



# Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Nov-2019 | Report No: PIDC27619

**BASIC INFORMATION****A. Basic Project Data**

Country Congo, Democratic Republic of	Project ID P171762	Parent Project ID (if any)	Project Name DRC Multisectoral Technical Assistance Project (P171762)
Region AFRICA	Estimated Appraisal Date Jun 10, 2020	Estimated Board Date Mar 24, 2020	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Democratic Republic of Congo	Implementing Agency Comité technique du suivi des réformes (CTR)- Ministry of Finance	

**Proposed Development Objective(s)**

The project development objective is to strengthen core government systems, transparency and accountability of key institutions and sectors.

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	200.00
<b>Total Financing</b>	200.00
<b>of which IBRD/IDA</b>	200.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	200.00
IDA Grant	200.00

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

1. **Despite its rich endowments, the DRC is one of the world's poorest countries with a 2017 per capita gross domestic product (in PPP 2011) of US\$432<sup>1</sup>.** With a land surface area of 2.3 million km<sup>2</sup>, it is the largest country in Sub-Saharan Africa (SSA). The country's natural resources endowment includes the world's largest diamond reserves, major reserves of other minerals, over 80 million ha of fertile and arable land, and 52 percent of all fresh water resources in SSA. The DRC could potentially feed one billion people if the existing agricultural potential were fully exploited. However, around 64 percent of its population, which is estimated at 81.3 million, lives in poverty (under the US\$1.9-a-day poverty line in 2018). After Nigeria, the DRC has the second largest number of extreme poor in SSA. According to the latest World Bank projections, around 73 percent of the population lived on less than \$1.9 per day in 2018, and the country is ranked 146th out of 157 countries in terms of the Human Capital Index.

2. **Economic activity in the DRC strengthened in 2018 as a result of a favorable domestic and international environment.** Growth accelerated to 5.8 percent in 2018 up from 3.7 percent in 2017, after having slowed to 2.4 percent in 2016. The pace of the recovery remains significantly below the average growth rate of 7.7 percent experienced by the country during the commodity price super-cycle between 2010 and 2015. The extractive industries sector remains the principal driver of growth as international commodity prices and domestic mineral production continued to rise. Mining activity increased by 12.8 percent in 2018, accounting for 80.8 percent of the country's growth. Cobalt, copper and oil productions—the main export products of the DRC—grew by 92.5 percent, 8.7 percent and 9.4 percent, respectively at the end of September 2018, compared to the same period in 2017. The external accounts deteriorated sharply to -3.9 percent of GDP in 2018, but the level of international reserves improved significantly, favoring a stable exchange rate market and a substantial fall in inflation to 7.2 percent. Despite a fiscal surplus of 0.1 percent of GDP, fiscal space remains tight, leading to persistent low public spending, especially investment and pro-poor expenditures. Short and medium-term prospects remain favorable with growth projected to further accelerate from 5.5 percent in 2019 to 6.8 percent in 2022 despite persisting external vulnerabilities.

3. **Prolonged political instability and crumbling state institutions have severely limited the ability of successive governments to maintain (let alone to improve) the living standard of the population.** Political instability has prevented the emergence of a stable coalition of elites, which in turns prevents elites to coalesce on strategic objectives such as peace, security and prosperity for all and related implementation mechanisms. The lack of checks and balances, elite capture, and the high level of corruption are signs of the DRC's inability to establish inclusive and strong institutions to deliver the development agenda of the country. The Systematic Country Diagnostic (SCD)<sup>2</sup> for the DRC argues that elite capture and predation lead to a diversion of public resources for the own benefit of the elite in power. Corruption remains widespread and failed state institutions, including the public companies, have been unable to deliver the policies to build the foundations of a strong, diversified, and resilient economy and to deliver key services. The decentralization agenda

<sup>1</sup> World Bank Macroeconomic outlook for DRC 2017.

<sup>2</sup> World Bank. 2018. Congo, Democratic Republic of - Systematic country diagnostic.



has replicated the dysfunctions of the central government to provinces and local government entities that lack the means and capacity to discharge their functions, which has resulted in the spread of governance malpractices, such as patronage, raptage, and the privatization of public office at the local level. The country's heavy dependence on natural resources makes it highly vulnerable to external shocks, making the extractive sector and its governance (and the mining sector in particular) critical to ensuring a sound, efficient, and sustained development model.

4. **There have been some signs of change, albeit slow and uneven.** In January 2019, the electoral commission announced that Félix Tshisekedi, the leader of the largest opposition coalition, had won the 2018 general elections. Despite controversy around the integrity of the results, most countries have acknowledged the legitimacy of the new government. While the political situation remains unstable, the security situation seems under control in most of the country except in few areas of the Central and Eastern provinces, which have been affected by recent and recurrent violence respectively.

#### Sectoral and Institutional Context

5. **Domestic revenue mobilization remains below potential and affects the ability of the Government to spend on growth supporting spending and pro-poor programs.** Government revenue (tax and non-tax revenues) has been declining - from 14.3 percent of GDP in 2010 to 8.1 percent in 2017- and is one of the lowest in SSA, reflecting deep weaknesses in the country's tax system. The current level of domestic revenue falls short to support the core functions of a State, let alone a more robust development agenda of the country that deals with the widespread poverty and the pronounced needs for basic social services. Hence, the protracted decline in public revenue undermines the prospects for sustained and inclusive growth and is weakening the essential functions of the State and to hinder new government social programs (e.g. free education).

