms
A5	Quality of firms that will qualify for the BPC/Support and Development grants, including potential liquidity

	constraints for matching grants.
	Providers for BDS and support services
	Existence and capacity of female-owned firms

21. The graphic above shows the theory of change employed by the project to move from the components and activities to the intermediate results to be achieved, how the link to the PDO/pathways laid out and ultimately the longer-term outcomes expected. Also included are the critical assumptions that have been made by the project team for achieving these outcomes. These assumptions apply to: (i) the overall economic context (i.e. the stabilization of oil prices and oil sector recovery, the economic growth to allow for the implementation of reforms, the ownership by the government, as well as the continued focus on developing the private sector); (ii) the political context (i.e. in particular the lack of significant disruption from the 2021 Presidential elections -- coming at a crucial time for the project); and (iii) the private sector assumptions such as the availability of firms that will meet the requirements for the BPC/Support and Development grants (in particular the liquidity requirements for the matching grant contribution), the availability of female-owned firms that meet the requirements of female employees and involvement, and the availability of appropriately and well skilled providers for business development and support services. Further details can be found in Annex 1 of this document.

22. **Project structure.** The project is structured around three components: (i) Regulatory and institutional support to strengthen the enabling environment for Private Sector Development (US$10 million); (ii) Direct support to MSMEs to enhance the competitiveness of selected value chains (US$12 million); (iii) Project coordination and implementation (US$3 million).

Component 1: Regulatory and institutional support to strengthen the enabling environment for Private Sector Development (US$10 million)

23. The objective of this component is to promote investments particularly in the priority sectors targeted by the project (agriculture and agribusiness, tourism, transport and information and communication technology) and to strengthen the enabling environment for Private Sector Development - accelerating the adoption of reforms launched under the PADE project (through stronger stakeholder coordination and high-level engagement). The component is divided into three sub-components, as follows:

24. ***Sub-component 1.1: Investment climate reform and public private dialogue (US$3 million).*** This sub-component aims to bring about new momentum to accelerate the pace of implementing business climate reforms (including existing measures which have been formulated and are pending implementation on the ground). Based on the lessons learned from the PADE, the project will focus on both sector specific and cross-cutting reforms. The sub-component will support: (i) the identification of critical policy, institutional or other constraints and a timebound reform action plan; and (ii) the definition and implementation of facilitation or corrective measures such as adoption of sectoral laws or policies to streamline and simplify procedures (reflecting four sectoral studies to stimulate investments in priority sectors identified under the National Development Plan -- agriculture and agribusiness, tourism, transport, ICT.) The expected outcomes for those activities include an incentive-based legal framework in sectors showing a good prospect for growth.

25. The project will support cross-sectorial SMEs reforms related to the institutional, legal and regulatory framework, from their creation to their day-to-day operations. The cross-sector approach will enable the project to reach other SME operating out of the priority sectors. As such, the project will support reforms in selected Doing Business (DB) indicators, including: (i) business startup; (ii) dealing with construction permits; (iii) access to electricity: (iv) property transfer; (v) paying taxes; and (vi) trading across borders. The project will support: (a) the government and the thematic groups responsible for proposing, drafting or improving reform texts in five out of six DB areas; (b) the review, implementation and operationalization of the OHADA legal framework. Indeed, RoC is an OHADA Member State and a significant part of its business climate regulations come from the OHADA legal framework, one of the primary objectives of which is to ease doing business for MSMEs, including the informal sector.

26. A key objective of this sub-component is also to support the improvement of the Public Private Dialogue as an indispensable participatory tool for accelerating the identification and implementation of reforms envisaged in sub-component 1. To date, the *High Council for Public Private Dialogue* (*Haute Conseil du Dialogue Public Prive,* HCDPP) has not produced the expected results due to lack of commitment and weak operationalization. A restructuring of the HCDPP is underway and will require technical assistance to integrate best practices and avoid common pitfalls associated with high-level PPD structures. The restructuring involves the establishment of an interdepartmental committee headed at the highest level by the Prime Minister with a permanent secretariat based on thematic groups and departmental committees. The HCDPP will be responsible for organizing the dialogue between the public and private sector by adopting a strategy of consultation at the level of sectors and territories. The anchoring of the PPD process at the highest level of government is important to gain the trust from the private sector in a country with weak capacity institutions. However, it is within territories and sectors that the problems will be identified as well as the sketches of solutions. These will be submitted for formalization by the thematic groups. This hybrid approach will allow, on the one hand, for work on the more complex and time-consuming process of developing the national PPD structure, while, on the other hand, starting to operationalize more easily the PPD through specific working groups by sectors and regions. This should be an incremental process whereby one identifies the pockets of excellence and the champions within the government structure willing to move forward. This two-pronged approach can function independently or, ideally, be integrated into the national structure once operational. The project will provide adequate technical support to design or improve the efficiency and performance of the institutional architecture of the PPD structure and operationalize the PPD process.

27. ***Sub-component 1.2: Targeted Promotion of Domestic and Foreign Trade Investments (US$2 million).*** This sub-component aims to build capacity of institutions involved in facilitating investments and enterprise development. These institutions are required to address existing market failures due to information asymmetries (e.g. existence of investment opportunities, market linkages), provide public goods (e.g. licensing, permits, etc.) and decreasing coordination costs within targeted value chains. The institutional and regulatory environment for investment promotion and private sector development is scattered, with overlapping initiatives and inefficient allocation of resources. The *Investment Promotion Agency* (*Agence pour la Promotion des Investissements*, API) suffers from a chronic lack of capacity to fulfil its mandate as an agency in charge of promoting and supporting private investments in the country. In the same vein, the *Small and Medium Enterprises Development*

Agency (Agence pour le Developement des Petits et Moyennes Entreprises, ADPME) requires support to develop and implement its critical and challenging mandate.

28. This sub-component will mainly support a capacity building program for the *Agence pour la Promotion des Investissements* (API), and connected sectoral agencies (Ministry of Tourism) in the development and implementation of an investment promotion strategy that will focus on targeted investment promotion, facilitation and aftercare focusing on the priority sectors (agriculture/agribusiness, tourism, ICT, transport). It will also support the development of specific sector and project profiles to catalyze market testing and targeted promotion with anchor investors and developers.

29. The subcomponent will also support the operationalization of ADPME's strategic plan aimed at fostering: (i) the capacity of the ADPME to improve the supply of services to a standardized level; (ii) support the networking of private firms and business and professional associations with public institutions; and (iii) the creation of a database of MSMEs with the possibility of being consulted by the API, the consular chamber organizations or *Commission Speciale de Cooperation Kinshasa Brazzaville* (COSPECO) for the creation of partnerships or the exploitation of investment opportunities.

30. ***Sub-component 1.3. Transport sector and industrial infrastructure management and development (US$5 million).*** The objective of this sub component is to enhance the management and development of transport and industrial infrastructure sectors, through targeted policy and regulatory reform, institutional capacity building, investment planning and mobilization.

- Policy and regulatory reform activities will include:

    i. Support to strengthening the legal framework for industrial infrastructure development, with a focus on SEZ development;
    ii. Institutional support to the transport sector, including: (i) strengthening the operationalization of the GUOT (One Stop Shop for trans-border trade) by carrying out an institutional diagnostic of the One Stop Shop, as well as capacity building and coordination enhancing measures; (ii) conducting a feasibility study for the creation of a multimodal transport observatory as a means of promoting the production, diffusion and advocacy of multimodal transport solutions; (iii) carrying out a policy and regulatory diagnostic of trade transit fluidity through the Pointe Noire-Brazzaville-Ouesso corridor, and providing technical assistance to identify and implement policy and regulatory improvement recommendations identified in the diagnostic; (iv) carrying out studies to determine support services required for the Pointe Noire-Brazzaville-Ouesso corridor.

- Capacity building to strengthen industrial infrastructure investment planning along the Pointe Noire – Brazzaville corridor. This would focus on providing:

    i. Support to the Ministry of SEZs and the Ministry of Grands Travaux to design and develop the institutional framework for SEZs.
    ii. Build capacity to develop an integrated investment planning / asset management strategy.

iii. Build capacity to conduct good practice pre-feasibility analysis (including site analysis, environmental and social safeguards, demand and market testing, etc.) for industrial infrastructure and tourism development.

Component 2 – Direct support to MSMEs to enhance the development and competitiveness of selected value chains (US$12 million)

31. The objective of this component is: (i) to empower the poor and reduce poverty by promoting entrepreneurship; and (ii) to sustain inclusive growth by enhancing the development and competitiveness of value chains in priority sectors identified by the National Development Plan (Agriculture and agri-business, Transport/ICT, and Tourism). Weak entrepreneurial activity and support systems for MSME are identified as a significant challenge preventing their growth, development and competitiveness. Component 2 will provide direct technical support and financial grants to MSMEs as follows: (i) entrepreneurship promotion and development support, including the roll out of a nationwide Business Plan Competition (BPC) and relevant support services to entrepreneurs; (ii) support and development grants (SD grants) and business development services (BDS) to MSMEs operating in identified high-growth sectors, which will comprise three windows: (a) a non-financial technical support to MSMEs; (b) SD grants for equipment; and (c) support to Value Chains and related associations. Activities will be implemented with support of a private service provide (SP).

32. ***Sub-component 2.1 Entrepreneurship Promotion and Development (US$4 million)***. Sub-component 2.1 will finance the roll out of a nationwide BPC which will help aspiring and existing entrepreneurs achieve their potential to build linkages with large investors. Among others, linkages will be strengthened by improving the suppliers' capacity to deliver quality input, facilitating bulk buying by groups, or providing key information on input supply sources. The Sub-component will create the conditions for aspiring and existing entrepreneurs, as well as for newer firms to improve their product/services and access national and regional markets. This will be achieved through the implementation of a BPC and relevant support service as follow: (a) offering entrepreneurs financial (in the form of grants) and non-financial support services; (b) promoting the culture of entrepreneurship particularly among youth, female entrepreneurs and cooperatives; and (c) building local capacity to deliver business development services for newly created firms, and the informal sector.

33. Sub-component 2.1 will provide capacity building for entrepreneurs and new firms, or those in the early stages of activity or formalization. The assistance will start at the conceptual stage and continue until the firm is operational and has begun to reach maturity. The BPC activities will include: (i) an awareness and outreach campaign; (ii) support for the design of bankable business plans and delivery of services such as training /mentoring; (iii) attribution of seed financing to laureates and; (iv) aftercare and technical assistance to help turn new firms and projects into sustained operations.

34. The facility will rely significantly on training and mentoring to diffuse knowledge in business management (coaching & mentoring), support for the development of business skills and operationalization of new firms. The assistance will be implemented over stages covering the pre-

selection, selection and aftercare of selected candidates, after which a final selection of 100 entrepreneurs will be retained to receive seed financing and technical assistance. The estimated average seed financing grant will amount to US$50,000; eligibility criteria will remain relatively open as international experience indicates that in low entrepreneurial capacity environments such as in the RoC, it is preferable to cast a wide net and subsequently progress with more selectivity as training and TA are progressively implemented.

35. ***Sub-component 2.2 Support and Development Grants (US$8 million).*** The grants will provide BDS and technical assistance support to approximately 200 MSMEs and up to 10 associations/cooperatives (otherwise known locally as GIEs[19]) of firms with the goal of enhancing their operational and technical capacities. The Sub-component will include three windows as follow:

- Window A will provide Business Development Services to MSMEs including training for management and personnel.
- Window B will provide tangible assets such as equipment used in the production process as well as well as in the construction, lease of infrastructure.
- Window C will provide technical assistance to help organize and structure identified value-chains and associations (GIE), and commercial relations.

36. The Support and Development grants will cater to micro, small and medium firms (MSMEs) and associations by providing co-financed BDS services, training, and equipment available through a matching-grant scheme and relevant technical assistance activities. Eligible activities will feature any activities that improves and sustains the productive capacity of the firms, including but not restricted to: preparation of quality business plans, improving managerial capacity, personnel and management training, improving standards and quality certification, product development, trade promotion, marketing support, and support for technology upgrading. Smaller firms will receive more basic services such as coaching/mentoring, financial training and improving accounting practices, cost evaluation skills as well as some marketing. Linkages will be given special emphasis -and activities managed through the fund will include fostering linkages between SMEs and big buyers to further build capacity of beneficiary SMEs and facilitate access to financial services. The incentive scheme will reflect lessons learned from the previous PADE[20] project and the challenging institutional and macro-economic environment. For instance, the subsidies coverage ratios will be larger than the previous scheme (between 95 percent to 80 percent for BDS depending on firm size, and 50 percent to 75 percent for the provision of equipment). A single private provider will support the PIU in implementing both the SD and BPC grants. (see Annex 1 detailed project description.)

37. Eligibility criteria for the SD grants are summarized in the table below. The provision of grants and associated services will be governed by firm size and turnover amount as defined by local criteria (for further details see Annex 1.)

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[19] Groupment d'Interet Economique.

[20] An evaluation report assessing the performance of the FACP from the previous PADE project has recently been finalized. Further information on initial lessons learned from PADE and integrated into the design of PADEC can be found in an annex at the end of this report.

Component 2.2 Eligibility Criteria for Beneficiaries

Micro firms	Small firms	Medium/large firms	Associations (*GIE/cooperatives*)
Max turnover of US$ 15,000 and <10 employees No formal registration required Firm age: 2+Years Ownership: private, 50% plus domestic owned	Max turnover of US$ 160,000 and <=20 employees No formal registration required Firm age: 2+Years Ownership: private and at least 50% domestically owned	Turnover > US$160,000 and over 20 employees Formal registration or business affiliation required Firm age: 2+Years Ownership: private + 50% domestic	High growth VCs in identified sectors Ability for firms to form a cooperative/organize in legal entities (*GIE process*) Conditions on association structure: minimum number of members, presence of either agribusiness and /or smallholders

Component 3: Project implementation and coordination (US$3 million).

38. This component will support the operating costs of the project's institutional and governance arrangements. These include facilitating the activities of the Project Steering Committee, setting up and managing a dedicated Project Management Unit (with key staff including a Coordinator, a fiduciary team, technical experts on investment climate and private sector development, environmental and social safeguards, monitoring & evaluation, and communication), facilitating stakeholder outreach and communication, and undertaking project evaluation and monitoring.

39. The Project will be under the oversight of a Steering Committee that will include the representatives of partner ministries, the private sector (associations, value chains organizations) and the civil society. A Project Management Unit (PMU) will be placed under the direct administrative authority of the Ministry of Planning. A Project Steering Committee will oversee and support the preparation activities of PADEC and subsequent implementation. This will involve confirming and approving annual budget and action plans by the project implementing agency. The Project Steering Committee will also ensure coordination and adequate execution of project activities across sectoral stakeholders, and World Bank implementation support missions. A secretariat will organize periodic meetings in support of its mandate.

B. Project Cost and Financing

Project Components	Project cost (US$, millions)	IBRD or IDA Financing (US$, millions)	Trust Funds	Counterpart Funding
1. Regulatory and institutional support to strengthen the enabling environment for private sector development	10	10	0	0
2. Direct support to MSMEs to enhance the development and competitiveness of selected value chains	12	12	0	0
3. Project implementation and coordination	3	3	0	0
Total Costs	25	25	0	0
Total Project Costs	25	25	0	0
Total Financing Required	25	25	0	0

C. Lessons Learned and Reflected in the Project Design

40. **The project design is fully aligned with the priority themes identified under the World Bank SME Action Plan (World Bank, 2016), and incorporates the key lessons and recommendations from the IEG Report "The Big Business of Small Enterprises" (World Bank Independent Evaluation Group, 2014)** conducted on 179 World Bank Group projects targeting SMEs during 2006 – 2012 time-period and the analysis of the 10 relevant SME projects in Africa. Lessons include: (i) the need for a clear definition of the targeted SMEs; (ii) strategic sequencing of project interventions; (iii) building M&E systems that allow for capturing of impact at the beneficiary level; and (iv) avoidance of a complex project structure. Additionally, the project is designed in close collaboration and coordination with

other active World Bank and IFC operations in the Republic of Congo (Agriculture, ICT, Skills), which allows for building on the experiences of other teams and leveraging of synergies across various projects in the country.

41. **The proposed project also draws on lessons learned from the experiences gained during the implementation of other projects in RoC (particularly the IDA-funded Support to Economic Diversification Project – PADE[21]) and the region, including:**

- Involving non-state actors for service provision, while building the institutional capacity to support SMEs over time;
- Adopting a phased approach in project implementation, gathering data on the local market gradually, piloting the proposed instruments on the ground, identifying local champions and expanding activities based on successes while learning from failures;
- Setting realistic indicators and expectations on monitoring of the indicators in the Results Framework with clear attribution and achievability during implementation;
- Developing and applying an effective communication strategy as a key aspect of project to manage expectations and ensure a broad outreach of expected beneficiaries. In many WB-supported projects, the Bank has faced reputational risks due to miscommunication and misunderstanding of project implementation procedures and rules;
- In FCS countries where formal credit provision to small firms continues to be difficult, a well-thought out and targeted SME support facility can be effective in assisting firms with both non-financial technical assistance and financial help through the provision of co-financed equipment. This would in turn contribute to firm growth and increase in productivity levels;
- Strengthening the capacity of the client to ensure project management and fiduciary arrangements regarding social and environmental safeguards requirements.

42. **Through the IDA-funded Support to Economic Diversification Project (PADE), the Government has laid the foundation that should enable a deeper diversification drive moving forward.** The PADE (US$20 million) operation (supported by IDA between 2011-2017 in coordination with the AfDB), is recognized as a first project of its kind in the Republic of Congo, allowing the Government to engage in a variety of activities aiming at fostering a diversified private sector led growth. The project supported groundbreaking efforts to strengthen the investment climate and the public-private dialogue, and provided direct support to the development of non-oil value chains – after decades of state control of the economy and dominance of the oil sector. Specifically, PADE provided technical support to the preparation of business environment reforms and the creation of a public private dialogue platform. PADE also provided direct financial and technical support to the private sector through a dedicated matching grant – which fostered linkages with local suppliers, structured

[21] Specific details/a summary of lessons learned from PADE can be found in an annex at the end of this document.

agriculture value chains, facilitated access to regional markets and partnerships with international investors, and strengthened local and high-potential SMEs.

43. Several reports have been completed at the onset of PADE closing (effective as of December 31st, 2017), including: the counterpart completion evaluation report, the FACP evaluation report and the BPC Framework report. The current design of the PADEC project draws from these lessons (see Annex 7). PADE also completed several studies and fact-finding reports aimed at identifying opportunities for growth in non-oil sectors and value chains. These efforts have raised awareness with regards to the strategic importance of deepening the diversification measures initiated under PADE.

44. PADE, generated gains that could enable the country to progressively be sheltered from recurrent shocks, due to the drop-in commodity prices. Key contributions include:

- Contribution to improving the business climate: The project supported the government to drive the process of improving the business climate. Thirteen (13) short- and medium-term reform texts were approved out of the thirty (30) submitted to the government. Among these texts, four (4) of five (5) very short-term texts proposed to the Government in 2016 were validated. There are still bottlenecks to be removed, as identified in the report of the interministerial committee for the monitoring and evaluation of reform texts, which hinder the progress of RoC's ranking in the Doing Business Report.

- Support for good infrastructure governance. Studies have been conducted and / or are in the process of being conducted on: (i) improving logistics performance; (ii) the competitiveness of the Autonomous Port of Pointe-Noire (PAPN); (iii) the action plan; (iv) the management procedures manual; (v) the implementation of cost accounting; and (vi) costs for the benefit of the *Chemin de Fer Congo-Ocean* (CFCO).

- Strategic partnerships for the promotion of investments in RoC. Partnerships were developed with the United States Business Council for International Understanding (BCIU), culminating in the creation of the Agriculture Growth Partners (AGP), a fund intended to support SMEs, and with Mouvement des Entreprises de France (MEDEF International). This approach deserves a large-scale extension depending on the sector and the nature of the investment projects to be promoted.

- Support to the analytical knowledge on economic diversification and private sector development. The project has drawn from an articulated database of studies related to economic diversification and private sector development, including: (i) industrial mapping; (ii) policy development and industrial sector development strategy; (iii) the legal framework on public-private partnerships; (iv) proceedings from the conference on the diversification of the RoC’s economy; (v) prioritization of value chains using a method and scientific criteria for value chain analysis; (vi) operationalization of the promising sectors; (vii) markets studies of target sectors of the PADE and investment project guides; (viii) 16 project sheets of direct-investment projects drawn up aimed at contributing to the development of RoC's productive capacities; (ix) the strategic and tactical review of the development of the RoC private sector;

(x) diagnostic and strategic plan of the ADPME; and (xi) feasibility on setting up a pilot incubator for SMEs.

- Support for improving the competitiveness of SMEs: In line with the orientation of the NDP 2012-2016, the matching grant facility (FACP) of the PADE assisted nearly 400 MSMEs, to a total of nearly one billion FCFA (about US$2 million) in the targeted sectors (agri-food, timber, transport and logistics, services/ICT, hotels and tourism, public works). Through this mechanism, PADE aimed to improve the competitiveness of these companies. The strategy developed by FACP focused on strengthening managerial and technical capacities as well as providing advice for companies. The FACP also fostered the development of national expertise (individual consultants and consulting firms) through the creation of a directory of more than 100 experts on BDS registered in the FACP registry. PADE grants through the FACP have supported training activities for professionalization and employability in the sectors targeted by the Project. The approach promoted by PADE in this framework was based on an evaluation of the training needs of companies or territories. With a view to improving the competitiveness of companies, the value chain approach has been tested and has enabled the local producers to be linked to more buoyant and remunerative markets abroad. There remains a lack of understanding/ appreciation for the VC approach which will be in part addressed on a continuing basis with PADEC.

45. Within the context of the drop in important oil derived revenues, PADE was able to raise awareness amongst key public and private stakeholders about the importance of initiating key reforms and measures to support a sustained diversification program. PADE introduced innovative approaches to partnerships in the area of equity investment (for instance through a partnership with the Africa Growth Partners, AGP), and has laid the groundwork that will allow for stronger strategic partnerships with large international groups such as Total and local groups such as Union Patronale et Interprofessionnelle du Congo (UNICONGO) and international business associations (MEDEF, BCIU), which promote linkages and technology, and know-how transfers. PADE also supported a series of analytical studies[22] including: (i) the PAPN Competitiveness Study; (ii) sector specific competitiveness

- [22] *« Etude sur le développement de la main d'œuvre selon l'approche des chaînes globales de valeur du projet de développement des compétences pour l'employabilité au RoC »,* Ministère de l'enseignement technique, professionnel, de la formation qualifiante et de l'emploi, April 2017.
- *« Suivi des reformes d'amélioration du climat des affaires au RoC - Rapport No 01-03 »* AIRA Consulting, Novembre 2016.
- *« Elaboration de la Cartographie Industrielle du RoC »*. Arc Ingénierie, September 2016.
- *« Mission d'étude d'opérationnalisation des filières porteuses et guide d'investissement en République du RoC » KMPG,* September 2016.
- *« Stratégie de Structuration et d'Opérationnalisation de AGP-RoC, et Plan d'Action Chiffré »,* Africa Growth Partners, August 2016.
- *« Etude sur la compétitivité du port autonome de Pointe-Noire ».* HPC Hamburg Port Consulting, June 2016.
- "Toward a more diversified economy: Recent developments and the road ahead" (Economic Diversification Policy Note P151557) World Bank, June 2016.
- *« Diagnostic opérationnel et plan d'action, rédaction du manuel des opérations et mise en place d'une comptabilité analytique », EY RoC, January 2016.*

reports (agri-business transport and logistics and wood processing); (iii) a mapping of industrial activities among a sample of firms; (iv) a report on improving the business environment and an evaluation/operationalization of the CFE (*Centre de Formalites des Entreprises*); (v) the national railroad company action plan; and (vi) a series of competitiveness reports of the cocoa, cassava, fruit and vegetables value chains. These reports will constitute invaluable resources moving forward with future project activities and form a key part of the database of knowledge upon which the project will continue to draw.