6. **The low revenue mobilization in the DRC reflects inadequate tax policies and ineffective institutional and administrative arrangements and processes.** On the *policy* side, one of the major causes of weak domestic revenue mobilization is the magnitude of tax exemptions conservatively estimated at 2.3% of GDP by the World Bank tax gap study<sup>3</sup>. These exemptions are discretionally granted under a set of 13 legislations, including the Tax and customs code, the Mining code, special mining conventions, specific-sector codes (e.g. for agriculture), the Investment code, etc. A main area of exemptions is related to mining, oil and minerals contracts, where favorable negotiated terms are granted to companies by the Government. Another significant weakness is the multiplicity of tax laws and regulations. Apart from customs duties which are consolidated in a single text, several elements of internal taxation are dispersed in a multitude of codes, laws, decrees and other texts both at the level of the central government and the decentralized entities. This generates significant economic risks and costs for private sector as well as individuals.

7. **On the administrative and institutional sides, low capacity, fragmentation, and suboptimal arrangements are evident.** Revenue collection is fragmented between three main agencies- the Internal Revenue Service (*Direction Générale des Impôts*, DGI) for the collection of internal taxes; the Directorate General of Customs and Excise Duties (*Direction Générale des Douanes et Accises*, DGDA), for taxes on international trade and internal excises; and the Directorate General of Non-Tax Revenue (*Direction Générale des Recettes Administratives, Domaniales, Judiciaires et de Participations*, DGRAD), assigned to the collection of non-fiscal and parafiscal revenues- and several supplementary agencies. Addressing this fragmentation and the lack of cooperation and coordination between the DGI, the DGDA and the DGRAD, and the twenty-six provincial tax administrations, is a prerequisite for improving revenue collection.

8. **Another weakness is the low utilization of digital technologies to collect taxes.** The DRC currently lacks an effective tax information system, electronic filing (except for the DGDA where ASYCUDA World is installed) and mobile or

<sup>3</sup> Etude sur les Ecartis Fiscaux, Banque mondiale, 2017.



electronic payments are underdeveloped, documents are not archived electronically and the use of websites for administrative arrangements, information on taxes and exemptions, and relations with taxpayers, is very modest. Although new digital tools have been developed<sup>4</sup> to improve data exchanges between all revenue management entities (DGDA, DGI, DGRAD, Treasury, and Central Bank) and track revenue collected in real time, they are yet to be operational.

9. **Effective internal controls and audit in tax and customs administrations, as well as specialized training, are also lacking.** While DGI and DGDA have established audit units, they lack capacity, skills and institutional arrangements to undertake and manage effective controls based on risks. DGRAD does not even have specialized units dedicated to internal control and audit. Some institutions have training plans but specialized training for civil servants on monitoring and auditing specific revenue sectors such as the mining sector, banking and insurances services, telecommunications, petroleum products, is almost non-existent.

10. **To address these weaknesses and increase the tax system performance, the Government has initiated the revision of the Public Finances Reform Strategic Plan (PFRSP).** The plan was initially adopted in 2010 and offers a harmonized framework to channel the Government's development actions and donor interventions. The reforms contemplated in the draft PFRSP aim at enhancing the horizontal and vertical equity and distributive effect of the Congolese tax system by focusing on several priority areas, some of which will be supported by the proposed project.<sup>5</sup>

11. **The procurement system of the DRC suffers from serious weaknesses which undermine its performance and credibility.** The preliminary findings of the ongoing MAPS 2<sup>6</sup> assessment conclude that the main shortcomings of the system are: (i) the lack of an effective integrated computerized information system (considered the most important weakness)<sup>7</sup>; (ii) limited leadership due to lack of clarity of roles<sup>8</sup>; (iii) absence of integration of procurement into the expenditure chain; (iv) insufficient human and financial resources in the main institutions; (v) disconnect between staff qualifications and management needs; (vi) lack of performance standards; (vii) lack of a strategy for capacity building and professionalization; and (viii) weak internal control and audit resulting in corruption, insufficient transparency and participation of civil society, as well as deficit of credibility and confidence in the system by private sector operators. On the other hand, the assessment finds that the legal and regulatory framework is solid, and the overall institutional architecture is sufficient, although its implementation is not without challenges<sup>9</sup>. Another positive element is the emerging interest of civil society in public procurement issues and transparency in budget implementation.

<sup>4</sup> For example, with support from the French Development Agency funded project (C2D).

<sup>5</sup> The priority areas of PFRSP include: (i) *Expansion of the tax bases and improved rate structure on a number of tax sources* through rationalization of tax exemptions; increased excise rates on items with negative externalities (sin tax areas, pollution); revised tax structure; and strengthened efforts on international taxation; (ii) *Generic tax legislation on income taxation* including a new law to consolidate all legal and procedural information on tax, non-taxes and parafiscal sources in one single document or information platform, to ensure predictability and visibility in the taxation for enterprises and other taxpayers; (iii) *Rationalization and improved fiscal management of tax expenditures* which includes the elimination of all discretionary tax expenditures related to all tax sources and targeted elimination of tax expenditures in the tax, customs, investment, and sector codes; and (iv) *Strengthening revenue mobilization in the mining sector* focusing on implementation of the new mining code; and preparing of a law setting out the procedures for collecting mining royalties.

<sup>6</sup> MAPS stands for Methodology for Assessing Procurement Systems.