46. **The PADEC is structured in line with the programmatic approach initiated under PADE, but will go beyond cross-cutting interventions to tackle specific bottlenecks related to the competitiveness of RoC's transit economy (e.g. trade, logistics, transport) and high potential sectors and value-chains.** On the one hand the proposed operation will continue to focus its efforts on improving competitiveness by strengthening the investment climate and by providing direct support to firms in non-oil value chains (leveraging strategic partnerships between large associations and firms with MSMEs). On the other hand, PADEC will support sector-specific reforms to foster MSME growth and crowd in investment. Specifically, PADEC will focus on fostering private sector initiative and growth in priority sectors (including agriculture and agro-processing, transport and ICT, tourism) and strengthening the competitiveness of the transit economy. PADEC will act as a catalyst for existing and future potential heavy investments to be made by the public and private sector in RoC to strengthen the infrastructure platform commensurate with the country's ambition of being a natural gateway to the Central Africa Region. In addition, PADEC would strengthen the investment climate and crowd in investment in synergy with ongoing operations (Commercial Agriculture Project -- ICT in conjunction with the Central Africa Backbone Project, Tourism, etc.), fostering much needed skills and technology transfer in fledgling value chains. and facilitating access to markets for emerging SMEs.

- *« Appui au guichet unique du CFE »* Cabinet GECA Perspectives, September 2015.
- *"Republic of RoC Trade Facilitation Intervention. Trade Facilitation Between RoC and its Neighbors: Addressing the Bottlenecks*" World Bank, 2015.
- *« Etude sur les perspectives d'investissement et d'amélioration des filières porteuses »* SOPEX Consulting, October 2014.
- *« Perspectives de développement du secteur privé RoClais »* CIBLE RH & Etudes RoC, August 2014
- *« Perspectives de développement du secteur privé RoClais : Revue stratégique et tactique »,* CIBLE RH & Etudes RoC, June 2014.
- *« Perspectives de développement du secteur prive RoClais : Environnement et accompagnement des entreprises et opérateurs dans les filières »,* CIBLE RH & Etudes RoC, June 2014.
- *« Elaboration d'une stratégie de développement des filières prioritaires dans le cadre de la diversification de l'économie »,* MEDEF, *January 2012.*
- *« Environnement de l'investissement Privé »* AfDB, 2012.
- *"Republic of Congo Investment Climate Policy Note"* World Bank, 2009.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

47. The proposed institutional arrangements for this project drawing from the structure developed under PADE, under the supervision of the Ministry of Planning, Statistics and Regional Integration, includes the following oversight and implementing bodies: (i) a Steering Committee; (ii) a Project Management Unit; and (iii) Technical Working Groups for Component 1; and (iv) a Grant Selection Committee, and Service Providers for Component 2.

48. Steering Committee: A steering committee will be officially set up before project effectiveness. It will be chaired by the Minister of Planning, Statistics and Regional Integration and will also include representatives of the Prime Minister's Office and those of key ministries (Ministry of Economy and Finance, Ministry of Tourism, Ministry of Transport, Ministry of SMEs, Ministry of Commerce, Ministry of Grands Travaux, Ministry of SEZ,), public agencies (API, ADPME, PAPN), and civil society and private sector (Chamber of Commerce, UNICONGO, representatives from youth and women entrepreneurship associations). The Steering Committee will be responsible for the strategic direction, operational oversight, communication and overall governance of the project.

49. Project Management Unit (PMU): Project implementation will be led by a Project Management Unit (PMU) whose staff will be recruited on a competitive basis. The current PADE PMU has experience in project management acquired during the first phase of the Support Project for the Diversification of the Economy. The performance rating of the implementation of the project is considered satisfactory at the last supervision mission of October 2017. This justifies why the implementation of Phase 2 of the said project should be entrusted to the same PMU. The current implementation structure and core personnel will therefore be maintained for the most part, but will be strengthened considering the changes in scope and focused areas of interventions. The PMU will be strengthened to include adequate functional (Coordinator, Financial Management, Procurement, Accountant, MSME Specialist, Transport Specialist, Investment Climate and M&E specialist), and geographic coverage with offices in Brazzaville and antennas in Pointe-Noire and Ouesso as appropriate. Financial and accounting management and procurement will be provided by the PMU. They will be in accordance with the loan agreement, the project operations manual and the World Bank guidelines. Procurement will be in accordance with the World Bank's New Procurement Framework of July 2016. The project's fiduciary team will receive technical assistance from the World Bank for effective implementation of the framework. Dedicated environmental and social safeguards specialists will be hired to provide needful safeguards support during the project life cycle. Communication experts will implement the communication strategy validated by the steering committee and developed with all the stakeholders.

50. Technical Working Groups and service providers for Components 1 and 2: The implementation of Component 1 will be supported by Technical Working Groups (TWG) created for each DB indicator. TWGs will oversee identifying and formulating the reforms in the short, medium and long term. Reform proposals made by the TWG will be adopted by the Interministerial Committee for the investment climate improvement. The Interministerial Committee for the investment climate improvement was created by the decree No. 2017-42 of March 28th, 2017. It groups together the

Ministers involved in the IC reforms implementation and is chaired by the Prime Ministers. The Committee will be the highest structure for IC reforms validation and implementation monitoring.

51. With regard to Component 2, a Grant Selection committee will be set up and co-chaired by the head of the PMU and the private sector and will be composed of independent experts from the private sectors, including commercials banks, entrepreneurs, industry professionals, investors and chambers of commerce of Brazzaville and Pointe-Noire. Its main task will be to provide strategic oversight on the implementation of the component, review applications, pre- select firms and finalize selection processes of eligible firms. The PMU will recruit service providers (SP) to support the implementation of activities under component 2 (SD grant and BPC for beneficiary MSMEs). The SP will be a competitively selected private consultancy firm with experience in the provision of BDS for MSMEs, training, and sector specific experience in the targeted industries. One key objective of this institutional arrangement will be to reduce bureaucratic delays which have plagued the former fund (FACP) and leverage international experience in this area. Procedural, governance and internal controls procedures will be designed to reduce redundant steps associated with the selection of beneficiaires (by the Grant Selection Committee) and the delivery of support under Component 2. In the previous scheme, the process of reimbursing eligible firms took several months. These types of issues will be addressed early on to avoid unnecessary and detrimental delays and ensure smooth and efficient roll out of the service. Other types of activities under the responsibility of the private service provider (in coordination with the PMU) include promotion and marketing of the grant support itself and initiatives designed to leverage the direct assistance provided to beneficiary firms (described in more detail under component 2). The same principle will apply to the Business Plan Competition. The Service Provider will also be responsible for the monitoring and evaluation of the output and results of component 2 to track the following, but not limited to:

i. Sales of beneficiary firms
ii. Number of beneficiary firms
iii. Satisfaction survey of beneficiary firms
iv. Improvement/ introduction of new Product
v. Acquisition of new markets
vi. Partnership between beneficiary firms and larger strategic buyers / investors

B. Results Monitoring and Evaluation

52. The project will establish an M&E and impact evaluation system that will collect data in a timely manner to enable the adoption of corrective measures. The M&E framework of the project will be described in detail in the Project Implementation Manual and is based on the following: (i) the program result chain and underlying assumptions of theory of change; and (ii) compliance with the World Bank requirements including the selection of key core indicators as well as specific indicators for gender and civic engagement. The M&E arrangements are presented in Annex 2 (Implementation Arrangements).

53. The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators defined in the result framework (Section VII) during project preparation. A baseline survey will be carried out before the project is effective, using a Project Preparation Fund. The project

indicators are selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers.

54. The monitoring of program outputs will be conducted by the Project Management Unit (PMU) in partnership with the various entities that will be contracted to provide specific services. The PMU will be responsible for data consolidation, quality control, and analysis and reporting, which will be tracked through a Management and Information System (MIS). The sources of information for the M&E system will be: (i) reports from the participatory M&E workshops with the beneficiaries; (ii) the reports of service providers and executives of the PMU; (iii) specific impact and evaluation studies carried out by consulting firms, institutions or independent consultants; (iv) the financial monitoring and internal control management reports of the PMU; and (v) reports from World Bank support and oversight missions. A specialized training will be provided to the hired M&E Specialist to build the PMU capacity around M&E. The PMU will also oversee communications with the Project Steering Committee chaired by the Ministry of Planning, Statistics and Regional Integration to feed the national M&E system.

55. **Citizen Engagement in the Project Cycle.** The project will include a citizen engagement review mechanism, conducted by the Project Management Unit. This mechanism, already initiatiated during project preparation, will include consultations that measure: (i) the level of satisfaction of the population affected by the project, (ii) feedback from beneficiaries in the selection of specific interventions, and (iii) empowerment of citizens who report satisfaction with the project in the project area. The selected indicator is “Satisfaction rating from project beneficiary administered through a survey questionnaire”.

C. Sustainability

56. The Government aims to foster the diversification of the Congolese economy, as reflected under its own National Development Plan. At an institutional level, the long-term sustainability of PADEC is ensured by a broad involvement from the moment of its materialized conception, and by setting up a task force representing ministries and sectoral administrations. This involvement is also reflected in the support, since PADE, of the thematic groups, which progressively take ownership of the problem of improving the business climate. The project also plans to build the capacity of the investment promotion and the SME development agencies (API and ADPME), which would become central pillars to enable domestic and foreign investment.

57. With regard to Component 2 of the project, the consolidation of the support and funding ecosystem advocated to improve the competitiveness of MSMEs could ensure the sustainability of the actions initiated by PADEC. This sustainability is reinforced by considering the promotion of the entrepreneurial culture. The organization of the Business Plan Competition, the objective of which is to support technically and financially project leaders, will provide a network of SMEs that can contribute to inclusive growth at the national level.

D. Role of Partners

58. In addition to the PADE, other World Bank and donor-funded (European Union, African Development Bank, French Development Agency) projects address private sector (including SME/MSME/large firms) and economic diversification issues. These include, inter-alia:

- PDAC (Commercial Agriculture Support Project- WB);
- PRCCEII (Commercial and Entrepreneurial Capacity Building Program- EU);
- PACIGOF (Investment Climate Support and Forest / Wood Sector Governance Project- AFDB);
- PDCE (Project for Skills Development and Employability- WB);
- PDCRH (Skills and Human Resources Development Project - AFDB);
- PDFO (*Projet dorsale a fibre optique d'Afrique Centrale* – Central African Backbone).

59. The framework for coordinating synergies between different projects is relatively weak. This increases the risk of loss of resources from duplication of activities and therefore reduced efficiency. In the framework of PADEC, resources will be allocated to ensure this coordination to optimize the efficiency of the investments made and to reduce as much as possible the possible redundancies. This coordination would be under the authority of the government.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

The overall risk rating of the project is High.

Description of the risk	Criticality level	Mitigation measures
Political and Governance: The southern part of the Republic of Congo, particularly the Pool region, is gradually stabilizing. There is a high probability of socio-political tensions in the run-up to the 2021 presidential elections.	High	Project activities are not targeted directly to conflict-affected regions. The team will closely monitor the situation with the local Bank office and key partners (AfDB, EU AFD), as well as stakeholders and civil society.
Macroeconomic: Low macroeconomic projections linked to the fall in oil prices, which leads to the current difficulty of mobilizing state funds to make payments to suppliers and contractors.	High	The funds for this project will be fully funded by the World Bank and payments to suppliers and contractors will be provided by the PMU. Payment methods of suppliers and contractors such as direct payments can be envisaged at the request of the project.
Sector Strategy and Policy: RoC faces a challenge with regard to institutional coordination and consensus on reforms. The implementation of programs addressing	Substantial	Project preparation reflects significant cross-Ministerial coordination and ownership as shown by the efficient activity of the preparation Task Force. Project implementation will be supported by cross-

vested interests is subject to significant resistance.		sectoral Steering Committee, and dedicated stakeholder coordination mechanisms for Components 1 and 2.
Institutional Capacity for Implementation and Sustainability: RoC is an FCV country, with high rate of turn-over within project implementation agencies, line Ministries and public agencies. There is no functional system for handling complaints and resolving disputes related to contract award and execution. Despite the creation of the Center of Mediation and Arbitration of the Republic of Congo (CEMACO) which is theoretically in charge of this mission, this structure is still unknown to economic operators.	High	The project builds on an existing PMU (the PADE PMU), which is also in charge of the implementation of an AfDB project. The PMU will use the STEP system which is an electronic planning tool and a complete system for monitoring the procurement process to enhance the efficiency and transparency of the management of procurement. All markets will be required to indicate the complaint handling and dispute resolution process.
Fiduciary: Fraud and corruption practices have increased considerably. The public financial management system has serious weaknesses, particularly due to the weakness of the internal control system. There have been no tangible results despite the establishment of a code of ethics at the level of ministers and authorities, the establishment of a monitoring-evaluation unit within each ministry and the creation of the National Anti-Corruption Commission (CNLCCF).	Moderate	At the project level, the fiduciary risk will be mitigated by setting up the PMU with qualified and experienced staff dedicated to the procurement and financial management of the project. These staff will benefit from capacity building programs and will be closely supervised by World Bank experts. Each recruited agent will have to sign a code of ethics. Any person to sit on a bid evaluation committee as a member will be required to sign a document stating that he or she will not be in a conflict of interest with the relevant market and will undertake to guarantee the secrecy of deliberation during the process of bid evaluation.
Overall	High	

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

60. The project development objective is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo. This will be achieved through three components with multiple activities.

   a. The first component focuses on improving the business climate and investment promotion through technical assistance and studies to aid with the implementation of six Doing Business indicators, support to the Investment Promotion Agency, the Agency for the Planning and the Development of Special Economic Zones, the identification and implementation of appropriate measures in logistics, services and tourism to facilitate investment and create jobs, the preparation and organization of conferences to attract private investment and Public-Private Dialogue to identify reforms and monitor their implementation.

b. The second component focuses on strengthening of sectors and value chains (agribusiness, transport & ICT and tourism) and direct technical and financial support to MSMEs through the use of dedicated technical and financial support *windows* tailored to the specificity of selected sectors, training and technical assistance to young entrepreneurs, a Business Plan Competition (BPC) and a Matching Grant Program with *windows* linked to sectors, specific value chains (GIE) and MSMEs.
c. The third component covers the management and coordination of the project and so will not be included in the economic and financial analysis as a benefit, but as an indication of project implementation costs.

61. Economic analysis for the first component will be challenging as there is a widely acknowledged indirect relationship between the business environment interventions and the stream of benefits that they may bring. There is also a complexity around evaluating and quantifying direct benefits linked to investment climate and promotion. In general, methodologies for addressing these types of interventions rely on cost effectiveness and more general analytical work of a more qualitative nature on the potential positive benefits. All major quantifiable (in monetary terms) and non-quantifiable costs and benefits of the project and of the individual components will be identified in this analysis. However, studies indicate that for each business climate reform that is implemented or capacity building initiative undertaken can be estimated to lead to a 0.15 percent increase in the growth rate of GDP[23]. The benefits that cannot be easily evaluated in a monetary form due to no commonly accepted market-based value or those that fall under the definition of public goods or quasi-public goods and do not have market prices or are easily identifiable from the point of view of targeted sectors/beneficiaries will not show up in the financial analysis. Furthermore, second-round/indirect effects or the multiplier effects from these activities will be estimated for each component using a multiplier of 5, which is based on evidence that for each US$1 invested US$12 is generated[24].

62. The economic analysis of the project has been built on a financial analysis considering the estimated difference in cash flows to Republic of Congo (RoC) beneficiaries and supported businesses through the BPC and Matching Grant Program *windows* as well as new jobs created compared to the status quo or 'do nothing' situation. Included with the economic analysis of relevant sub-components that make up the second component (IBRD allocation US$12 million), quantification has been made of the costs and benefits expected to accrue from the investments/interventions and an estimated Economic Rate of Return (ERR) calculated. Sensitivity analysis was also applied to the estimated number of years that the project will lead to benefits and the estimated multiplier for the benefits linked to business climate reforms.

63. Project implementation cost is estimated to be US$3.0 million (PMU staff, PMU equipment and logistics, safeguards along with US$0.5 million for communication of results etc. across the entire

[23] JI Haider (2012), The impact of business regulatory reforms in economic growth, Journal of Japanese and International Economies, 26 (3), pp. 285-307
[24] SEAF (2007), From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises Data Survey.

project). This will be split by monetary value of each component plus an additional 5 percent for indirect expenditures to a total of US$3,675,000.

64. The cost-benefit analysis based on a series of assumptions, available statistical data, and relevant literature established an ERR of 55 percent for the entire project over 10 years. The ERR is higher than the 12 percent discount rate used by most World Bank analysis which indicates that there are benefits to using the money for these activities and compared to the estimated BEAC commercial bank prime lending rate of 14 percent in December 2017[25]. The main benefits come from sustainable development of the private sector in general and SMEs as outlined below:

- *Component 1* - Increased capacity of local institutions with a benefit to the wider economy from better-informed policies and PPD platform and indirect benefits of increased in improved transport and logistics infrastructure.

- *Component 2* – The direct benefits for the 100 SME receiving grants awarded through the BPC along with their direct discounted financial inflow from increased revenue (economic) growth generated by creation of new SMEs. Direct benefits for 200 MSMEs and up to 10 associations (GIEs) receiving BDS and TA grants along with direct discounted financial inflows from increased revenue (economic) growth generated by assisted MSMEs and GIEs, employment for households and VAT for the government, increased availability of goods and services, increased employment in private sector. There will also be increased employment for households and VAT for the government, improved access to finance and increased availability of goods and services, increased employment in private sector. Indirect economic impact from the training of 1,000 individuals along with services procurement opportunities for capacity building institutions and business trainers. Spillover effects in terms of technology transfers and multiplier (benefits not considered in the analysis) will also be observed.

65. Further details on the economic and financial analysis for the project including project beneficiaries, analysis of monetary and non-monetary benefits, assumptions used in calculation of the ERR, sensitivity analysis based on changes to the number of years that project benefits will accrue and projected multiplier effects and alternatives to project approach can be found in Annex 6.

B. Technical

66. **A renewed framework emphasizing a greater role for the private sector will be needed to help the RoC diversify its economy and meet its development ambitions.** In a context underlined by significant fiscal constraints, developing the private sector appears to be the main alternative to sustain and promote diversified and inclusive growth, provide job opportunities and reduce poverty. To this end, the RoC will require specific interventions to help implement an adequate set of policies and support instruments necessary to deepen the diversification drive. A renewed incentive framework should therefore rely on improving non-oil growth and productivity, and addressing both cross-cutting and sector specific issues, which will call for, among other things, a set of well-coordinated measures to strengthen and support institutions in charge of public investment, improve

[25] Central Intelligence Agency World Factbook, *https://www.cia.gov/library/publications/the-world-factbook/rankorder/2208rank.html*.

the business environment, connect efficient infrastructure to markets, and support the development of the MSME ecosystem.

67. **Project design is structured in line with the programmatic approach initiated under PADE, but will go beyond cross-cutting interventions to tackle specific bottlenecks related to the competitiveness of RoC's transit economy and high potential sectors and value-chains.** On the one hand the proposed operation will continue to focus its efforts on improving competitiveness by strengthening the investment climate and by providing direct support to firms in non-oil value chains (leveraging strategic partnerships between large associations and firms with MSMEs.). On the other hand, PADEC will support sector-specific reforms to foster SME growth and crowd in investment. Specifically, PADEC will focus on fostering private sector initiative and growth in priority sectors (agriculture and agribusiness, transport and ICT, tourism) and strengthening the competitiveness of the transit economy. PADEC will act as a catalyst for existing and future potential heavy investments to be made by the public and private sector in RoC to strengthen the infrastructure platform commensurate with the country's ambition of being a natural gateway to the Central Africa Region. In addition, PADEC would strengthen the investment climate and crowd in investment in synergy with ongoing operations (Commercial Agriculture Project -- ICT in conjunction with the Central Africa Backbone Project, Tourism, etc.) – fostering much needed skills and technology transfer in fledgling value chains and facilitating access to markets for emerging SMEs.

68. **The project reflects significant Government and stakeholder buy-in.** The project was prepared in coordination with a multi-Ministerial Task Force (under the leadership of the Ministry of Planning) and with extensive public and private stakeholder consultations.

C. Financial Management

69. This project will be implemented by the Project Management Unit (PMU) of the Support to Economic Diversification Project (PADE) which is also managing the Investment Climate and Diversification Support Project (Projet d'Appui Institutionnel pour l'Amélioration du Climat des Affaires et la Diversification de l'Economie Congolaise, PACADEC), a project financed by the African Development Bank. The PMU will be responsible for the management of fiduciary aspects (including financial and accounting management) of the project. It will be staffed with qualified and experienced staff to manage the project and will draw on the experience and expertise developed by the PADE Coordination Unit. These functions will be carried out in accordance with the loan agreement, the project operations manual and the World Bank guidelines. The project's fiduciary team will receive technical assistance from the World Bank for effective ownership of the framework.

70. The PADE PMU will act as fiduciary agency given its experience in World Bank financed projects. PMU staffing is adequate with a Financial Management specialist and an Accountant familiar with World bank procedures. The PADE Unit is endowed with an appropriate fiduciary platform (staff, accounting system, manual of procedures, external audit arrangements). There were no overdue audits nor unresolved issues under the current project. The PMU will: (i) open a designated account for the project, and (ii) upgrade the existing accounting system to accommodate the project in line with the minimum disclosure requirements necessary to accompany satisfactory manual book keeping. Further, this objective will be sustained by ensuring that the existing financial management system is maintained for the project throughout its duration. Detailed Financial Management reviews and

support to the PMU financial and accounting team will also be carried out on a risk basis, either within the regular proposed supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred under the project remain eligible. A financial management assessment of the implementing unit of the PADE fiduciary unit has been carried out as part of project preparation, assessing residual financial management risk as being moderate (see Annex 2).

D. Procurement

71. The objective of the procurement is to ensure a rapid and efficient availability of equipment, consultants, in accordance with the procurement plan and its updates in accordance with the Procurement Regulations for Borrowers applying for the Financing of Investment Projects of the World Bank. It will be necessary to ensure, as far as possible, the purchase of equipment and supplies that would be compatible with available / existing equipment.

72. A Project Procurement Strategy for Development (PPSD) was prepared by the borrower, aiming to ensure that procurement activities are packaged and prepared in such a way that they expedite implementation, considering the market analysis and related procurement trends and the procurement risk analysis. The PPSD includes recommended procurement approaches for the project that will be reflected in the approved procurement plan covering the first 18 months of project implementation (see Annex 2 for more details on procurement).

73. Recommended procurement arrangements for the project:

   - Supply contracts: supply contracts include the acquisition of rolling stock, the supply and installation of IT and office equipment, office furniture, the setting up of computerized management systems. The following selection methods will be used to ensure the acquisition of these different markets: (i) Calls for Proposals (APs); (ii) Calls for Tenders (AOs); (iii) Quotation Applications (DC); and (iv) Direct selections.

   - Non-consulting services contracts: This category mainly includes training and capacity building activities, caretaking services, maintenance and maintenance services, support for private sector activities, etc. The following selection methods will be used to ensure the achievement of these different markets: (i) Calls for Proposals (AP); (ii) Calls for Tenders (AO); (iii) Requests for quotations (RFQ); and (iv) Direct Selections.

   - Consultancy services (firms and individuals): this category includes the possible recruitment of additional individual consultants for the PMU, the recruitment of technical assistants for the beneficiary structures and institutions of the project, the selection of consulting firms for driving audits, design and implementation of programs and studies to promote the RoC economy, etc. The selection methods to be used for the selection of consultants are: (i) Quality and Cost Based Selection (QCBS); (ii) Fixed Budget Based Selection (FBS); Least Cost Based Selection (LCS); Quality Based Selection (QBS); Consultant's Qualification Based Selection (CQS); Direct Selection; and Selection of Individual Consultants.

74. The table below provides an overview of the different procurement methods that will be used.

Type of contract	Selection methods
1. **Goods**	(i) Calls for Proposals (AP); (ii) Call for Tenders (AO); (iii) Request for Quotation (RFQ); and (iv) Direct Selections.
2. **Non-consulting services**	(i) Calls for Proposals (AP); (ii) Call for Tenders (AO); (iii) Request for Quotation (RFQ); and (iv) Direct Selections.
3. **Consulting services**	Quality Cost Based Selection (QCBS); Fixed Budget Based Selection (FBS); Least Cost Based Selection(LCS); Quality Based Selection (QBS); Consultant's Qualification Based Selection (CQS); Direct Selection; and Selection of Individual Consultants.

E. Social (including Safeguards)

75. The project is classified as a Category B due to the moderate level of social risks and impacts of its foreseen activities, whose scope will be rather site specific, and thus easily manageable. The project is expected to bring positive social impacts to its beneficiary populations but may have some negative impacts for which specific mitigation measures are proposed in the safeguards instruments. The expected project activities trigger one social safeguard policy: OP/BP 4.12 (Involuntary Resettlement).

76. OP/BP 4.12-Involuntary Resettlement. This policy is triggered as activities planned under Component II, Enterprise Development, may indirectly induce land acquisition. Due to low population density in rural areas of the Republic of Congo however, the risk of physical resettlement is minimal, although there may be potential economic displacement or loss of assets. The project prepared a Resettlement Policy Framework (RPF) and will later prepare a Resettlement Action Plan(s) (RAP) to mitigate potential negative impacts once specific sites for activities are identified. The instrument prepared has been consulted upon and disclosed in country prior to appraisal, as well as on the World Bank external website on April 10, 2018.

77. Institutional Arrangements for Safeguards Processing: The implementation of this project will be under the Ministry of Planning, Statistics and Regional Integration with the support of a dedicated project implementation unit (PMU). The Environmental and Social Management Framework (ESMF) provides an assessment of the existing institutional capacity and identifies required capacity building measures that will be supported by the project. One Environmental Specialist, and one Social Safeguard specialist will be recruited by the PMU to help oversee and ensure that the environmental and social safeguards mitigation measures are implemented and due diligence are conducted. The Environmental and Social Safeguards Specialists will be hired prior to the project effectiveness to facilitate their understanding of relevant project activities and procedures, and ensure that required environmental and social safeguards are applied as of project mobilization. The Bank's Social and Environmental Safeguards Team will facilitate this process by providing guidance to the PMU with regards the recruitment of qualified Social and Environmental Specialists as well as to provide training

to the PMU and the recruited Environmental and Social Specialists as needed. Safeguards measures proposed in the ESMF, RPF and IPMP frameworks will be adequately reflected in the project implementation manual. The overall responsibility of safeguards processing relies on the PADE PMU, working closely with the Ministry of Environmental Affairs. The PMU Safeguard Specialists will lead the systematic screening of all subprojects as well as oversee the preparation of any additional safeguards instruments. Each activity requiring a safeguards instrument shall be subject to the Bank's prior written non-objection and shall only be made eligible for Financing if and to the extent the safeguard instrument has been approved by the Bank and publicly disclosed.

78. Public Consultation and Disclosure of Safeguards Instruments: To facilitate safeguards understanding and implementation, safeguards documents have been consulted upon with government and project stakeholders in project areas, disclosed in the country, as well as at the Bank external website. Each of these instruments, requires a participatory Grievance Redress Mechanism, well-grounded in local practices, that PAPs and stakeholders could use to seek redress.

79. Social inclusion, Gender equality and Citizen Engagement: During implementation, the project will use a participatory approach, involving stakeholders in design and planning for implementation. Gender and vulnerability issues have been factored into design (particularly regarding proactive targeting of female beneficiaries in Component 2), and the project is meant to bring more value to women, youth and elderly people, both with regards to IDPs, as well as their local hosts.

F. Environment (including Safeguards)

80. The project is classified as a Category B operation due to the moderate level of environmental risks and impacts of its foreseen activities, which scope will be rather site specific, and thus easily manageable. Three environmental safeguards policies are triggered: OP 4.01 (Environmental Assessment); OP 4.09 (Pest Management), and OP 4.11 (Physical Cultural Resources).

81. **OP 4.01 Environmental Assessment**. This policy is triggered as the project activities (mostly under component 2) are likely to have an environmental impact. An Environmental and Social Management Framework (ESMF) was prepared, consulted upon, and disclosed in the country and in the Bank external web site on April 10, 2018. The ESMF pays particular attention to potential risks related to gender based violence, children work, labor influx and occupational health and safety in order to provide adequate mitigation measures.

82. **OP 4.11 Physical Cultural Resources**. This policy is triggered as activities under component 2 may involve excavation. The ESMF includes clear procedures required for identification, protection of cultural property from theft, and treatment of discovered artifacts that may be identified during implementation.

83. **OP 4.09 Pest Management.** This policy is triggered as among sectors with growth potential that are going to be promoted in entrepreneurship and competitiveness, there is agri-business and agro-forestry. In anticipation of the use of pesticides and other agro-chemical products by SMEs, an Integrated Pest Management Plan (IPMP) was prepared to ensure that environmentally friendly methods for pest control are applied, such as biological control, cultural practices, and the

development and use of varieties that are pest and disease resistant or tolerant. The IPMP was disclosed on the Bank's external website on April 10, 2018.

84. **Preparation time for safeguards instruments, including Bank review, revisions, clearance, and approval steps**: The ESMF, IPMP and RPF, including the negative list and the training modules were prepared and disclosed on April 10, 2018.

85. **Implementation of safeguards instruments:** identification of required specific instruments (e.g., subproject ESIA/ESMPs, Site ESMPs, and RAPs), specifying by whom (e.g. the implementing agency or contractors)—and by when, will be defined after a thorough screening process of the sub-projects). The implementing agency will be responsible for screening and development of subproject ESIA/ESMP where applicable, and ensuring that mitigation measures proposed in the ESMF, PMP, and RPF, as well as the negative list, including the capacity building program are implemented by contractors.

86. **Responsibilities for Safeguard Screening and Mitigation:** The project coordination unit, in close collaboration with the Ministry in charge of Environment, will be responsible for following up on all safeguards concerns and would also ensure that all safeguard screening and mitigation requirements to each subproject will be applied. Each activity requiring a safeguards instrument shall be subject to the Bank prior written approval and shall only be made eligible for Financing if and to the extent approved by the Bank.

G. Other Safeguard Policies (if applicable)

87. No other safeguards policies are triggered.

H. World Bank Grievance Redress

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

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

Project Development Objective(s)

The objective of the Project is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo's territory.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
To foster MSME competitiveness in targeted sectors and geographic areas of the Republic of Congo					
Number of Investment Climate reforms implemented (cumulative)			Number	0.00	12.00
Share of beneficiary firms under the Support to Enterprise Development grants demonstrating a sustained increase in annual turnover.			Percentage	0.00	20.00
Share of new firms supported under the Business Plan Competition (BPC) that are still operating 24 months after receiving assistance (financial and non-financial)			Percentage	0.00	50.00

Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	End Target
Regulatory and institutional support to strengthen the enabling environment for PSD					
Number of procedures under 6 Doing Business indicators			Number	0.00	30.00

streamlined					
Number of measures/recommendations proposed by PPD process endorsed for implementation			Number	0.00	18.00
Out of which number of measures/recommendations that led to reforms			Number	0.00	12.00
API Investment Promotion Strategy and Business Plan development			Text	Not Approved by API Board	Approved by the API Board
Including promotion, facilitation and aftercare activities			Text	No	Yes
GUOT (The One Stop Shop for trans-border trade) strengthened operationally			Yes/No	N	Y
Institutional quality of the GUOT (index)			Number	0.00	12.00
Direct Compliance Cost Savings			Amount(USD)	0.00	1,169,974.00
Starting a Business - Procedures			Number	10.00	7.00
Starting business - Time			Days	49.00	17.00
Starting a Business - Cost (% of income per capita)			Percentage	77.70	57.00
Direct support to MSMEs to enhance the development and competitiveness of selected value chains					
Business plans successfully launched			Number	0.00	100.00
% of Business plans with actual funding			Percentage	0.00	20.00
Number of MSME receiving technical support			Number	0.00	200.00
of which female owned			Number	0.00	80.00
Firms benefiting from private sector initiatives		Yes	Number	0.00	500.00
of which female owned			Number	0.00	200.00
Number of private sector cooperative (GIE) established			Number	0.00	10.00

(cumulative)					
of which secured a market access with a buyer			Number	0.00	5.00
Satisfaction rating by project beneficiaries administered through a survey questionnaire (%) (Citizen Engagement)			Percentage	0.00	75.00
Out of which female beneficiaries			Percentage	0.00	75.00
Out of which youth beneficiaries			Percentage	0.00	75.00
Out of which MSMEs beneficiaries			Percentage	0.00	75.00
Out of which Investment Climate activities			Percentage	0.00	75.00

Monitoring & Evaluation Plan: PDO Indicators	
Indicator Name	Number of Investment Climate reforms implemented (cumulative)
Definition/Description	This indicator intends to count the total number of policy, institutional and regulatory recommended changes that were approved/enacted, resulting from the project's component on business climate reforms.
Frequency	Annually
Data Source	PMU M&E Specialist
Methodology for Data Collection	The PMU M&E Specialist will monitor this indicator, through reports by the Technical Working Groups on Doing Business Reforms, as well as the Doing Business report.
Responsibility for Data Collection	PMU M&E Specialist

Indicator Name	Share of beneficiary firms under the Support to Enterprise Development grants demonstrating a sustained increase in annual turnover.
Definition/Description	This indicator intends to measure the change in revenue earnings of beneficiary firms under the Support to Enterprise Development grants, and quantify the share of MSMEs demonstrating at least a 5% increase in annual turn-over on a 24-months period.
Frequency	Annually
Data Source	Firm-level reporting collected by the PMU M&E Specialist.
Methodology for Data Collection	PMU M&E Specialist will monitor this indicator through reports prepared by the Component 2 Service Provider.
Responsibility for Data Collection	PMU M&E Specialist.

Indicator Name	Share of new firms supported under the Business Plan Competition (BPC) that are still operating 24 months after receiving assistance (financial and non-financial)
Definition/Description	This indicator intends to count the share of the firms created through BPC that continue their business after 2 years since getting the project assistance.
Frequency	Annually
Data Source	Firm-level reports collected by the PMU M&E Specialist
Methodology for Data Collection	PMU M&E Specialist will monitor this indicator through reports provided by the Component 2 Service Provider.
Responsibility for Data Collection	PMU M&E Specialist

Monitoring & Evaluation Plan: Intermediate Results Indicators	
Indicator Name	Number of procedures under 6 Doing Business indicators streamlined
Definition/Description	This indicator intends to count the number of procedures supporting reforms on (6) key Doing Business (DB) indicators, including: i) business start up, ii) dealing with construction permit, iii) getting electricity, iv) property transfer, v) paying taxes, vi) trading across-border.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	Monitoring by the PMU M&E Specialist and Doing Business report.
Responsibility for Data Collection	PMU M&E Specialist

Indicator Name	Number of measures/recommendations proposed by PPD process endorsed for implementation
Definition/Description	This indicator will count the number of reforms proposals to strengthen the private sector enabling environment, formulated by representatives of the public-private dialogue platform supported by the project.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	The PMU M&E specialist will monitor progress in this area through consultations with the PPD platform and the Doing Business Technical Working Groups.
Responsibility for Data Collection	M&E PMU Specialist

Indicator Name	Out of which number of measures/recommendations that led to reforms
Definition/Description	This indicator intends to count the number of measures/recommendations supporting the improvement of the Public Private Dialogue that are actually adopted and implemented.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E Specialist will monitor this based on reports from the Doing Business Technical Working Groups.
Responsibility for Data Collection	M&E PMU Specialist

Indicator Name	API Investment Promotion Strategy and Business Plan development
Definition/Description	This indicator refers to the adoption by the Investment Promotion Agency (API) of a strategy and business development plan, formulated with support of the project.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	The PMU M&E specialist will monitor the achievement of this indicator through consultations with the API.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Including promotion, facilitation and aftercare activities
Definition/Description	This indicator aims to measure the building of institutional capacity for institutions through development and adoption of the API Investment Promotion Facilitation and Aftercare instruments.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E Specialist will monitor this indicator through reports provided by the API
Responsibility for Data Collection	M&E PMU Specialist

Indicator Name	GUOT (The One Stop Shop for trans-border trade) strengthened operationally
Definition/Description	This indicator aims to measure implementation of the regulatory and institutional reforms, including creating a more efficient customs environment, improving coordination and cooperation between Government agencies, adopting more effective management of borders and checkpoints by establishing and operationalization of GUOT.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E specialist through reporting provided by the Technical Working Group on Cross-Border Trade.
Responsibility for Data Collection	M&E PMU Specialist

Indicator Name	Institutional quality of the GUOT (index)
Definition/Description	This indicator reflects the institutional quality of the one-stop shop for cross-border trade, through a composite index based on the following criteria: (i) oversight of the agency; (ii) inter-agency coordination and collaboration; and (iii) systematic application of ICT solutions in IC reforms.
Frequency	Annually
Data Source	M&E, PMU reports
Methodology for Data Collection	The PMU M&E specialist will calculate the institutional quality index based on average scoring of three criteria, targeting to 75% of positive results (4=the statement is true; 3=the statement is mostly true; 2= the statement is mostly untrue; 1=the statement is untrue). See Annex 2, Monitoring and Evaluation section.
Responsibility for Data Collection	M&E, PMU

Indicator Name	Direct Compliance Cost Savings
Definition/Description	Direct Compliance Cost Savings (CCS) resulted from the difference in the pre- and post-reform annual costs (adjusted for taxes and discounted to the baseline year). The CCS was based on the progress made with regard to Business Startup and Construction permit indicators.
Frequency	Annually
Data Source	World Bank, Doing Business, MSMEs Survey
Methodology for Data Collection	The PMU M&E Specialist will regularly monitor compliance cost savings through consultations with the Doing Business Technical Working Groups and through the annual Doing Business reports.
Responsibility for Data Collection	M&E, PMU

Indicator Name	Starting a Business - Procedures
Definition/Description	This indicator provides an indication of the resulting extra resources that private businesses may use, at least in part, to expand their businesses or make new investments. Direct Compliance Cost Savings (CCS) resulted from the difference in the pre- and post-reform annual costs (adjusted for taxes and discounted to the baseline year). The CCS was based on the progress made with regard to Business Startup and Construction permit indicators.
Frequency	Annually
Data Source	World Bank, M&E, Doing Business Reports
Methodology for Data Collection	M&E PMU Specialist, based on reports from the Doing Business Technical Working Groups, and the Doing Business report.
Responsibility for Data Collection	M&E, PMU

Indicator Name	Starting business - Time
Definition/Description	This indicator provides an indication of the resulting extra resources that private businesses may use, at least in part, to expand their businesses or make new investments. Direct Compliance Cost Savings (CCS) resulted from the difference in the pre- and post-reform annual costs (adjusted for taxes and discounted to the baseline year). The CCS was based on the progress made with regard to Business Startup and Construction permit indicators.
Frequency	Annually
Data Source	M&E, World Bank, Doing Business Reports
Methodology for Data Collection	PMU M&E based on reports from the Doing Business Technical Working Groups and the Doing Business report.
Responsibility for Data Collection	M&E, PMU

Indicator Name	Starting a Business - Cost (% of income per capita)
Definition/Description	This indicator provides an indication of the resulting extra resources that private businesses may use, at least in part, to expand their businesses or make new investments. Direct Compliance Cost Savings (CCS) resulted from the difference in the pre- and post-reform annual costs (adjusted for taxes and discounted to the baseline year). The CCS was based on the progress made with regard to Business Startup and Construction permit indicators.
Frequency	Annually
Data Source	World Bank, M&E, Doing Business Reports
Methodology for Data Collection	PMU M&E based on reports from the Doing Business Technical Working Groups and the Doing Business report.
Responsibility for Data Collection	PMU M&E Specialist

Indicator Name	Business plans successfully launched
Definition/Description	This indicator intends to count the cumulative number of business plans successfully launched by newly created firms selected for seed money/TA through the BPC facility, which translates in operations or investments.
Frequency	Annually
Data Source	BPC M&E reporting
Methodology for Data Collection	PMU M&E specialist will regularly monitor this indicator through reports provided by the Component 2 Service Provider.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	% of Business plans with actual funding
Definition/Description	This indicator intends to count the cumulative number of business plans successfully launched by newly created firms selected for seed money/TA through the BPC facility, which translates in operations or investments.
Frequency	Annually
Data Source	BPC M&E reporting
Methodology for Data Collection	PMU M&E Specialist will monitor this component through reports provided by the Component 2 Service Provider.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Number of MSME receiving technical support
Definition/Description	This indicator intends to count the total number of micro-entrepreneurs, including female-owned (self-employed, home-based businesses, family-owned businesses, subsistence entrepreneurs, etc.) who received technical support by the project.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E specialist will monitor this indicator through reports and surveys provided by the Component 2 Service Provider.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	of which female owned
Definition/Description	This indicator intends to count the total number of micro-entrepreneurs, including female-owned (self-employed, home-based businesses, family-owned businesses, subsistence entrepreneurs, etc.) who received technical support by the project.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E specialist will monitor this component through reports provided by the Component 2 service provider.
Responsibility for Data Collection	M&E PMU Specialist

Indicator Name	Firms benefiting from private sector initiatives
Definition/Description	
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	The PMU M&E specialist will monitor the total number of MSMEs (including female-owned) who benefited from private sector initiatives under the Component 2, through reports provided by the Component 2 Service Provider.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	of which female owned
Definition/Description	This indicator reflects the number of female owned MSMEs benefitting from the project's activities in support of private sector development.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E specialist will monitor this indicator with input from the Service Provider of Component 2
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Number of private sector cooperative (GIE) established (cumulative)
Definition/Description	This component counts the number of business ventures supported under the project, comprising a group of MSMEs in a targeted value chain.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	The PMU M&E Specialist will monitor this indicator based on reports of the Component 2 Service Provider.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	of which secured a market access with a buyer
Definition/Description	This indicator intends to count the cumulative number of value-chains and associations established because of non-financial technical assistance, which obtain access to a market by securing a contract with a buyer
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	PMU M&E monitoring with Service Provider of Component 2
Responsibility for Data Collection	M&E Specialist

Indicator Name	Satisfaction rating by project beneficiaries administered through a survey questionnaire (%) (Citizen Engagement)
Definition/Description	This indicator entails a direct survey of beneficiaries to collect information on the satisfactory ratings on the project activities.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	The data collection will be undertaken through a survey questionnaire administered by the PMU.
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Out of which female beneficiaries
Definition/Description	This indicator intends to measure the satisfaction rate of project beneficiaries.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	Survey
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Out of which youth beneficiaries
Definition/Description	This indicator intends to measure the satisfaction rate of project beneficiaries.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	Survey
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Out of which MSMEs beneficiaries
Definition/Description	This indicator intends to measure the satisfaction rate of project beneficiaries.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	Survey
Responsibility for Data Collection	M&E Specialist PMU

Indicator Name	Out of which Investment Climate activities
Definition/Description	This indicator intends to measure the satisfaction rate of project beneficiaries.
Frequency	Annually
Data Source	M&E
Methodology for Data Collection	Survey
Responsibility for Data Collection	M&E Specialist PMU

ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY : Congo, Republic of
CG-Support to Enterprise Development and Competitiveness Project

1. The objective of the project is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo's territory. The project will aim to improve the contribution of the non-oil private sector to GDP focusing on MSME development in the agriculture, agribusiness, tourism, and ICT/transport sectors in the key urban and peri urban agglomerations of Brazzaville and Pointe Noire and along the Pointe Noire-Brazzaville-Ouesso corridor.

2. The proposed key result indicators that will be used to measure the achievement of the PDO are:

   - Number of Investment Climate reforms approved and implemented.
   - Share of beneficiary firms under the Support to Enterprise Development grants demonstrating a sustained increase in annual turnover.
   - Share of new firms supported under the BPC that are still operating 24 months after receiving assistance (financial and non-financial).
   - The project will also include a citizen engagement review mechanism.

3. The project will be deployed along the Pointe-Noire-Brazzaville-Ouesso growth corridor, areas that are home to the country's largest agglomerations and comprise more than half of the population. This zone concentrates spaces with high agricultural potential, road and port infrastructures and also the three tourist zones of the country. Similarly, the project area has also seen the development of new industries mainly in cement production, and in agro-business.

4. The direct beneficiaries of the project are: (i) the private sector, in particular MSMEs (including women entrepreneurs); (ii) the administrative structures, including the Ministry of Plan, the Ministry of Economy, the Ministry of SMEs, the Ministry of Economy and Industry, the Ministry of Tourism and the Environment, the Ministry Transport, the Ministry of Grands Travaux, the Ministry of Special Economic Zones; (iii) public and private support structures such as the ADPME, the API, the GUOT, the consular chambers, the APNI, the CGAs; (iv) training organizations; (v) the RoC's population spread over the project area.

5. **Theory of Change.** The project aims to (i) provide policy, regulatory and institutional support to strengthen the enabling environment for private sector development and (ii) to provide direct support to MSMEs to enhance their competitiveness in selected sectors (identified under the National Development Plan, including agriculture and agribusiness, tourism, transport/ICT.) The achievement of the expected outputs from this project will contribute to the intermediate and long-term outcomes of the project including promotion of the competitiveness of MSMEs and improvement of the business climate to increase investments in the targeted sectors. Improved competitiveness and business climate will ultimately play an important, foundation role in the longer-term objectives that will be achieved through the project of improving the contribution, to the economy, of the non-oil

private sector/ private sector in targeted sectors, create jobs and move towards overall reduction of poverty and inclusive growth in RoC. A theory of change diagram can be found in the main body of this document and provides a representation of the results chains from the components and activities to the intermediate results to be achieved, how the link to the PDO/pathways laid out and ultimately the longer-term outcomes expected.

6. To ensure the achievement of objective outputs of 12 investment climate reforms implemented, 20 percent of beneficiary firms with increased annual turnover and 50 percent of new firms still operational after two years from project assistance, activities are split across two components and 5 sub-components. Under the first component policy, regulatory and institutional support to strengthen the enabling environment will come about and impact felt through streamlining of 30 procedures linked to six Doing Business Indicators, 18 measures/recommendations proposed through PPD for implementation, the API Investment Promotion strategy and Business Plan developed and approved by the API Board and operational strengthening of the GUOT. Achievement of these objectives will aid in overcoming of identified constraints to competitiveness and growth in a difficult business environment as well the acknowledged inadequate infrastructure, logistics, institutional capacity and coordination necessary to support investment.

7. The second component's focus on direct support to MSMEs to enhance competitiveness of selected value chains and promote entrepreneurship will take place through development of a two-tier program. The Component will create the conditions for firms and entrepreneurs to improve their product services and access national and regional markets. The first sub-Component will be focused on entrepreneurship and development with the launch of a Business Plan Competition (BPC) and financial and non-financial support services and local capacity building for provision BDS. The second sub-Component will focus on support and development to MSMEs through matching grants to obtain BDS, acquire tangible assets e.g. equipment and provision of non-financial TA to identified VCs and associations/GIE. The grants will contribute through the outputs of the activities to promote entrepreneurship and thus promote competitiveness of MSMEs. It is anticipated that change will take place through 100 business plans launched successfully, 200 MSMEs receiving technical support (of which 40 percent will be female owned) with 500 MSMEs benefiting from private sector initiatives (of which 40 percent will be female owned), 10 private sector cooperatives (GIEs) will be established and a 75 percent satisfaction rating gained from beneficiaries.

8. **Project structure.** The project is structured around three components: (i) Regulatory and institutional support to strengthen the enabling environment for Private Sector Development (US$10 million); (ii) Direct support to MSMEs to enhance the competitiveness of selected value chains (US$12 million); (iii) Project implementation and coordination (US$3 million).

Component 1: Regulatory and institutional support to strengthen the enabling environment for Private Sector Development (US$10 million)

9. The objective of this component is to promote investments particularly in the priority sectors (agriculture and agribusiness, transport and ICT, tourism) targeted by the project and to strengthen the enabling environment for Private Sector Development - accelerating the adoption of reforms launched under the PADE project (through stronger stakeholder coordination and high-level

engagement. Focusing on the identified constraints to competitiveness and growth in a difficult business environment, inadequate infrastructure and logistics and inadequate institutional capacity and coordination to support investment in regional and global value chains, the component is divided into three sub-components, as follows:

10. ***Sub-component 1.1: Investment climate reform and public private dialogue (US$3 million).*** This sub-component aims to bring about new momentum to accelerate the process of implementing business climate reforms. Based on the lessons learned from the PADE, and to make sure that the reforms to be initiated will directly impact the specific sectors identified by the Government to make the economic diversification happen, the project will focus in parallel on both the sector specific and cross-sectoral reforms.

11. The sub-component will support the identification of critical policy, institutional or other constraints and a timebound reform action plan; and (ii) the definition and implementation of facilitation or corrective measures such as adoption of sectoral laws or policies to streamline and simplify procedures based on four sectoral studies to stimulate investments in sectors such as tourism, transport & ICT, agriculture and agribusiness. The expected outcomes for those activities include an incentive-based legal framework in sectors showing a good prospect for growth. As such, the following activities are envisaged:

    - The inclusion of specific measures for tourism in the General Investment Code;
    - Study of opportunities to streamline certain taxes and fees to make the cost of the RoC destination competitive;
    - Restructuring and reviving the national commission of classification of tourist establishments;
    - Elaboration of an appropriate tax regime and legal measures that could support MSMEs growth;
    - Development of the legal and regulatory framework for the exercise of transport activities by the private sector operating in the transport sector;
    - The updating of the Public Procurement Code by introducing the provisions on public-private partnerships.