<sup>7</sup> The current system is entirely manual and paper-based and cannot be used as a tool for performance management. The lack of a functioning information system hinders transparency, making it impossible to monitor procurement procedures from beginning to end and to identify challenges, obtain accurate information for course correction and provide strategic guidance. The incomplete information prevents the regulatory authority from performing its functions efficiently.

<sup>8</sup> Regarding lack of leadership, there is no provision in the Congolese legislation defining which entity oversees public procurement. Responsibilities for procurement are currently fragmented among several institutions, which work independently of each other, without communication and coordination. The regulatory authority for public procurement, *Autorité de Régulations des Marchés Publics* (ARMP), was set up in 2010 under the authority of the Prime Minister's office. Its principal goal is regulating and auditing public procurement throughout the DRC. The Department of Public Procurement (DGCMP), under the Ministry of Budget, is responsible for ex ante control of contracts above certain thresholds. Contracting authorities report to sectoral ministers or Director Generals in the case of public companies and public institutions.

<sup>9</sup> The legal, regulatory and institutional framework for procurement in the DRC dates to 2010 when Parliament passed a new public procurement law. The law aims to increase transparency in government procurement, however, little progress on its implementation has been made and



12. **The public service system of DRC is plagued by deficiencies which make it often dysfunctional.** These include: (i) an outdated and fragmented legal framework; (ii) lack of an integrated HR management system for civil servants; (iii) an over-aged public service in which women are underrepresented, especially at senior positions; (iv) limited capacity to design and implement public policies; and (v) an opaque and inequitable wage system which creates opportunities for patronage and rent-seeking. Specifically, the HR management system involves three institutions that are not well coordinated. The Ministry of Public Service is responsible for the overall management of civil service and maintains a database, the payroll department in the Ministry of Budget is responsible for the wage bill (and maintains a different database), while the Ministry of Finance is in charge of salary payments. Line ministries maintain their own databases. The lack of integration between these institutions creates substantial inconsistencies between databases and increases the scope for abuses including improper hiring and remunerations that open the door to double-dippers and ghost workers. In addition, the lack of coordination contributes to illegal hiring, an inflated wage bill, and an opaque and unequal pay system. The exact number of civil servants remains unknown and management of retirement is also hampered by the lack of comprehensive and high-quality data. Taken together, these problems act as systemic constraints to institutional organization and capacity, undermining service delivery and economic activity. Thus, the continuous enhancement of public service management is important not only in fiscal terms (the wage bill represents around 45 percent of total expenses) but also to ensure better delivery of basic services to citizens.

13. **The DRC SCD emphasizes that public sector governance reforms need to be complemented by interventions to support the positions of the less powerful, such as subnational governments, civil society stakeholders, minorities, and small-scale economic actors.** There is a lively civil society tradition in the DRC. Despite a deteriorating political and social climate, hundreds of non-governmental organizations (NGOs) exist and many of them are very active. However, space for civil society remains a complex issue in the DRC, and many civil society organizations (CSOs) struggle to stay independent of political interference from a wide range of actors. In general, the political leadership has largely ignored the opinions of civil society in political decision-making. Few formal structures exist to communicate and consult with local and national authorities. In addition, CSOs have limited capacities and resources to exercise their watchdog functions. This is reflected in the DRC's low score on the Worldwide Governance Indicators of voice and accountability (9 out of 100).<sup>10</sup> For example, there is limited civil society oversight of the budget process, as the Government provides few opportunities for the public to engage. Only few CSOs play a significant role in the fight against corruption and only 32% of people think that their actions can make a difference in the fight against corruption.<sup>11</sup>

14. **Rampant corruption remains one of the DRC's key problems which hampers its development prospects.** Elite capture, uncertainties, and repeated conflicts led to the development of corrupt practices at various levels of governing bodies and the public administration. The country's anti-corruption legal framework exists but is weak, incomplete and poorly implemented. For example, the Code of Conduct and Ethics of Public Official does not apply to all categories and excludes parliamentarians. A comprehensive anti-corruption law has not been adopted yet. The Penal Code has only three articles dealing with corruption issues which do not cover all aspects of corruption. The existing anti-corruption institutions are not operational due to lack of human and financial resources, and lack of coordination. The obligation for asset declarations is not strictly adhered to, sanctions are not imposed and there is no public disclosure. The DRC does not have an office dedicated to pursuing cases of corruption with sufficient autonomy to investigate and prosecute high-level cases. The level of enforcement against corruption is therefore low.

15. **The DRC has a relatively large portfolio of state-owned enterprises (SOEs) which face serious operational problems, are heavily loss-making and highly indebted.** Key sectors which the State controls include electricity, mining, transport, and water. The key challenges SOEs have been facing include low tariffs, technical and commercial losses, and

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corruption continues to be a major problem. Limited implementation is due to lack of political will, absence of reform leadership, resistance to change of both Government and private sector actors, as well as shortcomings in human and financial resources.

<sup>10</sup> According to the Open Budget Survey. <https://www.internationalbudget.org/open-budget-survey/results-by-country/country-info/?country=cd>

<sup>11</sup> Source: Global Corruption Barometer 2019 for Africa.



redundant headcount. The SOE portfolio includes the seven large *entreprises publiques structurantes*, a dozen majority-owned enterprises including the national insurance company, and 20-odd minority stakes in the mining, manufacturing or service sectors.