12. Some of the investment climate issues faced by MSMEs are cross-sectorial. The project will support reforms related to legal and regulatory framework as well as institutional aspects for SMEs operations, from their creation to their day-to-day operations. As such, the project will support reforms in selected Doing Business (DB) indicators, including: (i) business startup; (ii) dealing with construction permits; (iii) access to electricity: (iv) property transfer; (v) paying taxes; and (vi) trading across borders. An analysis of the RoC performance in the DB report shows that five out of these six (6) areas are those where the country is currently recording its worst results. To this end, the project will support the government and the thematic groups responsible for proposing, drafting or improving reform texts. The cross-sectorial approach will enable to reach other MSMEs operating out of the priority sectors.

Activities under the planned support in this area would include the following:

- the organization of workshops/meetings aimed at identifying and ensuring the implementation of reforms in the short, medium and long term;
- the organization of interministerial reform validation and monitoring meetings;
- the publication and implementation of public awareness activities around reform texts, including finance laws and the design of websites where information related to various business operations will be made available to increase transparency (regulations, procedures, costs and fees);
- the organization of training for public actors to strengthen their capacity to implement the reforms adopted, the sensitization of the actors involved in the implementation of new procedures necessary and the monitoring and evaluation of validated reforms;
- the update of the general tax code with support from the Global tax team and the IMF;
- the completion of a feasibility study on the establishment of a single point for payment of taxes. This support is envisaged to improve the country paying taxes indicator. The aim is a substantial reduction in the number of hours devoted to the payment of taxes (the current number of hours is 604 hours despite the reforms adopted).

13. Review, implementation and operationalization of the OHADA legal framework. Indeed, RoC is an OHADA Member State and a significant part of its business climate regulations come from the OHADA legal framework, one of the primary objectives of which is to ease doing business for MSMEs, including the informal sector. Therefore, the project will assist the country with the implementation of necessary reforms so that it could benefit for a more conducive for business growth. The activities to be carried out may include the following:

- Assistance for dissemination of information and for mastering the main changes included in the existing revised laws (trainings, communication sessions);
- Support to effectively modernize the commercial and collateral registry (RCCM) to record and facilitate the exchanges of information on firms and collateral (ongoing but much remains to be done);
- Solve issues to enable the revised secured transaction law to reach its target by spreading the lending practice against movable assets (easing access to credit for MSMEs);
- Develop a special program to enable RoC to benefit from the changes introduced by the revised company law (Simplified business entry procedures, Improved protection of investors, Introduction of corporate governance best practices, Improved access to finance by the introduction of new types of securities, new regime of IPOs and development of financial markets and private equity).

14. A key objective of this sub-component is also to support the improvement of the Public Private Dialogue as an indispensable participatory tool for accelerating the identification and implementation of reforms envisaged in sub-component 1. To date, the HCDPP has not produced the expected results due to lack of commitment and weak operationalization. A restructuring of the HCDPP is underway and will require technical assistance to integrate best practices and avoid common pitfalls associated with high-level PPD structures. The restructuring involves the establishment of an interdepartmental

committee headed at the highest level by the Prime Minister with a permanent secretariat based on thematic groups and departmental committees. The HCDPP will be responsible for organizing the dialogue between the public and private sector by adopting a strategy of consultation at the level of sectors and territories. The anchoring of the PPD process at the highest level of government is important to gain the trust from the private sector in a country with weak capacity institutions. However, it is within territories and sectors that the problems will be identified as well as the sketches of solutions. These will be submitted by the Permanent Secretariat to the Monitoring Country for formalization by thematic groups. This hybrid approach will allow, on the one hand, for work on the more complex and time-consuming process of developing the national PPD structure, while, on the other hand, starting to operationalize more easily the PPD through specific working groups by sectors and regions. This should be an incremental process whereby one identifies the pockets of excellence and the champions within the government structure willing to move forward. This two-pronged approach can function independently or, ideally, be integrated into the national structure once operational. The project will provide adequate technical support to design or improve the efficiency and performance of the institutional architecture of the PPD structure and operationalize the PPD process.

15. ***Sub-component 1.2: Targeted Promotion of Domestic and Foreign Trade Investments (US$2 million).*** This sub-component aims to build institutional capacity for institutions involved in facilitating investments and enterprise development. These institutions are required to address existing market failures due to information asymmetries (e.g. existence of investment opportunities, market linkages), provide public goods (e.g. licensing, permits, etc.) and decreasing coordination costs within targeted value chains. The agency mandated to oversee investment promotion (API) suffers from a chronic lack of resources and capacity to fulfil its mandate as an agency in charge of promoting and supporting private investments the country. The institutional environment governing investments promotion in the RoC, is considered relatively complex with a lack of clear mandate as it relate individual agencies / ministries. The public intervention is therefore scattered and suffers from overlapping mandates which create a misallocation of public human and financial resources.

- In this context, this project will provide support to the *Agence pour la Promotion des Investissements* (API) and connected sectoral agencies (i.e., Ministry of Tourism) to: (i) develop a multi-year business plan that focuses on key investment promotion functions: targeted investment promotion, facilitation, and aftercare. The business plan will focus on the priority sectors of agriculture/agribusiness, tourism, and light manufacturing as identified in the key Government strategies as well as PADE; (ii) enhance institutional design and build capacity of the API to support implementation of the business plan; (iii) support the development of specific sector and project profiles to catalyze market-testing and targeted promotion with anchor investors and developers in the above priority sectors.

- The subcomponent will also support the operationalization of the *Agence pour le Developpement des PME* (ADPME) strategic plan aimed at fostering: (i) the capacity of the ADPME to improve the supply of services to a standardized level; (ii) support the networking of private firms and business and professional associations with public institutions; (iii) the creation of a database of MSMEs with the possibility of being consulted by the API, the consular chamber organizations or COSPECO for the creation of partnerships or the exploitation of investment opportunities.

16. ***Sub-component 1.3. Transport sector and industrial infrastructure management and development (US$5 million).*** The Republic of Congo, leveraging the PAPN, has a unique opportunity to become a regional trade and industrial transformation hub for the Congo Basin countries and Central Africa (reaching to the vast regional market of DRC, as well as the CEMAC zone). Efficient transport sector and industrial infrastructure development can foster opportunities for manufacturing and service clusters around the port and along major corridors (these include: (i) Pointe Noire Brazzaville Ouesso; (ii) Pointe-Noire/Brazzaville/Kinshasa; (iii) Pointe-Noire/Dolisie/Franceville; (iv) Pointe-Noire/Brazzaville /Bangui and Pointe-Noire/Matadi/Kinshasa). Transit logistics and access to efficient industrial land in the right locations are key bottlenecks for trade and private sector development in the CEMAC region[26].

17. The objective of this sub component is to enhance the management and development of transport and industrial infrastructure sectors, through targeted policy and regulatory reform, institutional capacity building, investment planning and mobilization.

- Policy and regulatory reform activities will include:
    i. Support to strengthen the legal and regulatory framework for industrial infrastructure development with a focus on SEZ development;
    ii. Institutional support to the transport sector, including: (i) strengthening the operationalization of the GUOT (One Stop Shop for trans-border trade) through an institutional and operational diagnostic, capacity building and coordination-enhancing measures between agencies involved in multimodal cross border trade; (ii) conducting a feasibility study for the creation of a multimodal transport observatory as a means of promoting the production, diffusion and advocacy of multimodal transport solutions; (iii) carrying out a policy and regulatory diagnostic of trade transit fluidity through the Pointe Noire-Brazzaville-Ouesso corridor, and providing technical assistance to identify and implement policy and regulatory improvement recommendations identified in the diagnostic (e.g. BLD, CEMAC Transit Regime); (iv) carrying out studies to determine support services for the Pointe Noire-Brazzaville-Ouesso corridor.

- Capacity building to strengthen industrial infrastructure investment planning along the Pointe Noire – Brazzaville corridor. This would focus on providing:
    i. Support to the Ministry of SEZs and the Ministry of Grands Travaux to design and develop the institutional framework for SEZs.
    ii. Build capacity to develop an integrated investment planning / asset management strategy.
    iii. Build capacity to conduct good practice pre-feasibility analysis (including site analysis, environmental and social safeguards, demand and market testing, etc.) for industrial infrastructure and tourism development.

[26] The World Bank estimated that: Providing feeder roads could reduce the cost of moving agricultural produce by 90 percent; River dredging and upgrading could reduce costs of transport by 70 percent; Road rehabilitation and upgrading could reduce costs of road transport by 45 percent (in particular, with the establishment of weigh stations for trucks); Port upgrades and reforms could reduce costs of cargo handling by 30 percent; Rail rehabilitation could reduce costs of surface transport by 30 percent.

Component 2 – Direct support to MSMEs to enhance the development and competitiveness of selected value chains (US$12 million)

18. Congolese firms are considered in critical need of capacity building assistance. Smaller firms need basic developmental services (such as maintaining books, preparing business plans etc.); while SMEs with a certain critical mass face challenges in sustaining a predictable production process, or preparing a marketing and product development strategy and commercialization skills. There is a lack of instruments to mitigate these challenges, and access to financial services is very low. In addition, Congolese firms have not traditionally invested in their internal growth and development.

19. The objective of this component is to promote entrepreneurship, develop Congolese MSMEs, and foster the competitiveness of value chains in priority sectors with potential for growth, including but not limited to transport and logistics, agri-business and agroforestry, ICT and tourism. The assistance provided to MSMEs will entail enhancing all aspects of the operational, technical and managerial capacity of beneficiary firms and entrepreneurs. Special attention will be dedicated to fostering linkages between SMEs and big buyers. Also, large strategic investors in key sectors could present significant potential for spill over and onboarding effects.

20. Component 2 will feature the operationalization of a two-tier support instrument for MSMEs: (i) Support and Development grants (SD grants) to co-finance the provision of business development services to 200 eligible MSMEs and up to 7 associations operating in identified high-growth sectors. The SD grants will be delivered through three windows: (a) an MSME window; (b) a window in charge of providing financial assistance through the acquisition of equipment (c) a window dedicated to structuring value chains and associations (known locally as GIE "*groupement d'intérêt économique"*; and (ii) Entrepreneurship promotion and development that will include the rolling out of a nationwide Business Plan Competition (BPC) and support services to entrepreneurs aimed at targeting 1,000 beneficiaries including future entrepreneurs and newly created small firms.

21. Component 2 will draw on international and regional experience as well as on lessons learned from the previous PADE operation. Procedural and operational bottlenecks that have constrained the matching grant operation under PADE (known as FACP - *"Fond d'appui a coûts partagé"*) will be streamlined. At the same time, care will be taken to ensure a proper set of governing fiduciary and operational procedures and internal control, with a focus on increased autonomy of the fund. The coverage ratios, eligibility criteria and fiduciary lines of reporting are revised based on the experience of the FACP[27] to ensure both flexibility, simplicity and impact. To that end, a Grant Operation Manual will be prepared as part of the Project Implementation Manual to help oversee both facilities under component 2. The Grant Operation Manual will describe in detail its operational and fiduciary procedures and its internal control management (guiding operation principles are described below). In addition, a reputable private consultancy firm with demonstrated expertise in the provision of BDS and BPC management will be recruited to help implement the activities under the supervision of the PMU and the Grant Selection committee.

[27] An evaluation report assessing the performance of the FACP has recently been finalized. Lessons from this pilot/ first attempt are reflected in the design and implementation of the new facility.

22. ***Sub-component 2.1 Entrepreneurship promotion and development (US$4 million).*** Sub component 2.1 will finance the roll out of a nationwide Business Plan Competition (BPC) which will help aspiring and existing entrepreneurs achieve their potential. This will be accomplished through the implementation of a BPC and the delivery of relevant support services as follow: (a) offering entrepreneurs financial and non-financial support services; (b) building local capacity to deliver business development services for newly created firms; and (c) promoting the culture of entrepreneurship particularly among youth and female entrepreneurs, and the informal sector.

23. The entrepreneurship promotion and development grants will provide capacity building for entrepreneurs, new firms or those in the early stages of development or formalization that present a potential for growth and development. The assistance will start at the conceptual stage and continue until the firm is operational and/or has reached early stages of maturity. The BPC activities will include: (i) an awareness and outreach campaign; (ii) support for the design of bankable business plans and the delivery of support services such as training and mentoring; (iii) the attribution of seed financing to laureates; and (iv) aftercare and technical assistance to help turn new firms and projects into sustained operations. The facility will rely significantly on training, coaching and mentoring to transfer knowledge in business management and support for the development of business skills necessary to run a new enterprise. The assistance will be implemented over stages covering the pre-selection, selection and aftercare of selected candidates, after which a final selection of 100 entrepreneurs will be retained to receive seed financing and technical assistance. The BPC cycle will be initiated during the first year of the project with an outreach and promotion campaign designed to build awareness by targeting new and existing entrepreneurs, including women and the youth. The BPC will initially will cast a wide net in terms of sectors specific activities, while in subsequent phases of implementation, it will be more selective by focusing on sectors identified as high priority.

24. The BPC will target an initial pool of approximately 2000 candidates, from which 1000 candidates will be pre-selected based on the quality of their proposal and their entrepreneurial pre-dispositions.[28] During this cycle, the 1000 pre-selected candidates will benefit from a week-long training focusing on the preparation and implementations of business plans. Around 1000 applicants will submit a formal, better structured business plan for scoring by a selection panel composed of experts and professionals. A final cohort of approximately 200 remaining applicants will then be selected to advance to the final stage of the competition and receive a two weeks training to further improve their business project which will cover: (i) marketing and product /service differentiation; (ii) basics of operating a new business including compliance with regulations and standards; and (iii) improving presentation and soft skills. The applicant will be organized in groups by thematic and/or high growth priority sectors. At the end of the two weeks training, the candidates will then formally present their final proposal to the selection panel.

25. A final 100 laureates will be retained based on their score (on the potential their business plans present), and will receive average seed financing of up to US$50,000 to ensure the launch and

[28] A screening questionnaire will be administered to the candidates to assess their entrepreneurial pre-dispositions and motivation. The questionnaire will evaluate the business acumen, propensity for innovation, understanding of market opportunities and challenges, and strategic abilities to mitigate risks and ability to anticipate market events.

functioning of the firm (i.e. working capital and/or longer-term financing). An aftercare phase of around 12 to 24 months during which laureates will receive technical assistance, coaching and mentoring, and managerial training will be provided to help implement investments and sustain winning projects. While the estimated average seed financing grant will amount to US$50,000, eligibility criteria will remain relatively open. International experience indicates that in low entrepreneurial capacity environments such as in the RoC, it is preferable to cast a wide net and subsequently progress with more selectivity as training and TA are progressively implemented.

26. The PMU and the Private Service Provider supporting the implementation of this sub-Component will also seek to establish partnerships with commercial banks, private firms and Trade and Business Associations and investors (inter alia through the project development fund activity in component 1), with the goal of linking them with SMEs beneficiary of the MSME and BPC. There is pilot initiative from several banks operating in the RoC to finance SME projects which will provide further opportunities to link them with the project's beneficiaries for further financing in the form of loans or equity investments. The entrepreneurship promotion and development grants will provide technical assistance to inform, educate, and exchange knowledge with experts, and other entrepreneurs. The activity will strive to introduce innovative promotional approaches such as the production of a weekly radio reality show or podcast that will showcase the trials, tribulations and triumphs of entrepreneurs and by following up on the BPC beneficiaries.

27. ***Sub-component 2.2 Support and Development grants (US$8 million).*** The sub-component will provide BDS and technical assistance support to approximately 200 MSMEs and up to 10 associations (GIEs) of firms with the goal of enhancing their operational and technical capacities. The grants will be delivered through three windows as follow:

- Window A will provide Business Development Services to MSMEs including training for management and personnel.
- Window B will provide tangible assets such as equipment used in the production process as well as shared infrastructure.
- Window C will provide non-financial technical assistance to help organize and structure identified value-chains and associations (GIE).

28. The Support and Development grants will cater to micro, small and medium firms (MSMEs) and associations by providing co-financed BDS services, and equipment available through a matching-grant scheme and relevant technical assistance activities. Eligible activities for co-financing would include preparation of quality business plans, improving managerial capacity, personnel and management training, improving standards and quality certification, product development, trade promotion, marketing support, and support for technology upgrading. Smaller firms will receive more basic services such as coaching/mentoring, financial training and improving accounting practices, cost evaluation skills as well as some marketing.

29. The incentive scheme will reflect lessons learned from the previous PADE project and the challenging institutional and macro-economic environment that prevails in the RoC. For instance, the subsidies coverage ratios will be larger (between 95 percent to 80 percent for BDS depending on firm size, and 50 percent to 75 percent for the provision of equipment). Since the culture of purchasing business

services is not widespread the intervention may not rely purely on a market based approach whereby firm would be incentivized to purchase consultancy service to help develop their businesses, hence larger coverage ratios[29].

30. The assistance will be demand-driven[30], with beneficiaries competitively selected through regular calls for application. The Support and Development grants for MSMEs will build awareness by demonstrating the positive and net economic benefit for firms and beneficiaries, foster the emergence of BDS in the marketplace, and ultimately evolve into a more sustainable cost sharing facility. Furthermore, lessons learned from global experience and the evaluation reports conducted in the context of PADE indicate that specific expertise at the sector and product level is key for a successful launch, as it demonstrates credibility and results early on. As such, every effort will be made to recruit industry experts in the identified value chains and targeted sectors in order to support the implementation of Component 2[31]. A reputable firm with proven results will be hired to support the implementation of the Support and Development grants for MSMEs in conjunction with the entrepreneurship promotion and development grants. Other lessons learned indicate that a nationwide communication campaign will be critical to ensure the smooth roll out of the intervention, as well as to build awareness and ownership of the funds. Therefore, an outreach and communication campaign will be carried out in the targeted geographical location, and culminate with a workshop kickoff event.

31. *Strengthening Commercial Relations*: Evidence has shown that partnering with companies whose value chains integrate large numbers of suppliers and retailers within key sectors can critically improve capacity, access to markets and financial services for SMEs. Building on the experience of PADE, the intervention will strengthen commercial relations between firms in key sectors with a high concentration of SMEs whose value chains present the potential to connect with large numbers of suppliers (for instance between tourism and agri-business and transports). The SD grants will also support the acquisition of key infrastructure and equipment in activities related to strengthening identified sectors, and will help organize and structure product and market driven value chains expanding on the work done by PADE by organizing and formalizing various players into contracting entities. The previous PADE project had initiated several interventions to help structure value chains (food and drinks, agri-business products) but lacked a structured approach in positioning themselves strategically to sustain their market presence. Under the MSME Support grants more effort will be allocated to structure existing VC organizations (among others into GIE ("*groupement d'intérêt économique*") to make their market presence more sustainable. Among others, commercial relations will be strengthened by improving the suppliers' capacity to deliver quality input, facilitating bulk buying by groups, or providing key information on input supply sources. This support will include: (i) value chain analysis; (ii) contractors' needs analysis and selection of contractors as potential program partners; (iii) mapping of beneficiaries/SMEs subcontractors; (iv) design and roll out of specific support to SMEs and large firms; and (v) partnerships development.

[29] Larger coverage ratios are a key conclusion of the FACP evaluation report as well as a conclusion from several implementation missions conducted by the World Bank team.
[30] Once a thorough outreach campaign describing the potential advantages of BDS for firm growth and development has been carried out.
[31] The fund will rely and replenish the database of service providers prepared during PADE.

Component 2 EPD and SD Grant Characteristics

	Micro firms	**Small firms**	**Medium/large firms**	**Associations (*GIE/cooperatives*)**
Selection method/ Eligibility criteria	Max of 15,000USD turnover and <10 employees No formal registration required Firm age: 2+Years Ownership: private, 50% plus domestic owned Need for basic BDS Demonstrable potential for growth	Max turnover 160,000USD and <=20 employees No formal registration required Firm age: 2+Years Ownership: private and at least 50% domestically owned Weak ability to pay/acquire BDS and potential for growth.	Turnover >160,000USD and over 20 employees Formal registration or business affiliation required Firm age: 2+Years Ownership: private + 50% domestic Quality of expansion plans with regard to business and jobs creation, firm viability, market potential of the firm, and potential contribution to strengthening priority sectors	High growth VCs in identified sectors Ability for firms to form a cooperative/organize in legal entities (*GIE process*) conditions on association structure: minimum number of members, governance structure, and presence of both agribusiness and smallholders
Maximum grant amount ($US)	50,000	100,000	200,000	250,000
Subsidy coverage ratio	BDS: 95% Equipment: 50%	BDS: 90% Equipment: 50%	BDS: 90% to 80% Equipment: 50%	BDS: 80% Equipment: 50%
Firm Services	*Target:* Sustain increase turnover. Compliance with minimum standards of quality. Build up firm capacity for commercial readiness *Services:* -Emphasis on training of personnel and management with coaching mentoring Booking keeping – - Build up capacity for market access – -Support with labeling/packaging -Support design and orientation of products and services market development -Provide research on quality standard / /product compliance / Phytosanitary ect… -equipment -Technology (computer and internet access) -Machinery used in production	*Target:* Sustain increase turnover. Improve quality. Build up firm capacity for commercial readiness *Services:* - support product and market development and commercialization– selecting target markets -Promotion and marketing: provide direct technical assistance to firm on product labeling – Promotion through trade fairs –and linking buyers /suppliers' networks. support design and orientation of products and services – market development Upstream support firm accessing public or large firm outsourcing	*Target:* increase turnover, improve quality, introduce new products. Expand market *Services:* -Products and markets: Help firm establish activities in regional /foreign markets including implementation and internalization -Promotion marketing: Improving processes and management – production capacity and technological know-how. -Improving product quality -meeting quality standard and national and international norms Upstream support firm Accessing public or large / strategic investors firm outsourcing	Organize VC / access and sustain markets improve production Products and markets: Building up VC capacity to capacity for commercial readiness such as support design and orientation of products and services – market development and sustain access to markets. Management/capacity organizational development Trainings and technical support Provide support on quality standard / /product compliance / Phytosanitary etc. (labeling – packaging) fostering linkages and cooperation between firms,
Repeat intervention	Yes, if disbursement on initial assistance equal or above 50 %; performance targets met	Yes, if disbursement on initial assistance equal or above 50 %; performance targets met	Yes, if disbursement on initial assistance equal or above 50 %; performance targets met	Yes, if disbursement on initial assistance equal or above 50 %; performance targets met

Guiding operational principles of the EPD and the SD Grants

32. Guiding operational principles laid out below will be reflected in an operation manual which will consider lessons learned from the matching grant scheme, PADE (FACP) and PADE itself and recent completion reports presented to the bank team which highlights some key operational and organizational principles as described below.

33. *Autonomy*: First, the Entrepreneurship Promotion and Development grants and the Support and Development grants for MSME should be managed and operated with the support of a specialized private firm. A private service provider would greatly reduce delays associated with operational procedures, such as the outreach, selection and support processes which turned out to be the main flaw of the FACP. Therefore, the service provider should enjoy significant organizational and operational autonomy while reporting directly to both the PMU coordinator, a steering committee and the World Bank team leader. The final selection of beneficiaries will be done by the Grant Selection Committee. The procedural steps involved in the selection of candidates, attribution of grants and contractual arrangements will be streamlined with a time limitation of a maximum of 30 days to complete the assistance cycle.

34. *Focus on quality*: Along with the provision of co-financed services, service providers will emphasize the timely provision of quality BDS and technical assistance with demonstrable and measurable results. Attention will also be devoted to the provision of financial services for the acquisition of eligible equipment for firms and entrepreneurs. The service providers will strive to build brand loyalty by providing demonstrable quality technical assistance and services in a cost-effective manner. For instance, identified service providers and their capacity (through the database compiled by the FACP) may benefit from initial training and technical support.

35. *Coverage ration/re-payments mechanisms:* The coverage ratios will be increased to account for two observed facts: first the current macro-economic conditions are extremely challenging for private firms; second local firms are not traditionally able or willing to invest in BDS as they are not familiar with their benefits. Firms will have the option to apply for several services multiple times with a ceiling of available funds per firms. In additions, alternative instruments and/or procedures utilize to improve efficiency could possibly include the issuance of voucher for the purchase of BDS, or advances to eligible firms instead of reimbursement.

36. Beneficiaries (sectors, gender, age): The target beneficiaries will be micro-small and medium firms as defined in the RoC definition based on a combination of employees and the firm's turnover and groups of enterprises – youth entrepreneurs and women. The SD grants will target value chains in priority sectors, e.g.: Agri-business, Tourism, Transport & ICT with dedicated expertise at the sector level. However, firms that are not operating in the sector but deemed eligible will not be turned down. Experience demonstrates that more effective results are obtained by leaving criteria relatively open or by emphasizing outreach efforts – both are relevant in the case of the RoC where the market is relatively small and firms and entrepreneurs are not used to the provision of BDS.

37. Institutional arrangements. A Grant Selection Committee in charge of providing strategic guidance on the implementation of the Support and Development grants for MSMEs and on the Entrepreneurship Promotion and Development grants will be set up and co-chaired by the head of the PMU and the private sector. The Committee will be composed of representatives from the Ministry of Planning, the Ministry of Economy, the Ministry of SMEs, private sector, and other relevant public and private institutions. The mission of the Committee will be to provide strategic and technical guidance, review the effectiveness of existing instruments and initiatives, finalize and validate the selection of beneficiaries under Component 2.

38. Grants management arrangements. The Support and Development grants for MSMEs and the Entrepreneurship Promotion and Development grants will be coordinated by the PMU with the support of experts recruited from the private sector with experience in the provision of BDS, training, sector specific experience in the targeted industries for firms and entrepreneurs. One key objective of the private provider will be to reduce institutional and bureaucratic delays which have plagued the former fund (FACP). For instance, the previous matching grant scheme took close to 3 months to clear terms of references for procurement related activities financed under the program. These types of issues will be addressed early on to avoid unnecessary and detrimental delays and ensure smooth and efficient procedures. Another important function of the private provider will be to promote market knowledge among beneficiaries. As mentioned the private provider will demonstrate proficiency in business consultancy and training skills, as well as sector level expertise but more importantly it should emphasize the proper delivery of these services (its knowledge of marketing and associated services and benefits) and not be bogged down into assisting the firms by themselves. Other types of activities will include promotion and marketing of the grant support itself and initiatives designed to leverage the direct assistance provided to beneficiary firms.

39. Financing operations and result monitoring. In addition to the grants allocated to eligible firms and entrepreneurs, proceeds from the Bank loan will finance the day to day operations of the PMU, the related fiduciary and technical teams, and the acquisition of required hardware, material and equipment. In addition, resources will be allocated to ensure adequate monitoring and evaluation of the grants' performance such that the following metrics will be monitored and tracked:

- Total sales generated before/after the fund's assistance.
- New market accessed/ new or existing product developed / improved.
- New processes acquired/learned in production or otherwise (organizational and managerial).
- Innovations and technological change relating to promotions and productions of products and services.
- Delays for approval or rejection decisions on applications during the selection process.
- Number of entrepreneurs (including young entrepreneurs) trained and supported through support services.
- Number of producer organizations/SMEs increasing sales through commercial partnership with buyer.
- Tracking beneficiary satisfaction and citizen engagement.
- Follow-up of procedures within the operational manual (posteriori reviews, annual reports, audits and other procedural requirements as will be laid out in the fund's operations manual).

40. Additional support activities. Specific assistance activities to complement financing of the grants to leverage the direct assistance provided to firms will include the following:

- Active campaign to seek out women entrepreneurs and business owners, including the promotion and tracking of female and youth entrepreneurs.
- Promotion and marketing of the fund facility through various promotional activities (communications campaign in target sectors / areas act).
- Support high growth value chains by building up organizational capacity provide training and workshops, enhancing certification, tracking of products quality.
- Promotional activities in support of a “Congo “origin where it may apply (tourism or otherwise).
- Assistance to undertake design and viability study of service center to house commercial information facilities, advisory services, conferences, one stop representation of trade support

Component 3: Project implementation and coordination (US$3 million).

41. This component will support the operating costs of the project’s institutional and governance arrangements. These include facilitating the activities of the Project Steering Committee, setting up and managing a dedicated Project Management Unit (with key staff including a coordinator, a fiduciary team, technical experts on investment climate and private sector development, environmental and social safeguards and M/E and communication specialist), facilitating project stakeholder outreach and communication, and undertaking project evaluation and monitoring studies.

42. The Project will be under the oversight of a Steering Committee that will include the representatives of partner ministries, the private sector with the top structures of professional value chains organizations and the civil society. A Project Management Unit (PMU) will be placed under the direct administrative authority of the Ministry of Planning. A project pilot committee will oversee and support the preparation activities of PADEC and subsequent implementation. This will involve confirming and approving annual budget and action plans by the project implementing agency. The Project Steering Committee will also ensure coordination and adequate execution of project activities across sectoral stakeholders, as well as World Bank implementation support missions. A secretariat will organize periodic meetings in support of its mandate.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY : Congo, Republic of
CG-Support to Enterprise Development and Competitiveness Project

Project Institutional and Implementation Arrangements

1. The proposed institutional arrangements for this project drawing from the structure developed under PADE, under the supervision of the Ministry of Planning, Statistics and Integration, includes the following oversight and implementing bodies (see chart below): (i) a steering committee; (ii) a project management unit (iii) technical work groups and service providers for Components 1 and 2 (public, private, NGOs).

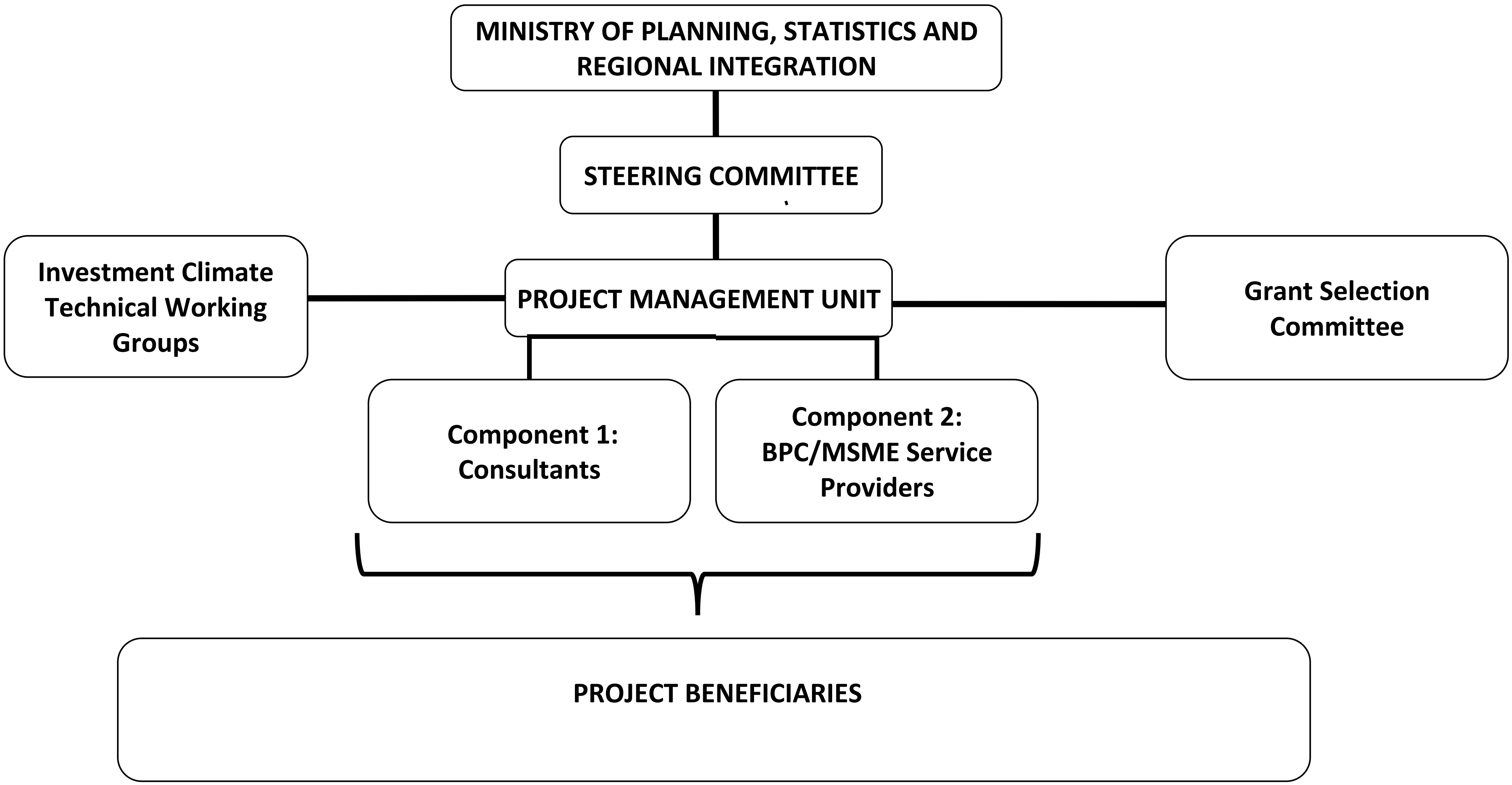
2. Steering Committee: A steering committee will be officially set up before project effectiveness. It will be chaired by the Minister of Planning, Statistics and Regional Integration and will also include representatives of key ministries (Ministry of Economy and Finance, Ministry of Tourism, Ministry of Transport, Ministry of SMEs, Ministry of Commerce, Ministry of Grands Travaux, Ministry of SEZ, Ministry of Agriculture, etc.), public agencies (e.g. API, ADPME, PAPN), and civil society and private sector (e.g. Chamber of Commerce, UNICONGO and representative from youth and gender based entrepreneurship associations). The Steering Committee will be responsible for the strategic direction, operational oversight, communication and overall governance of the project. It will be supported by a technical monitoring committee.

3. Project Management Unit (PMU): Project implementation will be led by a Project Management Unit (PMU) whose staff will be recruited on a competitive basis, anchored within the Ministry of Planning, Statistics and Regional Integration. The current PADE PMU has experience in project management acquired during the PADE project. The implementation performance rating of the project was considered satisfactory as of the last project supervision mission (October 2017). For this reason, the proposed PADEC project will be entrusted to the same PMU. The PMU will be strengthened to include adequate functional (coordinator, financial management, procurement, accountant, SME specialist, transport specialist, IC specialist), and geographic coverage with offices in Brazzaville and antennas in Pointe Noire and Ouesso as appropriate. Financial and accounting management and procurement will be provided by the PMU. They will be in accordance with the loan agreement, the project operations manual and the World Bank guidelines. Procurement will be in accordance with the World Bank's new procurement framework of July 2016. The project's fiduciary team will receive technical assistance from the World Bank for effective implementation of the framework. Dedicated environmental and social safeguards specialists will be hired to provide needful safeguards support during the project life cycle. Communication experts will implement the communication strategy validated by the steering committee and developed with all the stakeholders. Based on the lessons learned from PADE, additional TA needed by members of the PMU will be identified and should be provided by experts to ensure overcoming of previous capacity shortfalls. This should be in parallel with additional support staff needs as required.

4. Technical Working Groups and service providers for Components 1 and 2: The implementation of Component 1 will be supported by Technical Working Groups (TWG) created for each DB indicator. TWGs will oversee identifying and formulating the reforms in the short, medium and long term. A Committee of "*Directeurs de Cabinet*" will group all the heads of staff of the ministries involved in the IC reforms. They will review the reforms proposals made by the TWG from a technical point of view before transmitting them to the Interministerial Committee for the investment climate improvement. The Interministerial Committee for the investment climate improvement has been created by the decree No. 2017-42 of March 28th, 2017. It groups together the Ministers involved in the IC reforms implementation and is chaired by the Prime Ministers. The Committee will be the highest structure for IC reforms validation and implementation monitoring.

5. With regard to Component 2, a Grant Facility selection committee will be set up and co-chaired by the head of the PMU and the private sector, and will be composed of independent experts from the private sectors, including commercials banks, entrepreneurs, industry professionals, investors and Chambers of Commerce of Brazzaville and Pointe Noire. Its main task will be to provide strategic guidance on the implementation of the components, review applications, pre-select firms and finalize selection processes of eligible firms. The PMU will recruit service providers (SP) for the implementation of activities under component 2 (Entrepreneurship Prmotion and Development grants and Support and Development grants for MSMEs). The SP will be a competitively selected private consultancy firm with its own management team composed of a coordinator and experts recruited from the private sector with experience in the provision of BDS for MSME, training, sector specific experience in the targeted industries. One key objective of this institutional arrangement will be to reduce bureaucratic delays which have plagued the former fund (FACP) and leverage international experience in this area. Procedural, governance and internal controls will be designed to reduce redundant steps associated with the award of grants under component 2. In the previous scheme, the process of reimbursing eligible firms took several months. These types of issues will be addressed early on to avoid unnecessary and detrimental delays and ensure smooth and efficient roll out the service. Other types of activities of the SP will include the promotion and marketing of the grants and initiatives designed to leverage the direct assistance provided to beneficiary firms. The same principle will apply to the Business Plan competition facility. Proceeds from the PADEC loan will finance the day to day operations of the grant selection committee. In addition, resources will be allocated to ensure adequate monitoring and evaluation of the output and results of component 2 to track the following, but not limited to: sales of beneficiary firms; number of beneficiary firms; satisfaction survey of beneficiary firm; improvement/ introduction of new Product; acquisition of new markets; partnership between beneficiary firms and larger strategic buyers / investors.

Project Institutional Arrangements



Financial Management and Disbursement

6. A financial management assessment of the implementing unit of the PADE fiduciary unit has been carried out as part of project preparation. The objective of the assessment was to determine: (a) whether this unit has adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) project financial reports will be prepared in an accurate, reliable and timely manner; and (c) the project's assets will be safeguarded. The financial management assessment (FMA) was carried out in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on November 3, 2005 as revised in March 2010. In this regard, a review of the FM existing system (budgeting, staffing, financial accounting, financial reporting, funds flow and disbursements, internal and external audit arrangements) at the PADE's Coordination Unit level has been conducted.

7. This unit has managed satisfactorily the previous Support to Economic and Diversification project (P118561) financed by the World Bank as well as the PACADEC financed by the AfDB. The financial management staff includes a Financial and Administrative Officer, who is responsible for financial and administrative matters, an accountant who is handling the overall accounting and reporting aspects, and an administrative assistant. They have been trained in the use of WB procedures as well as the accounting software namely Tom2PRO over the last years of project implementation. The project maintains proper books of accounts which include a cash book, ledgers, journal vouchers and a contract register. They prepare the necessary records and books of accounts which adequately identify, in accordance with accepted international accounting standards and practices, the goods and services financed out of the proceeds of the Grant. It is expected that this financial management system will be used for the implementation of this new project. **The assessment concluded that, the overall residual FM risk is moderate.**

8. **Going forward and in order to better strengthen the financial management system**, the following actions will need to be implemented: (i) updating the manual of procedure and upgrading the software to take into consideration the specificity of the new project, (ii) recruitment of an independent external auditor based on acceptable terms of reference, (iii) agreeing on the format and content of Unaudited Interim Financial Reporting's, (iv) organizing a launching workshop for all beneficiaries right after effectiveness.

9. The overall project funding will consist of US$25 Million from the World Bank. The funds will be managed through one bank account to be opened and maintained by Project Coordinating Unit in a commercial bank acceptable to IDA.

10. **Risk Assessment and Mitigation.** The following risk identification worksheet summarizes the significant risks with the corresponding mitigating measures.

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Inherent risk				
Country level According to questions 13 and 16 of the CPIA. The Republic of Congo is a high risk country from the fiduciary perspective. The CIFA, PER, the PEFA reports as well as the ongoing PEMFAR study outlined PFM weaknesses at all levels in term of governance and public funds management.	H	None. Beyond the control of the project. The government is committed to a reform program that includes the strengthening of the PFM. The PFM reform Project (P160801) under preparation will help to address some PFM concerns.	N	H
Entity level The assessment of some ministries during the PEFA and PEMFAR revealed internal control weaknesses and weak fiduciary environment.	S	The existing PMU will be used for this project; Relying on a dedicated FM team at the PMU and use of IDA FM requirements is critical for the mitigation of fiduciary risk of this project; the adoption of a FM procedures manual by effectiveness will help to mitigate internal control weaknesses.	N	M
Project level: This is a project which will be implemented across different levels in Brazzaville and in others regions that will face coordination challenges. Ensuring that funds are used for purposes intended both at the central and the decentralized levels will be a challenge. It will involve material amount of contract, ensuring that procurement procedures will be followed will be a challenge.	M	Training on fiduciary procedures will be conducted for all FM staff throughout the life of the project. Clear TORs for each responsibility will be agreed between the parties involved to ensure clear understanding to include timeframes for reporting.	N	M
Control Risk	**S**			**S**
Budgeting: The Annual Work Plans and Budgets (AWPB) will be prepared by the PMU and approved by the Steering Committee based on the policy guideline. Ensuring that the AWP will be prepared and validated by the steering committee could be a challenge.	S	The project Manual of procedures will define the arrangements for budgetary control. Annual detailed disbursement forecasts and budget required. IFR will provide information on budgetary control and analysis of variances between actual and budget. The fiduciary unit is well familiar with the overall preparation of the AWP.	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Accounting: This project will use the accounting software as for all other Word Bank financed project in RoC. The risks will relate to poor policies and procedures, delay in keeping reliable and auditable accounting records.	S	The project will adopt the OHADA accounting system. Accounting procedures will be documented in the manual of procedures. The FM functions will continue to be carried out by a qualified project staffs; the existing software will be customized to take into consideration the need for this new project. Staff will continue to be trained on the use the accounting software.	N	M
Internal Control: Internal control system may be weak due to weak FM capacity of Implementing Agencies.	S	Revision and adoption of a FM Procedures Manual and training on the use of the manual by the consultants recruited for this purpose. The existing internal audit consultant will help to ensure that FM procedures will be followed.	N	M
Funds Flow: One Designated Bank account will be opened in a reliable commercial bank; all project activities will be financed through this Bank account. Risk of misused funds; and delays in disbursements of funds to IA and beneficiaries.	S	The following are the mitigating measures: Payment requests will be approved by the FM Officer prior to disbursement of funds; the ToRs of the External Auditors will include physical verification of goods, services acquired.	N	S
Financial Reporting The PMU will provide a quarterly Interim Financial Report (45 days after the end of each quarter; annual Financial Report (within six months after the year-end) to the Bank in order to monitor the utilization of funds for the project. The risk will be to have inaccurate and delay in submission of IFR to the WB due to delays from IAs or weak capacity of the FM team.	S	A computerized accounting system namely Tom2PRO will be used. IFR and financial statements reporting format was confirmed during negotiations.	N	M
Auditing: The national audit institutions such as the Supreme audit and the IGF capacities are weak and not reliable. Delay in submission of audit report or qualified opinion and delays in the	S	The project's institutional arrangements allow for the appointment of adequate external auditors (independent auditors) and the ToRs will include physical verification and specific report on finding of physical controls of goods, and services acquired or delivered.	N	S

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
implementation of audit reports recommendations.		Annual audit will be carried out during the project implementation period in accordance with ISA.		
Governance and Accountability Possibility of circumventing the internal control system with colluding practices as bribes, abuse of administrative positions, mis-procurement etc, is a critical issue.	M	(i) The TOR of the external auditor will comprise a specific chapter on corruption auditing (ii) FM procedures manual approved before project effectiveness ; (iii) Robust FM arrangements (qualified individual FM staff recruited under ToRs acceptable to IDA, quarterly IFR including budget execution and monitoring; (iv) Measures to improve transparency such as providing information on the project status to the public, and to encourage participation of civil society and other stakeholder are built into the project design.	N	M
OVERALL FM RISK	**S**			**M**

11. The overall residual FM risk rating is deemed (MODERATE).

12. **Implementing entity.** The existing Project Management Unit for PADE will have the overall responsibility of implementing this project. It will oversee the project's fiduciary aspects (Financial Management and Procurement); the existing FM team will be reevaluated to ensure that they are suitable to handle the fiduciary aspects of the projects. The fiduciary team will be trained on the use of World Bank procedures as well as project's software.

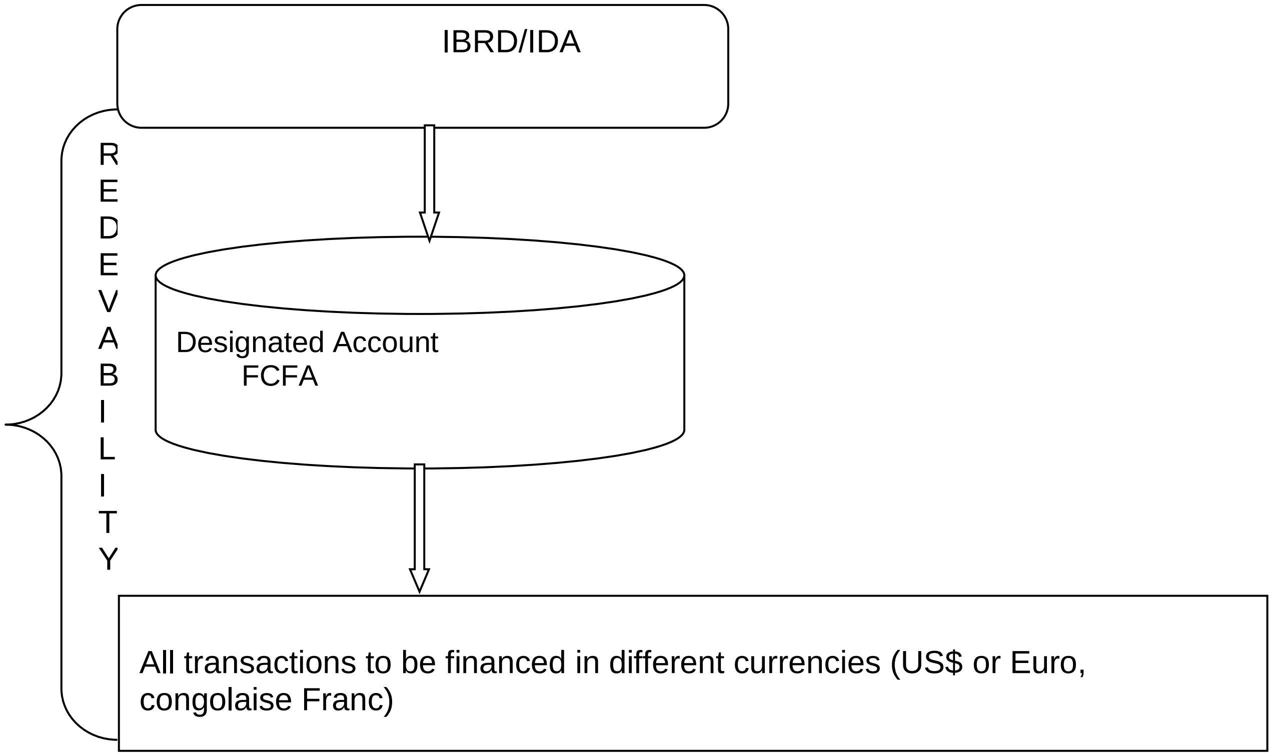
13. **Planning and budgeting.** The Annual Work Plan (AWP) and budget along with the disbursement forecast will be consolidated into a single document by the Financial Management unit of the project, which will be submitted to the Project Steering Committee for approval, and thereafter to the WB for approval no later than December 31st of the year proceeding the year the work plan should be implemented. The PMU will monitor its execution with the accounting software in accordance with the budgeting procedures specified in the manual of procedures and report on variances along with the quarterly interim financial report. Only budgeted expenditures would be committed and incurred so as to ensure the resources are used within the agreed upon allocations and for the intended purposes. The quarterly IFRs will be used to monitor the execution of the AWP.

14. **Information and accounting system.** The RoC is a member of the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA), thus, adheres to its accounting standards, (Syscohada), in line with the international accounting standards. Hence Syscohada accounting standards will apply to this project. An integrated financial and accounting system is in place and will be updated to accommodate this project. The Project code and chart of accounts will be developed to meet the specific needs of the project and documented in the Manual of Procedures. The charter of account

should be prepared according to the wording used in tables for sources and uses of funds for the accepted eligible expenditures as agreed during negotiations of the Project. These diaries and records should be maintained with the support of financial management software that should be operational no later than three (3) months after Project effectiveness. Financial management staff at the PMU should also be trained in the use of the software by the same date.