16. **Attempts to improve the governance of SOEs through structural changes to their corporate governance and one-off efforts to stabilize them have largely failed.** Key lessons from these past reform efforts include the need to focus on foundational aspects (e.g., financial audits, compliance with OHADA<sup>12</sup>), and a stronger, more sustained government commitment to reforms (e.g., through the preparation of restructuring plans beyond service or performance agreements).

17. **A key reform in the area of SOEs which could boost economic growth is the use of modern *public private partnership (PPP)* arrangements.** In an environment of competition for public financing, PPPs are essential to mobilizing the necessary resources and crowding-in badly needed private sector financing and capabilities to help fill the immense infrastructure and social sector gaps. The DRC has passed a PPP Law and the private sector is already engaging in PPPs with a number of SOEs, but in a disorderly fashion. Enabling PPPs will require increasing the capacity of the Government (including provincial authorities as per the decentralization law) to manage private concessions/PPPs, as well as clarifying (repurposing) the role of the SOEs active in different sectors by building the capacity of regulators and implementing regulatory frameworks.

18. **Regarding the key sectors controlled by the State, the *power sector* faces major challenges, including low electricity access, inefficient institutions, and a weak governance framework.** Despite its huge hydropower potential, the DRC is among the ten least electrified countries in the world, with an electricity access of about 17%, far below the SSA average rate of 42%. The SNEL (*Société nationale d'électricité*), the state-owned power utility responsible for power production, transmission, and distribution, has been operating with tariffs below cost-recovery levels in urban areas, significant technical and commercial losses, and a large debt. The Government attempted to address SNEL's inefficiencies by strengthening its governance framework through a performance contract. The effort has led to unsatisfactory results because of a lack of strong commitment and inefficient monitoring.

19. **To improve the sector governance framework and enable private sector involvement, the Government enacted an Electricity Law in June 2014.** The law liberalizes the power sector (removing SNEL's monopoly status), promotes PPPs (through concessions, leases, licenses, and authorizations), and calls for the establishment of an electricity regulatory agency (*Autorité de Régulation de l'Électricité - ARE*), and an agency to promote and finance rural and peri-urban electrification (*Agence Nationale des Services Énergétiques Ruraux - ANSER*). However, five years after the adoption of the Electricity Law, neither ARE nor ANSER have been set up, leaving a regulator vacuum. Hence, private sector involvement in the power sector has been limited to a handful of domestic operators, with SNEL remaining by far the dominant public operator.

20. **Access to improved *water supply, sanitation, and hygiene (WASH)* services is low in the DRC and has barely improved over the past decade.** Improved water facilities are available to only 52 percent of the population and less than 29 percent have access to improved sanitation<sup>13</sup>. These access rates are substantially below SSA averages. Access to both improved water and sanitation has risen by barely 3 percent since the first democratic elections in 2006. In the same period, due to rapid population growth, the total number of Congolese lacking access to improved water and sanitation facilities increased by more than a quarter to over 35 million and 53 million, respectively.

21. **A new Water law and policy (2015) offers a unique opportunity for the sector, providing reform momentum and a legal basis to address many of the institutional weaknesses that underlie service gaps.** The impact of the law and associated policy is potentially profound as it provides a specific legal framework for the WASH sector in the DRC for the first time. The law sets the stage for much needed decentralization of the sector, giving the prime responsibility to plan,

<sup>12</sup> Organization for the Harmonization of Business Law in Africa or *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* in French.

<sup>13</sup> UNICEF and WHO 2015.



organize, and monitor public water services to the provinces and decentralized local entities (*entités territoriales décentralisées*). It provides also a legal basis to work directly with provincial authorities or autonomous user associations to realize water investments and recruit third-party operators where the national water utility has no functional presence. In addition to allowing more direct investments in decentralized water services in marginal areas, such alternative approaches may also increase civic and commercial pressure on the national water utility to improve its performance. The law also calls for cost-based tariffs and special pro-poor measures to facilitate the access to water among vulnerable households. However, the law's implementation faces multiple challenges, including limited capacity in provinces and the absence of application decrees and the needed institutions to make it operational (regulation authority, etc ...).

**22. The performance of the national water utility, Régie de distribution d'eau (REGIDESO), which dominates the sector in urban areas is very weak.** The restoration of REGIDESO's financial viability and thus the development and sustainability of the water sub-sector are hampered by ineffective human resources management. REGIDESO continues to be overstaffed, with three-four times more staff than other well-performing water utilities in Africa. Furthermore, the employees of REGIDESO, and particularly top executives, benefit from significant advantages in total disconnect from their individual performance, which has increased the share of payroll costs in total operating expenses. The combination of low performance, lack of implementation of reforms and inadequate investments, has resulted in the fact that access to safe water remains a critical challenge in the DRC, one only surpassed in its urgency by the lack of sanitation, which epidemics like cholera to Ebola have further brought to light.

**23. The DRC's growth has historically been fueled by natural resources, but the Government is not well equipped to address the environmental and social risks that accompany such a growth model.** Key challenges include the absence of effective environmental and social regulatory framework, lack of effective inter-sectoral collaboration in environmental and social management, particularly in the forestry, oil and gas and mining sectors, and weak mechanisms for citizen participation. This leads to institutional inefficiencies and puts both sustainability and long-term economic growth at risk. While reforms aimed at accelerating socioeconomic development, promoting private sector development, supporting the water and sanitation sector and improving the contribution of the mining sector could bring huge economic and social benefits, they may also bring considerable environmental and social risks that need proper mitigation measures and transparent planning and oversight processes.

**24. The institutional landscape for addressing environmental and social risk in the DRC is fragmented and capacities are low.** There is a need to define more clearly overlapping roles and mandates. This is especially true in the social sector, where responsibilities for social risks (e.g. resettlement and compensation matters, access to land, worker and community health and safety, gender-based violence (GBV), inclusion of vulnerable populations in project activities, such as indigenous peoples, etc.) are distributed among various ministries and agencies. The *Agence Congolaise de l'Environnement* (ACE, the Congolese Environment Agency) covers environmental risks under the Ministry of Environment, but it has neither a clear mandate nor sufficient capacity to address social risks. There are gaps and overlaps between the mandates of ACE and other institutions and lack of clarity on technical policy guidance for the management of environmental and social risks in development projects. Where policies or regulations exist, they are often not adequately implemented or enforced. Capacity within all government institutions to manage the environmental and social risks in their sectors is low. Few DRC academic institutions are geared towards offering practical skills and knowledge to equip working professionals with the tools needed in government ministries, project implementation units, implementing partner organizations, or private consulting firms, to deal with environmental and social risk management issues of development projects, be them funded by the Government or partners.



25. **The mining sector is the most important sector of the Congolese economy.** According to the Extractive Industries Transparency Initiative (EITI)<sup>14</sup> 2018 report, oil, gas, and mining accounted for 98 percent of exports, 17.8 percent of gross domestic product, and 18.3 percent of treasury revenues based on 2016 data. Copper, gold, cobalt and diamonds constitute the bulk of Congolese exports, followed by petroleum and wood. The industrial sector is dominated by mining and mining-related construction. In 2018, extractive industries represented 11.1 percent of formal employment to which one must add a great number of informal artisanal and small-scale miners (ASM), representing between 1.5 and 2 million people, of whom at least 40 percent are women.

26. **Since 2017, the Government has embarked on reforming the mining sector.** First, the Government prepared a new National Strategy on ASM, which recognizes the importance of this sub-sector to rural employment and livelihoods and places a priority on formalization of the current largely informal sector. Second, a revised Mining code was signed into law in March 2018, seeking to increase the contribution of mining to the development of the country. It contains provisions aimed at increasing the economic and fiscal benefits of the mining sector, including: terminating concessions with special terms, increasing state participation, increasing royalty rates with option of raising them to 10% on some minerals upon their designation as “strategic” by the Government, providing for a windfall tax on “super profits”, simplifying certain tax bases, developing revenue-sharing mechanisms with local authorities, and creating a fund for future generations. Mining operators say the cumulative effect of the new mining taxation is too heavy, especially taking into account the system of parafiscality and the weight of the SOEs. Operators claim the code has already affected investments in the country and would impact the development of the sector.

27. **Nonetheless, the country lacks the critical institutions needed to ensure that natural resources promote sustainable inclusive growth.** Responsibilities for mining are fragmented between two ministries with different competencies and powers<sup>15</sup>, responsible for a set of SOEs. The mining sector revenues are collected and managed by the three specialized agencies (DGI, DGDA and DGRAD). Mining and revenue agencies lack skilled human resources and information to monitor the activities of mining companies and deal with the complexities of natural resource taxation, especially where multinational corporations are involved. The country signed the EITI in 2008 and has been an active member ever since. However, while reconciling payments made by mining companies and revenue received by the Government would help foster transparency, subsequent stages in managing the revenues remain weak—particularly at the provincial and local levels. Public enterprises generate substantial revenues that are not passed to the public treasury and lie outside the EITI reconciliation exercises. Mining SOEs have very high autonomy, with important control deficiencies, and a very limited capacity to undertake due diligence and appropriate business models. Increased transparency in the management of mining assets, including exploitation rights of SOEs is key to reduce corruption and ensure that the state gets a fair share of the benefits. In addition, to improve the administration of the mining sector, the SCD recommends the creation of an inventory of SOEs’ assets, as well as strengthening the small-scale mining support service, SAEMAPE (*Service d’Assistance et d’Encadrement de l’Exploitation Minière Artisanale et à Petite Echelle*), which is key for the success of formalization and for enhancing the impact of ASM on local development.

28. **Knowledge on the actual size and risks of abandoned mines, which might still contain high-value minerals which could finance their recovery and rehabilitation, is currently non-existent.** This means that the environmental and health risks posed by decades of extensive mining are neither well understood, nor addressed. Southern Congo holds not only vast deposits of cobalt and copper but also uranium. Scientists have recorded alarming radioactivity levels in some mining regions. Mining waste of abandoned mines often pollutes rivers and drinking water. The closure and remediation process for mining projects is addressed as part of the Environmental Code whereby the holder of a research or exploitation right must provide for the measures of remediation and environmental rehabilitation after closure, the costs of which need to

<sup>14</sup> The EITI is a global standard to promote the open and accountable management of oil, gas and mineral resources. EITI requires mining companies operating in member countries to make public how much they pay in natural resource revenue and governments to also make public how much they receive.

<sup>15</sup> The Ministry of Mines and the Ministry of Portfolio.



be entirely backed by a financial guarantee. In practice this is not enforced, and the financial guarantees are not a realistic reflection of what rehabilitation would cost.