15. **Internal control and financial, administrative, and accounting manual.** The internal control system of the Project will be described in the financial management manual. Such manual should be flexible enough to allow for improvement and changes as necessary during Project implementation. This manual should be fully aligned with the accounting elements mentioned above as well as the modules of FM software. The procedures manual will be subject to revision so as to take into account the specific aspects of the proposed Project. Such revision will be carried out by the project fiduciary team.

16. **Flow of funds.** Project activities will be financed through a Designated Account (DA) that will be opened in a commercial bank acceptable by the Bank. The DA will be managed according to the disbursement procedures described in the PIM and Letter of Disbursement for the Project. Grant proceeds for MSMEs under Component 2 will be disbursed to beneficiaries through the DA in accordance with the World Bank disbursement procedures. The ceiling of the account will be decided by the disbursement services of the World Bank and should take into account the disbursement capacity of the various structures implementing the Project. Additional advances to the Designated Account will be made on a monthly basis against withdrawal applications supported by Statements of Expenditures (SOE) or records and other documents as specified in the Disbursement Letter (DL). The flow of funds is summarized as follow:



17. **Disbursement arrangements (disbursement methods).** Given the Substantial risk environment, the report-based disbursement will not be applicable by default. Therefore, upon project effectiveness, transaction-based disbursements will be used. An initial advance up to the ceiling of the DA will be made into the designated account and subsequent disbursements will be made on a monthly basis against submission of SOE or records as specified in the DL. Hereafter, the option to disburse against submission of quarterly unaudited IFR (also known as the Report-based disbursements) could be considered subject to the quality and timeliness of the IFRs submitted to the Bank and the overall FM performance as assessed in due course. The other methods of disbursing the funds (reimbursement, direct payment and special commitment) will also be available to the project. The minimum value of applications for these methods is 20 percent of the DA ceiling. The project will have the option to sign and submit Withdrawal Applications (WA) electronically using the eSignatures module accessible from the Bank's Client Connection website.

Category	Amount of the Loan Allocated (in Euro)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs for Parts 1 and 3 of the Project	7,500,000	100%
(2) Goods, works, non-consulting services, consulting services, EPD Grants, Training, and Operating Costs for Part 2(a) of the Project	3,249,250	100%
(3) Goods, works, non-consulting services, consulting services, SD Grants, Training, and Operating Costs for Part 2(b) of the Project	6,400,000	100%
(4) Refund of the Preparation Advance	3,100,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(5) Front-end Fee	50,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	20,300,000	

18. **Financial reporting.** The PMU will prepare on a quarterly basis the Interim Unaudited Financial Report (IFRs). These reports will be submitted to IDA on a quarterly basis within the 45 days following the end of each quarter. The reports will include: (i) a table with sources and use of funds; (ii) table with use of funds per activity; (iii) table regarding use of funds according to procurement methods and threshold; and (iv) a table with monitoring and evaluation or physical advance of activities. Financial statements will be prepared for each financial exercise covering in general twelve (12) months. Interim financial statements will also be prepared taking into account certified status of expenditures. The format of such reports was confirmed during negotiations.

19. **External Audit.** The assessment of the "*Cour des Comptes et de Discipline Budgétaire*", the Supreme Audit Institution during the PEFA and subsequent PFM evaluation revealed a need for improvement of its capacity and could not be used to audit the project accounts. Therefore, a qualified, experienced, and independent external auditor will be recruited on approved terms of reference three months after effectiveness. The external audit will be carried out according to International Standards on Auditing (ISAs) and will cover all aspects of project activities implemented and include verification of

expenditures eligibility and physical verification of goods and services acquired. The report will also include specific controls such as compliance with procurement procedures and financial reporting requirements and consistency between financial statements and management reports and field visits (e.g. physical verification). The audit period will be on annual basis and the reports including the project financial statements submitted to IDA and the Cour des Comptes six months after the end of each fiscal year. The project will comply with the Bank disclosure policy of audit reports (e.g. make publicly available, promptly after receipt of all final financial audit reports (including qualified audit reports) and place the information provided on its the official website within one month of the report being accepted as final by the team.

20. **Governance and Accountability:** the risk of fraud and corruption within project activities is high given the country context, inherent risks of activities. However, the proposed fiduciary arrangements will help to mitigate such risks.

21. **Financial Management Action Plan.** The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

Issue	Remedial action recommended	Responsible entity	Completion date	FM Conditions
Accounting software	Upgrade the existing software and train the fiduciary staff on the use of that software.	PMU	Three months after effectiveness	No (1)
FM procedures manual	Update the existing project manual of procedures which will include FM and accounting aspects	PMU	By effectiveness	NO
Reporting (IFRs)	Agree on the format and content of Unaudited Interim Financial Reportings (IFRs)	PMU	By effectiveness	NO
External auditing	Selection of an external auditor on ToRs (project accounts)	PMU	six months after effectiveness	No (1)

(1) As relevant, required FM actions are reflected in the Financing Agreement and the minutes of negotiation.

22. **Conclusion and Supervision Plan**: supervisions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. It will comprise inter alia, the review of audit reports and IFRs, advice to task team on all FM issues. The ISR will include a FM rating of the project. An implementation support mission will be carried before effectiveness to ensure the project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement monitoring and evaluation and disbursement colleagues. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed:

Implementation Support Plan

FM Activity	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Annually (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions by World Bank FM team	Before Project start and thereafter as needed.

23. The objectives of the above implementation support plan are to ensure the project maintains satisfactory financial management systems throughout the project's life.

24. **Effectiveness conditions:** there are no FM effectiveness conditions for this project.

25. **Financial covenants.** Upgrading the computerized system and completion of the configuration of the multi-project accounting system 3 months after effectiveness.

26. **Other FM standard covenants.** (i) IFRs will be prepared on a quarterly basis and, submitted to the Bank 45 days after each quarter; (ii) Annual detailed work program and budget including disbursement forecasts will be prepared each year by end of December.

Procurement

27. The procurement of goods, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 and revised November 2017 under the NPF (Procurement Regulations), and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' (dated July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

28. All goods, and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VII. Approved Selection Methods: Goods, Works, and Non-Consulting Services of the Procurement Regulations, and the consulting services will be procured in accordance with the requirements set forth or referred to in Section VII. Approved Selection Methods: Consulting Services of the Procurement Regulations, the PPSD, and the Procurement Plan approved by the World Bank.

29. A PPSD has been prepared with World Bank support and aims to ensure the procurement activities are packaged and prepared in such a way that they expedite implementation taking into account (i) the market analysis and the related procurement trends, and (ii) the procurement risk analysis. This PPSD includes the recommended procurement approaches for the project reflected in the approved Procurement Plan covering the first 18 months of the project implementation. The table below summarizes the various procurement methods to be used for main activities financed by the proposed IBRD loan.

Procurement methods

Type of Procurement	Selection Methods
Goods and Non-Consulting Services	Request for Proposals, Request for Bids, Request for Quotations, and Direct Selection
Consulting Services	Quality Cost Based Selection, Fixed Budget Based Selection, Least Cost Based Selection, Quality Based Selection, Consultant's Qualification Based Selection, Direct Selection, and Selection of Individual Consultants.

30. **Procurement Plan.** The Procurement Plan, including its updates, shall include for each contract (a) a brief description of the activities/contracts; (b) the selection methods to be applied; (c) the cost estimates; (d) time schedules; (e) the World Bank's review requirements; and (f) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation has been prepared and approved by the World Bank before project negotiations. Any updates of the Procurement Plan shall be submitted for World Bank approval. The recipient shall use the World Bank's online procurement planning and tracking tools (STEP) to prepare, clear, and update the Procurement Plans and manage all procurement transactions and related documentation.

31. **Institutional arrangements for procurement.** The PMU will be responsible for the implementation of PADEC. It will be staffed with qualified and experienced staff to manage the project and will draw on the experience and expertise developed by the PADE Coordination Unit, which had a satisfactory experience in procurement of the project co-financed by the World Bank. In view of the challenges to be met and for a good mastery of the New Procurement Framework, the PMU will at its request benefit from direct and ad hoc technical assistance from the World Bank for the implementation of procurement activities.

32. **Procurement risk assessment.** Given the (a) country context and associated risk; and (b) the fact that this project will be implemented under the World Bank's New Procurement Framework, the procurement risk is rated **high**.

33. The prevailing risk can be improved to substantial if the corrective measures identified in table 2 are implemented.

Procurement Action Plan Corrective Measures

Ref	Tasks	Responsibility	Due Date
1	Recruit at least, one qualified and experienced staff for the procurement unit within the PMU.	PMU	After kick-off / effectiveness
2	Train all the procurement staff on the World Bank's New Procurement Framework (online courses and face-to-face courses) and on the use of Systematic Tracking of Exchanges in Procurement (STEP) tools, which will be used to manage all procurement transactions and related documentation.	PMU Word Bank	Three months after effectiveness
3	Organize a launch workshop involving all stakeholders.	PMU	Three months after effectiveness
4	Develop a contract management system to ensure that all contracts under the project are effectively and efficiently managed.	PMU	Continuously
5	Develop an implementation manual of administrative procedures, financial management and procurement	PMU	Three months after effectiveness
6	Develop an implementation manual of administrative procedures, financial management and procurement ("Subproject Manual") for Component 2	PMU	Three months after effectiveness

Procurement Reviews and Thresholds

Thresholds for Procurement of Goods and Non-Consulting Services and Consulting Services

	Procurement Type	Prior Review Threshold (US$)	Comments
1	Goods and Non - consultant Services	Above 1,500,000	All
2	Consulting Services firm	Above 500,000	All
3	Individual Consultant	Above 200,000	All

34. **Frequency of procurement supervision.** In addition to the prior review to be carried out by the World Bank, at least two implementation support missions will be carried out annually, including field visits to be carried out for post review of procurement actions. As agreed with the Government, contracts will be published on the web through STEP. Annual compliance verification monitoring will also be carried out by an independent consultant and will aim to (a) verify that the procurement and contracting procedures and processes followed for the project were in accordance with the Financing Agreement; (b) verify technical compliance, physical completion, and price competitiveness of each contract in the selected representative sample; (c) review and comment on contract administration and management issues as dealt with by the PMU; (d) review capacity of the PMU in handling procurement efficiently; and (e) identify improvements in the procurement process in light of any identified deficiencies.

Environmental and Social (including safeguards)

35. PADEC is classified in the EA Category B, as the environmental and social impacts of the project are expected to be moderate with no negative irreversible impacts. The intervention zone concerns urban and peri-urban agglomerations along the Pointe-Noire – Brazzaville - Ouesso corridor and the environmental and social impacts are related to component 2 of the PADEC through the sub-projects that will be supported.

36. To improve or mitigate the effects of these sub-projects, an environmental and social management plan has been developed with the following main objectives:

- serve as a guide for the different project stakeholders to identify the positive and negative impacts of the different activities;
- define the guidelines for the different actors on the desirability and nature of the environmental assessments to be undertaken;
- provide criteria for how to formulate mitigation measures;
- enable the preparation of a monitoring and evaluation plan for mitigation measures;
- build capacity within structures involved in the process of identifying, assessing and monitoring environmental and social impacts.

37. The ESMF includes: recommendations for environmental and social management; the monitoring and follow-up plan, and the budget to ensure effective management of environmental impacts. To be effective, the environmental and social management plan must be fully integrated into the overall project management effort at all levels. It must be considered during the cycle. The ESMF will be included in the Project Implementation Manual. The PADE PMU, in coordination with the Ministry in charge of Environment will be responsible for the implementation of the ESMF.

Monitoring and Evaluation

38. The project will establish an M&E and impact evaluation system that will collect data in a timely manner to enable the adoption of corrective measures. The M&E framework of the project will be also described in detail in the Project Implementation Manual and is based on the following: (i) the program result chain and underlying assumptions of theory of change; and (ii) compliance with the World Bank requirements including the selection of key core indicators as well as specific indicators for gender and civic engagement. The M&E arrangements will be presented in Annex 2 (Implementation Arrangements). The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators that will be defined in the result framework (Section VII) during project preparation against a baseline survey that is expected to be carried out before the project is effective, using a Project Preparation Fund. The project indicators will also be selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers.

39. The results framework includes a specific intermediary indicator regarding the institutional quality of the operationalization of the GUOT (one stop shop for trans-border trade). The indicator is an index which is constituted as follows:

Index to monitor the institutional quality of the operationalization of the GUOT
Diagnostic check-list

For each statement, put a score according to the following scoring criterion.	
4 = The statement is true 3 = The statement is mostly true	2 = The statement is mostly untrue 1 = The statement is untrue

Index is calculated based on average scoring for all three criterions, targeting to - 75% of positive results

B1. Oversight of the agency
a. The agency has a clear reporting line to one oversight authority, or reports to multiple oversight bodies with clear accountability points
b. The oversight function is results-oriented (e.g., clear performance standards set for agency) and can be used to build pressure and incentives for sustainability.
B2. Inter-agency coordination and collaboration
a. The reform mandate of the agency is clear; there is no significant overlap with that of other agencies.
b. There are good arrangements in place for inter-agency coordination.
c. The agency can draw upon resources and knowledge of other agencies to sustain reforms. Such leveraging of resources is happening, for example, through efficient data exchange mechanisms.
B4. Systematic application of ICT solutions in IC reforms
a. There is an explicit, published e-government policy or strategy with a particular agency responsible for implementation of e-government.
b. Application of ICT is widespread in government-business regulatory interfaces.

40. The monitoring of program outputs will be conducted by the Project Management Unit (PMU) in partnership with the various entities that will be contracted to provide specific services. The PMU will be responsible for data consolidation, quality control, and analysis and reporting, which will be tracked through a Management and Information System (MIS). The sources of information for the M & E system will be: (i) reports from the participatory M & E workshops with the beneficiaries; (ii) the reports of service providers and executives of the PMU; (iii) specific impact and evaluation studies carried out by consulting firms, institutions or independent consultants; (iv) the financial monitoring and internal control management reports of the PMU; and (v) reports from World Bank support and oversight missions. A specialized training will be provided to the hired M&E Specialist to build the PMU capacity around M&E. The PMU will also oversee communicating the monitoring information to the Project Steering Committee chaired by the Ministry of Planning, Statistics and Regional Integration to feed the national M&E system.

41. Citizen Engagement in the Project Cycle. The project will include a citizen engagement review mechanism, conducted by the Project Management Unit. This mechanism, already initiatiated during project preparation will be expressed through consultations that measure the level of satisfaction of the population affected by the project, feedback from beneficiaries in the selection of specific interventions, and empowerment of citizens who report satisfaction with the project in the project area. The selected indicator is “Satisfaction rating from project beneficiary administered through a survey questionnaire”.

Role of Partners (if applicable)

42. In addition to the PADE, other World Bank and donor-funded (European Union, African Development Bank, French Development Agency) projects address private sector and economic diversification issues. These include:

- PDAC (Commercial Agriculture Support Project- WB);
- PRCCEII (Commercial and Entrepreneurial Capacity Building Program-EU);
- PACIGOF (Investment Climate Support and Forest / Wood Sector Governance Project AFDB);
- PDCE (Project for Skills Development and Employability- WB);
- PDCRH (Skills and Human Resources Development Project- AFDB)
- PDFO (*Projet dorsale a fibre optique d'Afrique Centrale* – Central African Backbone).

43. There is no formal framework for coordinating synergies between different projects. This increases the risk of loss of resources from duplication of activities and therefore reduced efficiency. In the framework of PADEC, resources will be allocated to ensure this coordination to optimize the efficiency of the investments made and to reduce as much as possible the possible redundancies. Further reflection on the mechanisms and modalities for operationalizing this coordination could be done in a special workshop during the preparation period of PADEC, in which project stakeholders would participate. This coordination would be under the authority of the government. This workshop could lead to the establishment of a mechanism that would operate at two levels: strategic and operational. The results of the workshop should make it possible to define the configuration of the platform that will be established at the strategic level under the authority of the Prime Minister, for example. It is at this level that guidance will be given on the trade-offs to be made.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY : Congo, Republic of
CG-Support to Enterprise Development and Competitiveness Project

Strategy and Approach for Implementation Support

1. The strategy for Implementation Support (IS) describes how the WBG and other development partners will support the implementation of the risk mitigation measures and provide the technical advice necessary to achieve the PDO. It was developed based on the nature of the project and its risk profile. Supervision and field visits will be carried out semiannually and focus on the following:

    a. Strong coordination between the WBG, the implementing agencies, and partners. The WBG task team will bring a comprehensive set of instruments and expertise to advise on project activities and implementation. The team will work closely with the implementing agencies to ensure project success.

    b. Technical. Review and supervise the execution of the project with partner institutions to ensure that activities are implemented in line with the PDO, and make adjustments to the design and PP when necessary. Ongoing support for M&E to strengthen the Bank's and the PMU's ability to both monitor project progress and assess the impact of interventions.

    c. Fiduciary. The Bank's FM and procurement specialists will: (i) support the PMU in its familiarization with Bank guidelines and procedures; (ii) prepare PMU staff to work with the Procurement Guidelines; (iii) ensure the PMU's capacity to manage flow of funds and accounting procedures, in line with FM guidelines; and (iv) work with PMU in building its overall FM and procurement capacity to improve and facilitate project management. Supervision of the project's FM arrangements would be conducted semiannually. IS will focus primarily on contract management and on improving proficiency and efficiency in implementation, according to the Bank guidelines for reviewing procurement documents; and monitoring procurement progress against the detailed procurement plan.

    d. M&E. The WBG will review the updated Results Framework submitted quarterly by the PMU during supervision missions or through desk review. The task team leader (TTL) will discuss the progress and deviations with the PMU to identify areas where additional help from the WBG is needed. The TTL will facilitate the use of the M&E data to promote awareness of the project results.

    e. Client relations. The TTL and the team will: (i) coordinate Bank supervision to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement, Project Operations Manual); and (ii) interact regularly with the client and the PMU to gauge project progress in achieving the PDO and address implementation bottlenecks as they may arise.

f. Safeguards. Bank environment and social specialists and consultants will work with the PMU in the implementation of the ESMF and will: (i) support the PMU and stakeholders with familiarization of the Bank's instruments; (ii) ensure the PMU capacity to undertake social and gender analysis and develop mitigation approaches; and (iii) ensure regular and close supervision of progress and implementation of these plans.

Implementation Support Plan and Resource Requirements

Time	***Focus***	***Skills Needed***	***Number of Trips***	***Resource Estimate***
First twelve months	*Project management, coordination and supervision*	*Task Team Leader*	*4*	*10 staff weeks (SWs)*
	Financial Management experience, knowledge of Bank FM norms, training	*FM Specialist*	*0*	*4 SWs*
	Procurement experience, Banks procurement norms knowledge, training	*Procurement Specialist*	*0*	*3 SWs*
	Environmental and safeguards. Bank norms knowledge, environmental safeguard	*Environmental/Safeguards specialist*	*1*	*1 SWs*
	Implementation support and monitoring	*IC, Transport & SME Competitiveness Team*	*6*	*12 SWs*
12-48 months	*Project management, supervision, coordination*	*Task Team Leader*	*4 per year*	*8 SWs per year*
	Financial Management (FM reviews and supervision, training and monitoring)	*FM Specialist*	*0*	*4 SWs per year*
	Procurement Management (reviews and supervision, training as needed)	*Procurement Specialist*	*0*	*4 SWs per year*
	Environmental safeguards, supervision and monitoring, training as needed	*Environmental/Safeguards specialist*	*0*	*1 SWs per year*
	Implementation support and monitoring	*IC, Transport & SME Competitiveness Team*	*4 per year*	*12 SWs per year*

Skills Mix Required

Skills Needed	***Number of Staff Weeks***	***Number of Trips***	***Comments***
Task Team Leader	*16*	*34*	*Base in HQ*
FM specialist	*0*	*16*	*Based in Kinshasa*
Procurement Specialist	*0*	*15*	*Based in Kinshasa*
IC, Transport & SME Competitiveness Team	*18*	*24*	*Based at HQ, Kinshasa, Singapore*
Environmental and Safeguards Specialist	*8*	*15*	*Based in Kinshasa*

The following FM implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory financial management system throughout its life.

FM Activity	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the project	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Twice per year (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions	During implementation and as and when needed.

ANNEX 4: LESSONS LEARNED FROM WBG OPERATIONS

1. The Project design is based on the lessons learned and recommendations from:

    a. **The World Bank SME Action Plan** (World Bank, 2016) that identifies the six high priority themes for the SME Agenda in developing countries: i) targeting high-growth entrepreneurs by designing policies and programs to foster high-growth entrepreneurs; ii) facilitating SME internationalization to connect SMEs with multinational enterprises; iii) strengthening women-led SMEs and iv) innovation and early-stage financing.
    b. **"The Big Business of Small Enterprises" Report** (IEG, 2014) that reviewed the results of 179 World Bank Group projects targeting SMEs during 2006 – 2012 time-period.
    c. **10 World Bank lending projects** targeting SMEs in Africa in 2006-2016 (see Table 1).

2. The project design is aligned with the priority themes for the SME development (four out of six themes covered), and incorporates the key lessons and recommendations from the IEG Review and analysis of the relevant SME projects in Africa: (i) need for a clear definition of the targeted SMEs; (ii) strategic sequencing of project interventions; (iii) building M&E systems that allow for capturing of impact at the beneficiary level; and (iv) avoid a complex project structure which are further described below:

3. **Lesson 1. Need for a clear definition of the targeted SMEs.** The IEG review highlights the importance of a clear definition of the targeted segment(s) of the SME sector supported by measurable criteria (e.g. number of employees, annual revenues etc.). The targeting should be based on evidence that identifies market failures and constraints specific to a particular group of SMEs, which could be defined based on size, ownership, age, sector, etc.

4. The proposed project adopts the targeting principles, with some limitations stemming from the lack of quality data on SMEs in RoC. The proposed target groups of SMEs include: i) established SMEs with a good track record that face capital and capacity constraints to growth; ii) young entrepreneurs and micro-enterprises that need seed capital and skills to test their ideas and gain access to markets; and iii) women-entrepreneurs that need funding and technical support to increased production, value addition and improve marketing of their products.

5. The funding for all the beneficiary groups will be provided on a competitive basis using clear, open, and transparent criteria for the selection of specific beneficiaries. This approach is aligned with the experiences of two recent SME projects in Mali (P145861)[32] in 2014 and in Zambia (P156482)[33] in 2016. Each project has a detailed description for each specific target SME group in every project component.

6. **Lesson 2. Strategic sequencing of the project interventions.** The IEG report recommends building basic institutional capacities and legal frameworks, especially in low-capacity countries like RoC, in order to ensure a reasonable opportunity for success of the targeted interventions. Experience based on

[32] Skills Development and Youth Employment Project, Mali (P145861).
[33] Zambia Agribusiness and Trade Project, Zambia (P154682).

another SME project implemented in Guinea (P128443)[34] in 2013 shows that innovative approaches in fragile countries benefit from being managed through a step-by-step process. Minimizing the risks by testing the implementation through a sequenced approach found to be the most solid approach. A similar approach was also incorporated in the design of a project in Nigeria (P126964)[35] in 2013 where the project activities implemented in a specific sequence in order to ensure that program management teams at the state-level put in place all the necessary systems and implementation arrangements before the project interventions take place.

7. We address the challenge of the sequencing in two ways: (i) adoption of a programmatic lending approach (building on the PADE project) reducing the risk of project design and implementation in a volatile political environment exacerbated by a post-economic crisis context and a low institutional capacity; (ii) a two stage approach to implementation which will rely on a competitively selected local or international contractor for component 2, while also building the local implementation capacity through component 1. Additionally, the project is designed in collaboration and coordination with other World Bank and IFC operations in RoC which allows for building on the experiences of other teams and leveraging of synergies across various projects.

8. **Lesson 3. Build M&E systems that allow for the capturing impact at the beneficiary level.** The IEG review of the Implementation Completion Reports (ICRs) of SME projects demonstrates the widespread shortcomings of project-based M&E in capturing impact at the beneficiary (SME) level even when the data tracking exists. Many indicators used by the project M&E systems are not obviously relevant to the project's impact, and often they stop at the output level. Indicators and evaluations measure benefits to a limited group of SMEs but do not address the project impact on underlying market failures that the project claimed to be addressing. The importance of setting the right M&E framework was clearly highlighted in the ICR of relevant projects in Uganda (P083809)[36], Kenya (P085007)[37] and Rwanda (P057295)[38].