#### Relationship to CPF

29. **The proposed project is in line with the World Bank Group's FY13 - FY16 Country Assistance Strategy (CAS) for DRC<sup>16</sup>.** The project supports the achievement of the first strategic objective of the CAS “to increase state effectiveness and improve good governance”, and its specific outcomes, including: a) increasing transparency and effectiveness in the management of public finances; b) increasing transparency and effectiveness in the management of financial resources from the extractive industries and ensuring that the country gets a fair share of the revenues from its natural endowments; and c) strengthening governance of the mining sector SOEs and increasing the operational performance of other SOEs. A new Country Partnership Framework for 2020-2024 is currently under preparation and is expected to be delivered in FY20. The project is aligned with its announced orientation to support coordinated, multi-sectoral projects concentrated on key intervention areas in priority provinces<sup>17</sup>.

### C. Proposed Development Objective(s)

The project development objective is to strengthen core government systems, transparency and accountability of key institutions and sectors.

#### Key Results (From PCN)

30. **The following indicative indicators will track progress towards achievement of the PDO:**

- Revenue collected by the three tax administrations
- Public procurement information published using e-procurement platform
- Audits of 2019 financial statements of strategic SOEs published
- Number of environmental and social risks assessments in line with international good practice
- Improved management of geological information through online database

### D. Concept Description

31. **The project is conceived as a vehicle to address in a holistic and comprehensive manner the public sector management challenges fundamental to the development of DRC, as identified by the SCD.** This will be done through five mutually reinforcing components aimed at building public sector capacity for improved service delivery at the central and provincial level. The project's theory of change is shown in Figure 1. It is in line with the approach to governance in sectors in the DRC developed by the Governance Global Practice.<sup>18</sup> The PDO will be achieved through a combination of

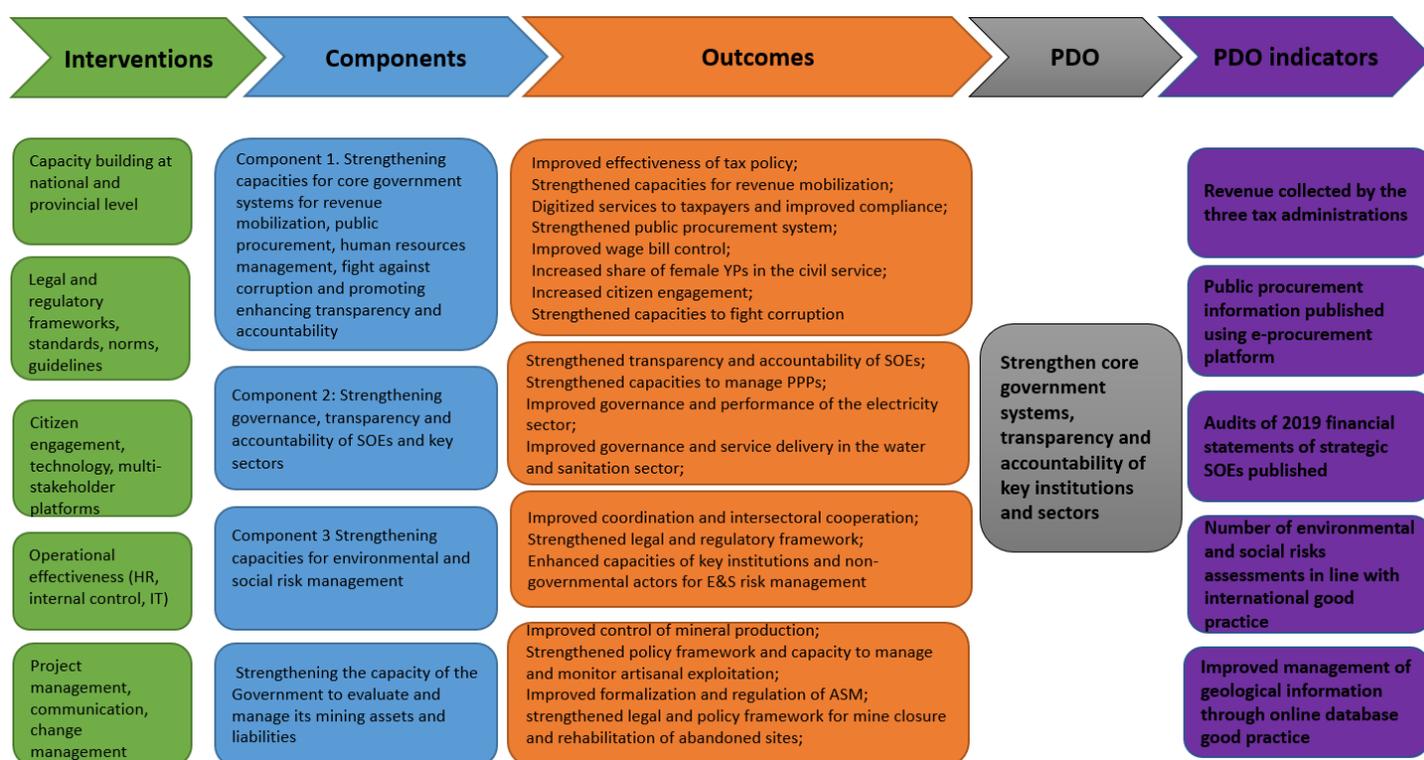
<sup>16</sup> World Bank. 2013. *Congo, Democratic Republic of - Country Assistance Strategy for the period FY13 - FY16*. The World Bank's current CAS for the DRC (Report Number 66158) ended in June 2017. Its review concluded its objectives are still aligned with DRC's development goals.

<sup>17</sup> The nice priority provinces are: Kinshasa, Kwilu, Kasai, Kasai Central, Kasai Oriental, Lomami, Nord Kivu, Sud Kivu and Ituri.