9. In recognition of this finding, the Project will ensure the capture the effect of project interventions at the beneficiary, client, and broader market level. As incorporated in the design of a similar operation in Nigeria (P126964) in 2013, the proposed project will establish an M&E and impact evaluation system that will collect data in a timely manner in order to enable the adoption of corrective measures as required. The project outcomes and impacts will be evaluated through the PDO and intermediate level indicators that will be defined in the results framework during project preparation against a baseline survey that is expected to be carried out before the project is effective, using the Project Preparation Fund. The project indicators will also be selected based on the SMART principles (specific, measurable, attainable, realistic and time-bound) with the technical experts. The baseline, mid-term and final survey will be conducted by external service providers.

10. **Lesson 4. Avoid a complex project structure**. The IEG evaluation concluded that the majority of the WBG SME projects are restructured and/or cancelled due to overambitious and complex design,

[34] MSME Development Project, Guinea, P128443.
[35] Nigeria Youth Employment & Social Support Operation, Nigeria, P126964.
[36] Second Private Sector Competitiveness Project, Uganda, P083809.
[37] Micro, Small, and Medium Enterprise Competitiveness Project, Kenya, P085007.
[38] Competitiveness & Enterprise Development Project, Rwanda, P057295.

lack of economic evaluation of costs and benefits in the project appraisals, overoptimistic time-frames for implementation, weak conceptual treatment of market failure and inconsistencies in linking project design to specific market failures. Projects with too many components tend to have unsatisfactory outcomes (66 percent of projects with more than nine sub-components had unsatisfactory outcomes). Similarly, projects with more than two implementing entities had unsatisfactory outcomes (this was the case for 82 percent of them). As a result, a significant trend in the Africa FPD portfolio was the need to restructure to simplify their design. Furthermore, interventions in low-income and weak-capacity countries like RoC also bring additional challenges. This key lesson has been incorporated in the design of a similar SME projects in Guinea (P128443) in 2013 and in Senegal (P146469) in 2017 where the project components are kept simple and consolidated under only two to three main activities.

11. The proposed project has three components, which includes the overall project management and M&E. The project has only one PMU anchored within the Ministry of Planning. The proposed design allows for rebalancing of the project focus between high-growth SMEs and vulnerable groups of entrepreneurs, especially women if politics or the economic situation shifts.

Table 1. List of relevant WB lending projects reviewed for the lessons of experience

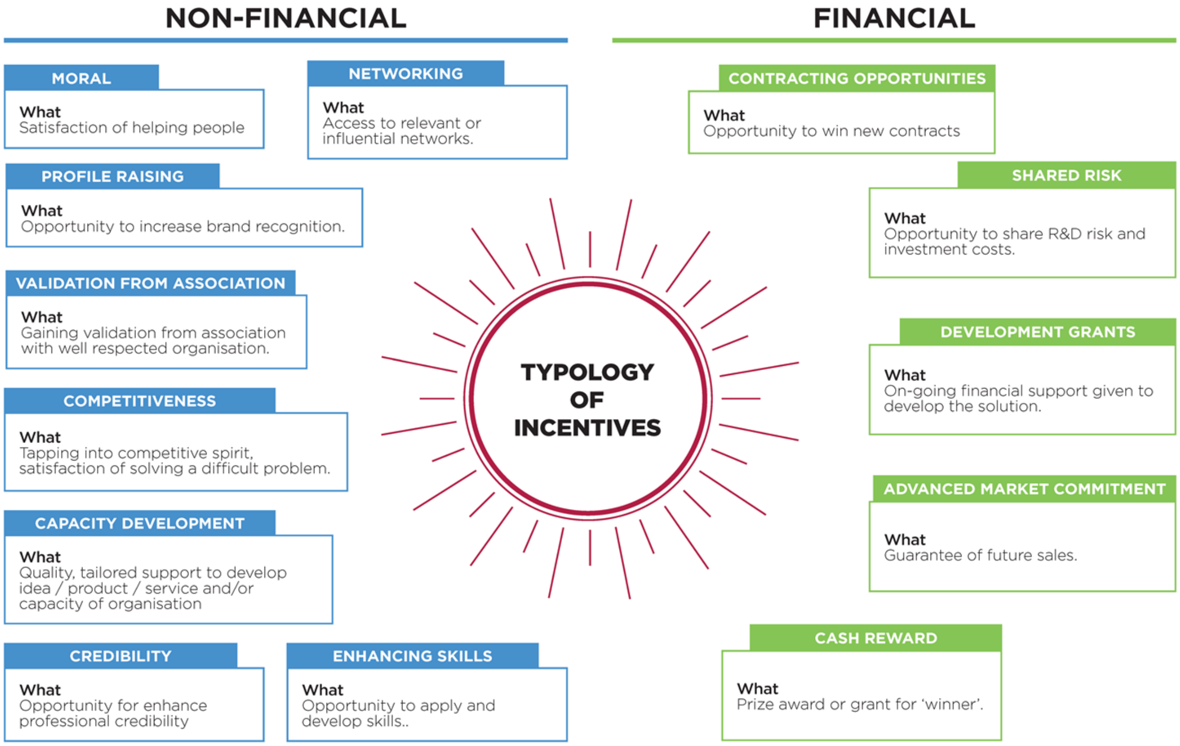
Project ID	Project Name	Country	Status	Approval FY	Closing FY	PDO
P057295	Competitiveness & Enterprise Development Project	Rwanda	Closed	2001	2011	To establish an enabling environment for private sector-led economic growth and poverty reduction in Rwanda
P085007	Micro, Small, and Medium Enterprise Competitiveness Project	Kenya	Closed	2004	2012	To increase productivity and employment in participating micro, small and medium enterprises (MSMEs)
P083809	Second Private Sector Competitiveness Project	Uganda	Closed	2005	2013	To create sustainable conditions for enterprise creation and growth that responds to local and export markets
P103499	Growth & Employment	Nigeria	Active	2006	2018	To increase firm growth and employment in participating firms in Nigeria
P104881	Competitiveness & Integrated Growth Opportunity	Benin	Active	2008	2017	To foster entrepreneurship and investment in high potential value chains and public-private partnerships
P128443	MSME Development Project	Guinea	Active	2013	2018	To support the development of MSMEs in various value chains and to improve selected processes of

						Guinea's investment climate
P126964	Nigeria Youth Employment & Social Support Operation	Nigeria	Active	2013	2020	To increase access of the poor and vulnerable, using improved social safety net systems, to youth employment opportunities in all Participating States and to provide Targeted Cash Transfers to the poor, vulnerable and internally displaced people (IDPs) in the North East States.
P129267	Gabon Investment Promotion & Competitiveness Project	Gabon	Active	2014	2019	To contribute to the improvement of the investment climate and to foster enterprise development in Gabon
P145861	Skills Development and Youth Employment Project	Mali	Active	2014	2020	To support education and training for employability and private-sector led job opportunities for youth in Mali
P156492	Zambia Agribusiness and Trade Project	Zambia	Active	2017	2022	To contribute to increased market linkages and firm growth in agribusiness sector in Zambia
P146469	Senegal Tourism & Enterprise Development Project	Senegal	Pipeline			To create conditions necessary to increase private investment in tourism in the target area and strengthen enterprise development in Senegal.

ANNEX 5: LESSONS LEARNED ON BUSINESS PLAN COMPETITIONS

1. Business Plan Competitions (BPC) is a term commonly used to describe a competitive process of identification of high potential entrepreneurs or firms. BPC is one of the broader tools of competitive support to SMEs. A defining characteristic of the BPC is that the intake mechanism is based on the submission of a business plan – a statement of business goals and plans for reaching them. Depending on the goal and target beneficiaries, BPCs can be stand-alone or programmatic and offer a variety of incentives (Figure 1) and support mechanisms for the participants and winners. Support system provided by the BPC programs often combine non-financial incentives (e.g. technical assistance pre- and/or post-competition) and funding for implementation of the business plan.

Figure 1: Typology of Incentives



Source: Agapitova, Natalia and Ertekin, Ergun. 2016. The Art of Crowdsourcing. A Planning Guide for Development Practitioners

2. There is a growing body of literature documenting BPCs as effective mechanisms to support early stage ideas, firms or innovations. According to the evaluation of "Youth Enterprise with Innovation" (YouWIN, Box 1) in Nigeria[39]:

[39] Identifying and Spurring High-Growth Entrepreneurship Experimental Evidence from a Business Plan Competition David McKenzie, 2015.

a. The BPC led to greater firm entry, higher survival of existing businesses, higher profits and sales, and higher employment, including increases of over 20 percentage points in the likelihood of a firm having 10 or more workers. The selected firms were substantially more likely to launch, survive, make profits, and, most importantly, to generate new jobs. The BPC provided evidence how direct policy action can spur the growth of such firms.
b. BPCs can be successful in identifying entrepreneurs with the potential to use the large amounts of capital offered as prizes, and that these individuals appear to be otherwise constrained from realizing this potential. They are an effective tool for identifying entrepreneurs with much greater scope for growth than the typical microenterprise and the prize money generates employment and firm growth that would not have otherwise happened.
c. To maximize the impact of the BPC on job creation, it is important to cast a wide net. The job creation impact from BPCs targeting start-ups and scale-ups appear similar. Broad targeting of BPCs allows for capturing of relevant and high-impact ideas from across the SME spectrum.

Box 1: "Youth Enterprise with Innovation" (YouWIN) in Nigeria

The program was a partnership between the Nigerian Ministry of Finance, the UK's Department for International Development (DFID) and the World Bank. The Ministry of Finance paid for the grants, DFID contributed US$2 million for administrative costs and the World Bank funded a large impact evaluation. The government encouraged all Nigerians younger than 40 and interested in creating a new business or expanding their existing one to submit an application. 24,000 applications came in from across the country. Eighty-five percent of these applications were for new businesses and 15 percent for existing ones. The vast majority came from men. Random assignment was used to select some of the winners from a pool of semi-finalists, with US$36 million in randomly allocated grant funding providing each winner with an average of almost US$50,000. ***By the end of the third year of the program, the 1,200 winners are estimated to have generated more than 7,000 new jobs and about a 25% increase in profits.***

3. Although YouWin was the largest BPC delivered as part of WBG lending operation, the World Bank was one of the first development agencies that funded entrepreneurs through BPCs through its Development Marketplace program. Since 1998, Development Marketplace awarded a combined pool of WB and partner funding of US$132 million in competitive grants that financed implementation of business plans submitted by grassroots entrepreneurs. In Africa Development Marketplace competitions were held at the regional (Lightning Africa 2007, West Africa 2006) and country level in Cameroon in 2011, Ghana, Rwanda, Zambia, Zimbabwe, and Malawi in 2005, in South Africa in 2004, in Ethiopia and Sudan in 2003, and in Burkina Faso in 2002.

Development Marketplace 1998-2016

- 80 countries, 18 years, 60+ competitions
- Funding: WBG US$ 52M, Partners US$ 80M
- 1200+ social enterprises funded
- 250+ received capacity support
- Portfolio success rate 60-90 percent
- Funding span: US$10,000-150,000
- Competition: 6-12 months
- Implementation: 1-2 years
- Brand adaptation, e.g. Vietnam
- Contributed to US$ 3+ billion WBG lending

4. The 2014 evaluation of the Development Marketplace program concluded that[40]:

[40] World Bank. 2014. Evaluation of the Development Marketplace Program 2009-2013. Internal Report.

a. BPCs can achieve broader impact as part of a programmatic approach closely aligned to the countries' development priorities. Although BPCs could be effective as a stand-alone tool for awareness raising about the potential of entrepreneurs, and can have a "crowding in" effect on the SME community by stimulating business idea generation, it is most impactful when it is embedded as part of a longer-term development strategies, often in combination with other instruments for SME support, like business development services (BDS).
b. Incentives provided by BPCs need to be aligned with the needs of the target beneficiaries and be cost-effective in addressing market and institutional constraints. Incentives can range from non-monetary awards, small prizes, and larger investment grants that require supervision at implementation and could be associated with BDS. Awards and prizes have lower implementation costs and quicker feedback cycles[41], while investment grants are more effective in building longer terms capabilities of entrepreneurs and firms, and survival rate of the funded ventures. The so-called "fund and forget" model was only marginally successful in achieving meaningful effect on firm survival and performance (in terms of profits and job creation). On the other hand, even small grants (US$ 25,000-50,000) combined with capacity development and a communication campaign after the BPC award, helped generate additional financing for 80 percent of DM grantees in the year following the award.

5. Findings from YouWin in Nigeria and the Development Marketplace experience resonate with the lessons learned from other WB projects:

a. Cote d'Ivoire (through InfoDev and Technoserve programs): (i) demand-driven approaches are essential; (ii) selectivity is needed to ensure success and have a demonstration effect that can have positive spillover to the target group; (iii) there is a need to address risks associated with implementation, including governance; (iv) provision of after care services to entrepreneurs to access additional financing, in addition to coaching, mentoring and advice leading up to the award; and (v) extensive promotion of the competition before and after helps to generate positive spillovers and the crowding-in effect.
b. Kenya[42]: Institutional bottlenecks may introduce significant delays in the process (i.e. selection of the contractor to run the BPC finalized five years after Board approval in P085007). For the successful implementation of a BPC in low capacity settings, it is crucial to set up a rigorous selection process implemented by professional management companies. Additionally, delivering the grant from the BPC in tranches helped ensure accountability and minimized risks of misuse of funds.
c. Rwanda[43] and Uganda: the success of the BPC component in enabling potential entrepreneurs was attributed to supporting services provided to participating SMEs (mentoring and hand holding to conceptualize their business ideas and prepare bankable projects). Providing access to training

[41] Everett, B., 2011. Evidence Review: Environmental Innovation Prizes for Development.
[42] Kenya Micro, Small, and Medium Enterprise Competitiveness Project (P085007), Kenya Youth Employment and Opportunities (P151831).
[43] Competitiveness & Enterprise Development Project, P057295.

for business plans and pitch development can improve the quality of the business plans and their success rate.

d. Nigeria and Kenya: it is crucially important to target youth up to 35 years of age as job creators because the highest likelihood to be an entrepreneur occurs between the ages of 29 and 35 years and these young entrepreneurs are especially likely to hire youth under 29 years of age.

ANNEX 6: ECONOMIC AND FINANCIAL ANALYSIS

A. *Overview*

1. The project development objective is to foster MSME competitiveness in the targeted sectors and targeted geographic areas of the Republic of Congo's territory. This will be achieved through three components with multiple activities.

   i. The first component focuses on improvement in the business climate and investment promotion through studies to aid with the implementation of six Doing Business indicators, support to the Investment Promotion Agency, identification and implementation of appropriate measures in logistics and tourism to facilitate investment and create jobs, the preparation and organization of conferences to attract private investment and Public-Private Dialogue to identify reforms and monitor their implementation.

   ii. The second component focuses on strengthening of sectors and value chains (agribusiness, transport and logistics and tourism) and direct technical and financial support to MSMEs through the use of dedicated technical and financial support *windows* reflecting the specificity of selected sectors, training and technical assistance to young entrepreneurs, a Business Plan Competition (BPC) and a Matching Grant Program with *windows* linked to sectors, specific value chains (GIE) and MSMEs.

   iii. The third component covers the management and coordination of the project and so will not be included in the economic and financial analysis but will be used in the calculation of project implementation costs.

B. Rationale for Public Intervention

2. The competitiveness of the Republic of Congo's private sector is hampered by critical elements of the business environment and market failures deterring private investment, diversification, and the creation of jobs. Key constraints include existing rules and regulations inhibiting the functioning of markets, as well as procedures creating bottlenecks for the entry of new firms or the growth of existing ones. In addition, enabling institutions for firms (for example those aiming to facilitate investment, build the capacity to access markets, and help bridge the information gap between potential lenders and borrowers) do not have adequate resources and delivery mechanisms to sustain MSME growth in the long term. Furthermore, the availability of capital to spur entrepreneurship and MSME activity in the non-oil sector is very limited. Public intervention is required to develop an appropriate framework to encourage private capital investment and also to provide direct firm-level support to pave the way for new market opportunities in support of economic diversification. Finally, public intervention is also required to ensure that appropriate fiduciary standards and safeguards are applied to the proposed activities.

C. Vale Added of the WBG

3. The World Bank's value added is to channel global expertise required to design and implement the wide ranging regulatory and institutional reform program envisioned under the project, and ensure that project activities are carried out according to best international practices (including with regard to environmental and social standards). The World Bank has a strong knowledge base regarding the implementation of investment climate reform, and its team incorporates specialists with a wide range of experitize that have worked on similar projects – including in FCS countries such as the Republic of Congo. Additionally, the World Bank has the unique benefit of worldwide experience regarding the implementation of programs providing direct support to MSMEs (such as business plan competitions, and matching grants). Finally, the World Bank makes use of its convening capacity, to leverage public and private funding and support from donors and private sector investors.

D. Methodology

4. Economic analysis for the first component will be difficult as there is a widely acknowledged indirect relationship between the business environment interventions and the stream of benefits that they may bring. There is also a complexity around evaluating and quantifying direct benefits linked to investment climate and promotion. In general, methodologies for addressing these types of interventions rely on cost effectiveness and more general analytical work of a more qualitative nature on the potential positive benefits. All major quantifiable (in monetary terms) and non-quantifiable costs and benefits of the project and of the individual components will be identified in this analysis. Therefore, ERRs that are calculated for the project may underestimate the expected value added and returns from the project.

5. The benefits that cannot be easily evaluated in a monetary form due to a lack of commonly accepted market-based value or those that fall under the definition of public goods or quasi-public goods and do not have market prices or are easily identifiable from the point of view of targeted sectors/beneficiaries will not show up in the financial analysis. However, review of literature has given indications that for each business climate reform that is implemented or capacity building initiative undertaken can be estimated to lead to a 0.15 percent increase in the growth rate of GDP[44]. Furthermore, second-round/indirect effects or the multiplier effects from these activities can be estimated for the activities linked to business climate reform using a multiplier of 5 for the base case, which is based on evidence that for each US$1 invested US$12 is generated[45].

6. The economic analysis of the project will be built on a financial analysis considering the estimated difference in cash flows to Republic of Congo (RoC) beneficiaries in the agribusiness, transport and

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[44] JI Haider (2012), The impact of business regulatory reforms in economic growth, Journal of Japanese and International Economies, 26 (3), pp. 285-307.

[45] SEAF (2007), From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises Data Survey and Case Study Analysis of SEAF Investments, October 2007, Washington DC, http://seaf.com/wp-content/uploads/2014/10/From-Poverty-to-Prosperity1.pdf.

logistics, services and tourism value chains and supported businesses through the BPC and Matching Grant Program *windows* as well as new jobs created compared to the status quo or 'do nothing' situation. Included with the economic analysis of relevant sub-components that make up the second component (IBRD allocation US$12 million), quantification has been made of the costs and benefits expected to accrue from the investments/interventions and an estimated Economic Rate of Return (ERR) will be calculated. Sensitivity analysis will also be applied to the multiplier from the project benefits and the project length of attributed project benefits.

7. Project implementation cost is estimated to be US$3 million (PMU staff, PMU equipment and logistics, safeguards along with US$0.5 million for communication of results etc. across the entire project). This will be split by monetary value of each component plus an additional 5 percent for indirect expenditures to a total of US$3,675,000.

8. The distribution of project value and implementation by component/subcomponent are in the table below.

Table 6.1: Distribution Project Value and Implementation Cost by Component

	Cost (US$ million)	Share (%)	Implementation cost (US$)
Component 1: Regulatory and institutional support to strengthen the enabling environment of Private Sector Development	**10**	**45**	**1,417,500**
1.1 – Investment climate reform and public private dialogue	3	13.6	428,400
1.2 – Targeted promotion of investment in domestic and foreign trade	2	9	283,500
1.3 –Transport sector and industrial infrastructure management and development	5	22.7	715,050
Component 2: Direct support to MSMEs to enhance the development and competitiveness of selected value chains	**12**	**55**	**1,732,400**
2.1 – Entrepreneurship promotion and development (BPC)	4	18.2	573,300
2.2 – Support and Development grants (Matching Grant Program)	8	36.4	1,146,600
Component 3: Project implementation and coordination	**3**	**-**	**-**
TOTAL	**25**	**100**	**3,149,000**

9. An ex-post cost-benefit analysis should be carried out at implementation completion based on the detailed data to be collected by the Monitoring and Evaluation of the project. This will allow for important lessons learned to be drawn for future projects and also for operations going forward in RoC.

E. Project beneficiaries

10. Project beneficiaries will include (i) MSMEs and associations through improved access to non-financial business development and financial services, (ii) the business consulting community with an improvement in availability and efficiency in the provision of business development services, (iii) key

sectors of the economy including agribusiness, transport and logistics and tourism, (iv) public agencies through enhancement of their core competencies through technical assistance and (v) the general public through streamlined and more responsive service delivery (permits, licensing etc) and the wider business community through an improved investment climate.

F. Calculation of costs and benefits

General Assumptions

11. All assumptions have been derived from discussion with relevant experts on the area of intervention, drawn from literature or data available on RoC or appropriate comparator countries such as the DRC. This includes technical data on revenues, costs, annual growth rates etc derived from data gathered during PADE supervision, identification and pre-appraisal missions for this project. Where appropriate more conservative estimates have been taken for ERR calculations.

12. The table below lists the general assumptions used in estimating the ERR:

Table 6.2 Assumptions Applied to All Sub-Components

	Unit	
Project length	Years	5
Inflation rate	Percent	3
Discount rate	Percent	12
Starting year for returns from project		2020
Duration of project benefits	Years	7,10
Exchange rate $ FCFA		550.65

13. Explanation of assumptions:

    a. Inflation rate – RoC's inflation rate was 4.3 percent in 2016, slightly above the 3 percent fixed by CEMAC for the period 2017-2018, which is the inflation rate to be used for the analysis as RoC has an agreement to reach convergence with the CEMAC stated rate.
    b. Discount rate – a rate of 12 percent will be used as the opportunity cost for World Bank funds, in line with similar World Bank projects[46].
    c. Starting year for returns – it is generally excepted and has been assessed by the project team as there being a two-year delay (2020) before returns are seen from the projects activities that have direct monetary benefits. This allows for the setting up of the VC support, training to youth entrepreneurs, BPC and Matching Grant program, acceptance of applications where appropriate and disbursement of money.

[46] Including previous World Bank projects in DRC and the DRC SME Growth and Development project: http://wbdocs.worldbank.org/wbdocs/viewer/docViewer/indexEx.jsp?objectId=090224b081bc5b28&respositoryId=WBDocs&standalone=false.

d. Lifespan of the project – Project benefits for the lifespan of the project will be estimated at ten and seven years for sensitivity analysis.

14. Nonmonetary benefits from the project will flow mostly from Component 1 which focuses on improvement in the business climate and investment promotion. The generation of these benefits will be important for supporting the overall success of the project, however the benefits will not be internal or restricted to individual project beneficiaries. Benefits will accrue to the public and wider business community as well which means they are considered quasi-public goods regarding this economic and financial analysis and thus are not considered in the ERR calculations. Benefits from "support services", training and TA provided to young entrepreneurs will also not be able to be fully quantified, although a multiplier as expanded upon later in the section has been applied for the sub-components.

15. There is much evidence on the relationship between improvements in the business climate and the benefits to be gained from investment promotion as well as on "support services", training and TA externalities. Qualitative analysis around the impact of these can be found in analysis of the separate components further on in this section.

16. The table below identifies the main costs and benefits that are being assumed in the calculations for each component/sub-component. Costs and benefits listed in the table below are both direct, associated with implementation of the project and indirect/externalities of economic and financial benefits:

Table 6.3 List of potential costs and benefits

Component 1: Regulatory and institutional support to strengthen the enabling environment for Private Sector Development (US$10 million)	
1.1 Investment climate reform and public private dialogue (US$ 3 million)	**Costs** - Direct financial outflows of identifying constraints, defining and implementing adoption of sectoral laws/policies, sector studies, support to development of a collateral registry, support the improvement of PPD. - Indirect expenditures in the form of increased workload of personnel for local government and other donors
	Benefits - Increased capacity of local institutions, benefit to economy from better-informed policies and PPD platorm. - 12 Investment climate reforms implemented. 30 procedures under 6 Doing Business indicators streamlined. 18 measures/recommendations proposed by the PPD process endorsed for implementation. Enabled business environment for all the MSMEs: a paper establishes that, on average, each business

		regulatory reform is associated with a 0.15 percent increase in growth rate of GDP[47].
1.2 Targeted promotion of investment in domestic and foreign trade (US$ 2 million)	**Costs**	- Direct financial outflows of development of strategies and action plans and operationalization.
	Benefits	- Increased capacity of local institutions, benefit to economy from better-informed policies and strategies. - API Investment Promotion Strategy and Business Plan developed.
1.3 Transport sector and industrial infrastructure management and development (US$ 5 million)	**Costs**	- Direct financial outflows of institutional and regulatory reform, TA related to integrated infrastructure planning, investment mobilization and PSP management.
	Benefits	- Increased capacity of local institutions, benefit to economy from better-informed policies and strategies. - Indirect benefits of increased and improved transport and logistics infrastructure.
Component 2: Direct support to MSMEs to enhance the development and competitiveness of selected value chains (US$12 million)		
2.1 Entrepreneurship promotion and development (US$ 4 million)	**Costs**	- Direct financial outflows on hiring of BPC management firm, conducting of strategic studies and communication strategy, impact assessment, training and grants. - Administrative expenses incurred by SMEs for preparing business plans and performance reports (mostly outweighed by gain in experience)
	Benefits	- Direct benefits for 100 SME receiving grants awarded through the BPC. - Direct discounted financial inflow from increased revenue (economic) growth generated by creation of new and formalized SMEs, employment for households and VAT for the government, improved access to finance of SMEs, increased availability of goods and services, increased employment in private sector.

[47] JI Haider (2012), The impact of business regulatory reforms in economic growth, Journal of Japanese and International Economies, 26 (3), pp. 285-307.

	- Indirect economic impact from the training of 1,000 individuals: A combined set of 18 case studies shows that every dollar invested in SME development generates, on average, an additional 12 dollars in the local economy[48]. - Services procurement opportunities for capacity building institutions and business trainers. - Spillover effects in terms of technology transfers and multiplier (benefits not taken into account in the analysis)
2.2 Support and Development grants (US$ 8 million)	**Costs** - Direct financial outflows on hiring of the EPD grant and SD grant service provider firm, conducting of strategic studies and communication strategy, impact assessment, training and grants. - Administrative expenses incurred by SMEs for preparing business plans and performance reports (mostly outweighed by gain in experience).
	Benefits - Direct benefits for 200 MSMEs and up to 10 associations (GIEs) receiving BDS and TA grants. - Direct discounted financial inflow from increased revenue (economic) growth generated by assisted MSMEs and GIEs, employment for households and VAT for the government, increased availability of goods and services, increased employment in private sector. - Indirect economic impact from the beneficiaries: A combined set of 18 case studies shows that every dollar invested in SME development generates, on average, an additional 12 dollars in the local economy[49]. - Services procurement opportunities for capacity building institutions and business trainers. - Spillover effects in terms of technology transfers and multiplier (benefits not taken into account in the analysis).
Component 3: Project implementation and coordination (US$3 million)	

[48] SEAF (2007), From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises Data Survey and Case Study Analysis of SEAF Investments, October 2007, Washington DC, http://seaf.com/wp-content/uploads/2014/10/From-Poverty-to-Prosperity1.pdf

[49] SEAF (2007), From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises Data Survey and Case Study Analysis of SEAF Investments, October 2007, Washington DC, http://seaf.com/wp-content/uploads/2014/10/From-Poverty-to-Prosperity1.pdf

	Costs - To be split across sub-components based on weighting with additional 5% for indirect expenditures in form of increased workload for the government as well as administrative expenses incurred by SMEs for preparing business plans, government staff working for the PMU, and participant SMEs internal costs being deducted in the assessment - Direct financial outflows on impact evaluation and monitoring frameworks. - Indirect expenditures in form of increased workload of public servants.
	Benefits - Capacity building for central and local governments staff working with different PMUs.

G. *Calculation of ERR*

17. The estimated ERR reflect the value for money of the investments under these components. They account for benefits accrued from greater revenue and employment in firms and multiplier effects. The long-term benefits of some activities (particularly the business climate reforms and the capacity strengthening of institutions) will be estimated by using available economic studies. The opportunity cost of World Bank funds is estimated at 12 percent.

18. Regardless the direct/indirect relationship between the project activities and their expected benefits, the economic and financial analysis will be performed by components/subcomponent and sensitivity analysis will be carried out by altering initial assumptions with more pessimistic case and a worst-case scenario such as shorter period for accrual of benefits and lower economic impact (multiplier effect).

Component 1: Regulatory and institutional support to strengthen the enabling environment for private sector development (US$10 million)

19. *Sub-component 1.1 – Investment climate reform and public private dialogue (US$3 million).* This sub-component, through the activities laid out in the appraisal document will aim to lead to 12 investment climate reforms implemented, 30 procedures under 6 Doing Business indicators streamlined, and 18 measures/recommendations proposed by the PPD process endorsed for implementation. Benefits will come from better coordination of economic activities as well as the business climate improvement in general. Enabled business environment for all the MSMEs: a paper establishes that, on average, each business regulatory reform is associated with a 0.15 percent increase in growth rate of GDP[50], the analysis will apply a multiplier of 5. Expenditure in the business environment improvement, applying the multiplier of 5 yields an economic impact of US$15 million dollars with an ERR for this component of 56 percent.

[50] JI Haider (2012), The impact of business regulatory reforms in economic growth, Journal of Japanese and International Economies, 26 (3), pp. 285-307.

Table 6.4 Economic benefits using multiplier effects

Improvement of investment climate/business environment (Sub-component 1.1)	**Multiplier**	**Formula**	**Undiscounted economic benefit**
Expected	5	US$ 3 million x 5	US$ 15 million
Sensitivity	3	US$ 3 million x 3	US$ 9 million

20. *Sub-component 1.2 – Targeted promotion of investment in domestic and foreign trade (US$2 million).* This sub-component, through the activities laid out in the appraisal document will aim to lead to an API investment strategy and business plan being implemented, tourism promotion and investment promotion support for industrial infrastructure. Due to the difficulties in calculating direct monetary benefits for these activities, they will not be included in the ERR calculations for the project. This means that the overall ERR for the project may be understated. However, qualitative analysis gives a good indication of how the economy may see benefits from these types of activities. Literature points to net tax benefits from corporate taxes, customs duties and employment taxes paid as well as diffusion of new technologies through increased FDI, HR and management expertise[51]. UNCTAD highlights benefits including knowledge transfers, access to international markets and new competition[52]. Tourism has the potential to significantly reduce poverty and increase shared prosperity. In 2013, for example tourists spent US$413 billion in developing countries – nearly three times the level of development assistance that year which placed tourism in the top five export income-earning categories for 83 percent of developing countries. Additionally, it provides more employment opportunities for women and youth than almost any other industry[53].

21. *Sub-component 1.3 – Transport sector and industrial infrastructure management and development (US$5 million).* This sub-component, through the activities laid out in the appraisal document will aim to lead enhance the management and development of transport and industrial infrastructure sectors, through targeted policy and regulatory reform, institutional capacity building, investment planning and mobilization. Both policy and regulatory reform activities and institutional design and capacity building to strengthen industrial infrastructure investment planning and mobilization will take place. As with component 1.2, the difficulty in calculating direct, quantifiable monetary benefits for this component means that the benefits will not be included in the ERR calculations, leading to an understatement of the returns from the project. Literature shows that transport and logistics infrastructure provides access to consumer markets, connects raw materials to beneficiation markets, promotes regional integration and ultimately, improves connectivity to the global economy. On a microeconomic level, transport and logistics infrastructure has a direct impact on a country's handling capacity for imports and exports, distribution route development, the frequency of shipments and the cost for freight handling, storage, distribution and related services. All of which greatly increase a country's competitiveness. The importance of the economic benefits from RoC's development of transport and logistics cannot be understated with the Pointe-Noire port's potential to serve as a "gateway" to Central Africa.

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[51] OECD, Policy Framework for Investment User's Toolkit. http://www.oecd.org/investment/toolkit/policyareas/investmentpromotionfacilitation/41246119.pdf.
[52] UNCTAD (2001), The World of Investment Promotion at a Glance: A Survey of Investment Promotion Practices.
[53] World Bank (2015), Towards More Effective Impact Measurement in the Tourism Sector Observations and Key Issues.

Component 2: Direct support to MSMEs to enhance the development and competitiveness of selected value chains (US$12 million)

22. *Sub-component 2.1 – Entrepreneurship promotion and development (US$4 million).* This sub-component will primarily be executed through a business plan competition, and will aim to create the conditions for new firms and entrepreneurs to improve their goods/services and facilitate access to national and regional markets. The BPC will offer entrepreneurs financial and non-financial support services, promote the culture of entrepreneurship among youth and female entrepreneurs and build local capacity to deliver business development services for newly created firms. The estimated benefits are expected to accrue from increased revenue growth, government tax revenues and employment growth. The assistance will be implemented over stages covering the pre-selection, selection and aftercare of selected candidates, after which a final selection of 100 entrepreneurs will be retained to receive seed financing of an average of US$50,000 per entrepreneur and technical assistance. The ERR for this sub-component is expected to be 37 percent ERR for 10 years.

23. The ERR is based on the following additional assumptions:
    a. Constant sales and employment growth are assumed for the 7 and 10-year period.
    b. The project intervention will aim for annual sales growth rates for revenue of newly created firms of 12.6 percent and new employment to be 25 percent growth rates (1 new employee every 4 years).
    c. 20 percent of firms will demonstrate an additional increase in annual turnover from the support provided from year three (2021).
    d. Without project intervention will assume growth rates for annual sales growth rate of 6.6 percent[54] and new employment of 9.4 percent[55] in line with existing SMEs.
    e. An estimated minimum wage will be used to calculate monetary benefits from the growth in employment of US$2,000 or FCFA1,080,000[56].
    f. The actual ERR for SMEs would be higher if it included benefits related to firm investment (enabled by the matching grants), greater value chain participation, spillovers, and tax benefits (excluding VAT).
    g. Business tax of 0.65 percent on turnover.
    h. Average grant for each BPC is US$50,000.

24. *Sub-component 2.2 – Support and Development grants (US$8 million).* This sub-component will focus on existing MSMEs and provide business development services, equipment and technical assistance to 200 MSMEs and up to 10 associations of MSMEs (GIEs) to enhance their operational and technical capacities. This component will cost US$8 million. For the analysis, the focus will be on the support and returns to the MSMEs with the cost for support to the GIEs folded in. This means that the returns from this sub-component will be underestimated. The ERR for this sub-component is expected to be 62 percent ERR for 10 years.

[54] Enterprise Survey data for DRC 2013 used as a comparator, the Enterprise Survey for RoC was last conducted in 2009 before the oil price crisis and rated SME sales growth at 16.6 percent which is considered unrealistic with the current climate.
[55] Enterprise Survey data for RoC 2009 used.
[56] https://www.minimum-wage.org/international/republic-of-the-congo.

25. The ERR is based on the following additional assumptions:

   a. Targeted beneficiaries will fall in line with definitions set by the project team and based on definitions given by the MSME promotion and development law (046-2014) meaning that for the analysis an average turnover of FCFA25,000,000/US$45,000 will be used.
   b. An estimated minimum wage will be used to calculate monetary benefits from the growth in employment of US$2,000 or FCFA1,080,000[57].
   c. After 4 years, new firms will be considered established, after which constant sales and employment growth are assumed for the remainder of the 7 and 10-year period. Sales will be assumed at 0 before that.
   d. 50 percent of the firms that received support will still be operational after 24 months (2020)
   e. The project intervention will increase the baseline growth rates for revenue by 3 percentage points to 12.6 percent and new employment is assumed to be 14.1 percent growth rates for existing SMEs.
   f. Without project intervention will assume growth rates for annual sales growth rate of 6.6 percent[58] and new employment of 9.4 percent[59].
   g. The actual ERR for this component would be higher if it included benefits related to firm investment (enabled by the matching grants), greater value chain participation, spillovers, and tax benefits (excluding VAT) and related costs and benefits for Window C and the 10 GIE. However, there is no scope for making assumptions or comparisons etc based on the formation of GIE and so this has not been included.
   h. Based on eligibility criteria and discussions with the project team, average grants for the Windows A and B, used in the analysis is US$40,000
   i. Based on eligibility criteria and discussions with the project team, subsidy coverage ratio of 15 percent based will be used in the analysis. This is based on, dependent on the size of the firm, a five percent, 10-20 percent and 20 percent coverage subsidy for Window A/BDS and 50 percent coverage subsidy for all firms for Window B/Equipment. There is currently no indication of how many firms and of what size will apply for what type of matching grant.

Component 3: Project implementation and coordination

26. The importance of this component cannot be overstated and as lessons learned from PADE show it is essential to ensure achievement of objectives and smooth running of the project while reduce risks including those such as non-compliance etc. However, for a deeper and safer economic and financial analysis, the cost of this subcomponent was divided among the other subcomponents, and taken as additional cost for them. The table below shows the amendments made to the cost of the components in the economic analysis (please note that costs listed under each component thus far are those stated by the project and do not include the additional cost. See table 6.1 for detailed weighting.

[57] https://www.minimum-wage.org/international/republic-of-the-congo.
[58] Enterprise Survey data for DRC 2013 used as a comparator, the Enterprise Survey for RoC was last conducted in 2009 before the oil price crisis and rated SME sales growth at 16.6% which is considered unrealistic with the current climate.
[59] Enterprise Survey data for RoC 2009 used.

Table 6.5 Project costs with additional project implementation and coordination amount included

	Cost (US$ millions)	Implementation cost (US$)	Total cost with implementation allowance (US$)
Component 1: Regulatory and institutional support to strengthen the enabling environment of Private Sector Development	**10**	**1,417,500**	**11,417,500**
1.1 – Investment climate reform and public private dialogue	3	428,400	3,428,400
1.2 – Targeted promotion of investment in domestic and foreign trade	2	283,500	2,283,500
1.3 – Transport sector and industrial infrastructure management and development	5	715,050	5,715,050
Component 2: Direct support to MSMEs to enhance the development and competitiveness of selected value chains	**12**	**1,732,400**	**13,732,400**
2.1 – Entrepreneurship promotion and development (BPC)	4	573,300	4,573,300
2.2 – Support and Development Grants (Matching Grant Program)	8	1,146,600	9,146,600
Component 3: Project implementation and coordination	**3**	**-**	
TOTAL	**25**		
5% Indirect costs	0.15		

H. *Risk and Sensitivity Analysis*

27. Assumptions about cost and benefit parameters are made based on literature review, the enterprise survey for RoC, relevant expert opinion and statistical data so are therefore liable to error. Sensitivity analysis applied to the ERR to analyze the effect of differences in the assumed cost parameters should accommodate possible errors. Hence switching values for the variables of interest were calculated, and set out in this section.

28. To test viability and the sensitivity to shocks of the project, all the assumptions and results above were altered to calculate net benefits in a more conservative case and a worst-case scenario. Base case calculations, shows an ERR of 55 percent over a 10-year life span of the project.

    a. Conservative case: Expected number of years of project outcomes reduced from 10 to 7.
    b. Worse case: Expected number of years reduced from 10 to 7 and multipliers reduced by 2 points from 5 to 3 in the case of business climate reforms.

Table 6.6 ERRs under sensitivity analysis cases

Project sub-components	Base case (10-year period and multiplier of 5)	Conservative case (7-year period and multiplier of 5)	Worst case (7-year period and multiplier of 3)
Overall project	**55**	**53**	**47**
1.1 – Investment climate reform and public private dialogue	56	55	27
2.1 – Entrepreneurship promotion and development (BPC)	36	31	n/a no multiplier
2.2 – Support and Development Grants (Matching Grant Program)	62	60	n/a no multiplier

29. The ERRs are all well above 12 percent that would indicate that net benefits will occur from the project. The ERRs are also higher than the estimated BEAC commercial bank prime lending rate of 14 percent in December 2017[60]. Even with the worst-case sensitivity analysis carried out, the analysis indicates that net benefits will still be achieved, although the net benefits from component 1.1 do decrease sharply. In the conservative case with a decrease in the period that project benefits would be expected Components 2.1 and especially 2.2 maintain their solid ERRs. The overall project ERR does show a drop in the worst case scenario as well, but also still well above 12 percent.

30. There are potential factors that have been identified that could affect the achievement of the project objective that are outside the control of the project team. These include policy interventions that may induce distortion and exacerbate market failures on the targeted sectors and exogenous shocks and externalities caused by further deterioration of fiscal conditions that could result in social unrest, and political regional instability. This is particularly important given the effect that the that the drop-in oil prices had on the RoC economy and also on delivery of PADE.

I. Alternatives

31. Consideration of alternatives and qualitative analysis of justifications for the project will be presented in summary here. Other annexes in the PAD explain in more details why various interventions have been chosen (Annex 4 - Lessons Learned from WBG Operations and Annex 5 – Business Plan Competition – Lessons from the WBG projects in Africa) and also highlight key lessons learned from PADE (Annex 7 – Lessons Learned from PADE). Key variables are deemed to be the choice of location (corridors), the sectoral focus (agribusiness, services, tourism and transport and logistics), the type of intervention (specifically business climate and investment promotion support) and the targeted beneficiaries (specifically the choice of youth as a separate target group).

[60] CIA World Factbook, *https://www.cia.gov/library/publications/the-world-factbook/rankorder/2208rank.html*.

32. *Location* While RoC is a small country, other locations could have been chosen for project intervention than the two stated corridors Brazzaville-Ouesso and Brazzaville-Pointe Noire.

33. *Sectoral focus.* More active targeting within the private sector, rather than just focusing on “non-oil” sectors more generally would allow for better identification of synergies and linkages between the different components and more tailored intervention to support key non-oil sectors and development of those value chains. Overall the objective of the project was clearly in line with what RoC government wanted to achieve and also what the World Bank felt was needed in regard to economic diversification. The project aimed to integrate both improvement of the business climate and the strengthening of capacity of the private sector and support to the development of value chains. However, in implementation there appeared to be a lack of linkages and synergies generated between these objectives. For this reason, PADEC is focused in the sectors that it will be supporting.

34. *Type of interventions.* Business climate and investment promotion support was considered a necessary priority even though any returns may be hard to quantify and to directly attribute (compared to the support given through Component 2). Dependency on oil-derived rents is considered to have contributed to an adverse institutional and governance environment which has constrained private sector led growth and competitiveness. Identified constraints to the growth of non-oil opportunities also indicate the need for the type of interventions chosen to address the weak institutional framework in charge of enterprise growth and development, as adverse business environment (RoC was ranked 177th out of 190 countries in the most recent Doing Business Report) and to the inadequate skills found to meet private sector needs.

35. *Targeted beneficiaries.* While different sized SMEs have been chosen with an additional focus on value chains GIEs, an intentional choice was made regarding support to youth entrepreneurs. Unemployment in RoC is high, estimated at 25 percent, and escalated to even higher rates for youth, estimated at 42 percent. The necessity for provision of jobs, and good jobs is necessary. Projects conducted by the WB and other work indicates that tailored support to youth entrepreneurs and their specific needs could see additional and maximized benefits over the beneficiaries trying to access support through the more generally targeted interventions.

ANNEX 7: LESSONS LEARNED FROM PADE

1. The World Bank Implementation Completion and Results Report (ICR) for PADE was started during the most recent supervision mission to the Republic of Congo (RoC) in October 2017, and with the closing of the PADE project on December 31, 2017 the Project Management Unit (PMU) internal ICRs were completed. Two reports were produced on the overall PADE project and one specific to the Matching Grant (FACP) component.

2. A summary of the lessons learned gathered from these reports is presented here. These lessons, along with informal team and PMU discussions including contributions to the Aide-Memoire for the last PADE mission in October 2017 have been integrated throughout the PAD and preparation work for PADEC and will continue to be considered in the re-formation of the PMU and strengthening of its capacity.

Overall lessons learned.

3. **More active targeting within the private sector, rather than just focusing on "non-oil" sectors more generally would allow for better identification of synergies and linkages between the different components and more tailored intervention to support key non-oil sectors and development of those value chains.** Overall the objective of the project was clearly in line with what RoC government wanted to achieve and what the World Bank felt was needed regarding economic diversification. The project aimed to integrate both improvement of the business climate and the strengthening of capacity of the private sector and support to the development of value chains. However, in implementation there appeared to be a lack of linkages and synergies generated between these objectives. For this reason, PADEC is focused in the sectors that it will be supporting.

4. **Eliminating counterpart funding requirements and better leveraging the institutional capacity of the RoC government in PADEC should prevent several issues and delays from occurring.** Perhaps the key constraint facing implementation and achievement of the original objectives of the PADE project were the project cashflow issues. With the crash in oil prices, the RoC government was not able to provide the 50 percent counterpart funding that had initially been promised during the preparation of PADE. It would be fair to say that PADE overestimated the stability of oil resources/prices at the start of the project. This led to the second restructuring after which with the limited amount of project time remaining, it became more of a 'salvage operation' around which activities could still be implemented and completed.

5. **Careful design of the project level and intermediate indicators is required along with explicit and careful communication on the indicators and how they should be measured and data gathered etc**. A redesign and much more intensive technical assistance needs to be given to the PMU to ensure the required skills and capacities exist for implementation, monitoring and evaluation of specific project activities as well as the overall project. While M&E was clearly in place for PADE and data was collected, and recorded, it was not as strong as necessary. This has led to less than robust attribution for data on the achievement of indicators. Initially, the PADE project shared its M&E Office with the AfDB PACADEC project, which along with the lack of

measurable activities implemented meant that no M&E/Results Framework was reported on until 2016, the penultimate year of the project. Furthermore, the data that was received came only from a few beneficiaries and the attribution of increases in investment, revenue and job creation are not strong.

6. **A good communication strategy is required for all levels of the project.** There was no specific communication, marketing or dissemination plan to be included in PADE and in hindsight this had an impact on the effectiveness of some of the activities. For example, the internal ICR highlighted that targeted communication regarding the reforms made for the business climate could have led to a higher rate of implementation/ adoption.

7. **Baseline studies and better consultation on the needs of beneficiaries would lead to better results and more meeting of expectations.** This has been overcome, perhaps, in the case of the PADEC with the results and lessons learned from PADE which it is hoped will allow for a much quicker move to effective implementation.

8. **Several performance issues were evident at the project coordination level and overcoming these may see significant gains to the overall project.** It took a long time to get the PMU up and running (around a year) which led to delays in being able to start project activities. The institutional memory that exists should be maintained, where possible. There was high turnover amongst coordinators which led to a lack of consistency in leadership, but also a lack of focus and general guidance for the rest of the PMU. Details contained in the ICRs done indicate that there are also several new and support roles that would need to be created based on the volume of work generated by various activities, many of which are being replicated or developed further in PADEC. The change in oversight arrangements for the PMU in PADEC should also alleviate some of the higher-level RoC government guidance and direction that appeared to be missing during PADE.

Direct support to MSMEs lessons learned

9. In the same vein as PADEC, PADE included implementation of a support and development fund known as the *Fonds d'Appui a Couts Partages* (FACP). The FACP also provided the main basis for the project's intermediate indicators. Lesson learned on M&E are considered above under general lessons for the project.

10. **The level of development of SMEs and value chains in RoC required more attention to be given to communication, education and training.** A low level of understanding of value chains in RoC and thus the success of the seven created GIEs indicates the need for more for a value chain approach. Similarly, observations indicate that lack of communication and understanding around the aims and scope of the FACP led to a high rate of ineligible applications for grants which meant giving support to those that were eligible was further delayed.

11. **The need for support for the entrepreneurial spirit and more formative support for new/not yet created entrepreneurs is very much required in RoC.** Design of PADE2 such as the sub-component fund on entrepreneurship promotion and development not only draws on technical

assistance from PADE (such as design of the Business Plan Competition), but also from the lesson learned that additional support was needed in the form of support to entrepreneurs in RoC more widely and particularly support of those in their infancy. In the case of the Business Plan Competition activity this was part of one of the earlier iterations of PADE but due to aforementioned issues did not take place. However, the reasoning behind the need for the project remains and was indeed further proven by the experience of the FACP and so will be fully implemented in PADEC.

12. **The importance of providing more detailed classification of beneficiaries and the types of support that they need will allow for targeted success.** The two general windows that were original envisaged under the FACP for PADE meant that there was as wide range of SMEs that applied at very different levels of establishment and exhibiting different constraints and needs. The three windows and two-tier facility that is being proposed under PADEC should alleviate some of this lack of clarity and allow for better understanding amongst potential beneficiaries of how their needs can be met and allow for more targeted support by the fund. A link to funding resources and guarantee funds would greatly aid SMEs in continued growth.