<sup>18</sup> The Governance GP has laid out its approach to governance in sectors in the DRC in an Engagement Note from December 2018. The Note suggests a three-pronged approach to engaging on governance in DRC. The three pillars of the approach are: 1) uncovering governance constraints to service

capacity building and systems strengthening measures at national and regional level, where appropriate, coupled with support to regulatory reforms and mainstreaming the use of technology, citizen engagement and multi-stakeholder platforms in all project components. All project activities are geared towards improving the effectiveness of beneficiary institutions and enhancing transparency and accountability through different mechanisms. The majority of the activities will take place at the central level and will be replicated benefitting from economies of scale in select provinces, in particular those of focus for the next Bank CPF for the country.<sup>19</sup> A summary with the activities to be implemented at provincial level is provided in Annex 1. During project preparation, the team will explore the feasibility of extending support to selected provinces through performance-based grants. Given the multi-sectoral nature of the interventions, project management, communication and change management will play a key role as well.

Figure 1. Project theory of change



**Component 1: Strengthening capacities for core government systems for revenue mobilization, public procurement, human resources management, fight against corruption, transparency and accountability**

32. **This component will focus on enhancing the capacities of key institutions to raise revenues and procure goods, manage the civil service, fight against corruption and create space for citizen engagement.** This will be achieved through six subcomponents.

delivery through analytical work; 2) strengthening the operation of core government and accountability systems in sectors; and 3) strengthening fiduciary systems across sectors.

<sup>19</sup> Preliminary identification of 9 out of 26 provinces, to be confirmed when the new CPF spatial approach is finalized.



33. **Subcomponent 1.1. Improving the effectiveness of tax policy.** This subcomponent will focus on supporting activities at the national and provincial level. At the national level, the project will finance: i) the implementation of the new Tax code which attempts to introduce a new corporate income tax (IRS) and a single tax on the income of natural persons (IRPP). This may include, inter alia: i) development and adoption of application texts, training and communication around the new changes<sup>20</sup>; ii) further simplifying and streamlining of taxes, to reduce their number and the tax burden on the private sector; and iii) reducing tax and non-tax exemptions<sup>21</sup> by developing an action plan to strengthen the control of companies benefiting from tax exemptions and streamlining tax expenditures, in particular VAT exemptions and regressive incentives of the Investment code; iv) establishing the planned specialized unit to be responsible for the reduction or elimination of tax exonerations and exemptions with limited economic or social benefits, among others. At the provincial level, the project will essentially focus on reviewing the existing taxes, with a view to reducing their number and alleviating the tax burden on private sector, as well as tax incentives and tax expenditures in selected provinces.

34. **Subcomponent 1.2. Strengthening institutional capacities for revenue mobilization.** This subcomponent focuses on strengthening the organizational and operational efficiency and effectiveness of the three tax administrations through technology and capacity building, as well as strengthening the capacities for mining revenue generation.

35. **Subcomponent 1.3. Promoting compliance and improving taxpayers' services through technology.** This subcomponent will finance the following activities, inter alia: i) revision of current procedures for taxpayers' registration (corporations and natural persons) to simplify and digitize the process, including within selected provinces; ii) implementation of a reliable unique tax identification number (NIF) to be used by central and local tax offices; iii) development and deployment of VAT e-filing, e-payment and e-refund by major corporations registered at *Direction des Grandes Entreprises (DGE/DGI)*; iv) promotion of electronic filing of tax returns, e-payments and establishing communication platforms for taxpayers (e.g. creation of taxpayer portal, improving the functionality and usability of DGI website to allow automation of tax clearance certificates and offering it as an online taxpayer service, etc.); v) promoting voluntary compliance through the development and implementation of: taxpayer orientation/ socialization program; taxpayer service charter; facilitation and grievance redressal help-desk; proactive disclosure of revenue performance reports; tax forums; and training curriculum for taxpayers.

36. **Subcomponent 1.4: Strengthening the public procurement system.** The objective of the subcomponent is to strengthen the institutional capacity and performance of the procurement function in the DRC. This will be achieved by supporting activities to address the main shortcomings identified by the MAPS 2 assessment, namely the lack of an integrated information system, insufficient institutional leadership and capacities, weak internal controls and lack of professionalization. Strengthening the participation of civil society will be supported through the establishment of a multi-stakeholder platform on public procurement foreseen under Subcomponent 1.6.

37. **Subcomponent 1.5. Strengthening human resources management and promoting the participation of women in the public service.** The proposed objective of this subcomponent is twofold: 1) to strengthen the internal controls on wages and salaries of civil servants; and 2) to increase the participation of women in the civil service.

38. **To achieve the first goal, the project will help create a single database for human resources and payroll management in the public sector.** The database will be based on existing systems, which are currently not integrated, notably SGIRH (managed by the Ministry of Civil Service), the databases for teachers, police and army (managed by their respective ministries), and SYGECPAF (managed by the payroll department in the Ministry of Budget). To that end, the project plans to finance the following activities: i) elaboration and adoption of an institutional and regulatory framework;

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<sup>20</sup> This is linked to one of the prior actions currently under discussion with the government in the context of the DPO which is about government approval and submission to Parliament of the draft law creating a new corporate income tax (CIT) and personal income tax (IRPP);

<sup>21</sup> This is linked to another prior action currently under discussion with the government in the context of the DPO, namely the publication of the 2017 report on tax expenditures and issuance of the decree systematizing the collection of data on tax expenditures and their presentation in an annex to the Finance Law.



ii) development of a manual of procedures for data collection, maintenance and integrity; iii) cleaning-up of existing databases; iv) technical training of database users; and v) connecting the existing databases through the purchasing of additional software and equipment, as necessary.<sup>22</sup>

39. **To achieve the second goal, the project will promote the hiring of female professionals into the public administration.** Through existing World Bank support, around 300 young female professionals have already been trained and recruited. The project will build on the experience and lessons from the existing program and will expand it to an additional cohort of young female graduated, complemented by career development and leadership programs targeting the public sector female workforce.

40. ***Subcomponent 1.6. Strengthening transparency and accountability through citizen engagement, multi-stakeholder platforms and support to anti-corruption institutions***

41. **To complement the strengthening of capacities of the government, the project will also strengthen the capacities of civil society to demand better governance.** The focus of this subcomponent will be on building the capacity of CSOs to hold the government accountable, demand transparency and monitor service delivery, as well as on creating spaces for interaction between civil society and government through multi-stakeholder approaches. Capacity building will be provided to CSOs active in all of the sectors where the project will have activities and beyond.<sup>23</sup> The goal would be to increase their role and contribution to the implementation of reforms in each sector, as well as to provide a stronger voice for citizens in decision making. CSOs will be selected to benefit from the project on a rolling basis throughout the project's lifetime based on transparent criteria. CSOs will also be supported to develop and implement CivicTech, i.e. technology-enabled, multi-channel mechanisms (mobile phones, radio, social media, websites, etc.) for citizen participation in decision making, policy implementation and service delivery. The project will also build the capacity of CSOs to use data (e.g. data from EITI, procurement, asset declarations, etc.) to strengthen accountability beyond transparency.

42. **At the same time, the project will support the creation of multi-stakeholder platforms<sup>24</sup> for exchange between government (national, provincial and/or local) and other stakeholders, such as citizens, community members, the private sector, regulators, the media, and CSOs on policies, reforms, and implementation.** The goal is to provide space for interaction of these different actors to leverage their mandates and resources to tackle governance problems. The project will support the creation of platforms on DRM, anti-corruption, SOEs and PPPs, service delivery (with a focus on water and electricity), women empowerment and environmental and social risk management, while strengthening the existing multi-sectoral group (MSG) on EITI<sup>25</sup>. The platforms will organize regular meetings and forums for exchanges, which will be supported by digital platforms and tools for continuous outreach, communication and feedback. The

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<sup>22</sup> The exact activities will be informed by an analysis of the status quo which is currently being prepared, together with an action plan, by the PRRAP project.

<sup>23</sup> Capacity building and training will be provided to selected CSOs on the following topics: budget literacy and mechanisms for citizen participation in the budget process, as well as participatory budget monitoring and audits of public services; monitoring the implementation of audit reports recommendations of traditional audit institutions, such as the Court of Auditors; monitor the implementation of anti-corruption initiatives and the work of anti-corruption institutions; monitoring public procurement; awareness and understanding of the new tax code, other tax regimes, procedures, tax exemptions; taxpayers education and promotion of voluntary compliance; monitoring the implementation of the new Mining code. In the mining sector, the project will also support the "Women in Mining Network (RENAFEM) which brings women from all parts of the mining sector together to develop responses to problems they face in the sector. RENAFEM plays a crucial role in strengthening the voice of women in the governance of the mining sector.

<sup>24</sup> Support multi-stakeholder platforms for policy making and implementation is one of the policy actions under the Governance and Institutions Special Theme of IDA 19.

<sup>25</sup> EITI's Board decision from October 2019 encourages the new government to reconstitute a functioning MSG, that can update the EITI work plan in line with national priorities. The Board urged the government to ensure that there are no legal, regulatory or practical constraints for civil society to fully, actively and effectively engage in all aspects of EITI implementation and debate about natural resource governance, particularly in terms of freedom of expression, operation and association. Source: <https://eiti.org/board-decision/2019-55>



platforms are also expected to facilitate links and cross-fertilization between the project's components, given the multi-sectoral nature of the challenges it tries to address.<sup>26</sup>

43. **Last but not least, the project will capitalize on the current window of opportunity to support the new Government's resolve to combat corruption.** The consensus is that unless decisive action is taken in this area the DRC may not be able to break the current cycle of corruption, thus further widening the path to fragile institutions and increased poverty. Both the new President<sup>27</sup> of the DRC and the Prime Minister have identified the fight against corruption as one of their priorities. This is reflected also in the new Government's program where the fight against corruption is one of the fifteen pillars. Therefore, this subcomponent will focus on: i) strengthening and completing the anti-corruption legal framework, including the Code of Conduct and Ethics of public officials<sup>28</sup> and the anti-corruption law; and ii) supporting the establishment of a coordination mechanism for all institutions with a mandate to fight corruption.

#### **Component 2: Strengthening governance, transparency and accountability of SOEs and key sectors**

44. **Component 2 will have three subcomponents, focused on strengthening governance and accountability of SOEs as a whole and in the electricity and water sectors, as well as building capacity for the management of PPPs.**

45. **Subcomponent 2.1. Strengthening transparency and accountability of SOEs.** The objective of this subcomponent is to support the Government and individual SOEs in their efforts to strengthen performance management and monitoring, improve the corporate governance of SOEs in line with OHADA and international good practice, and provide more transparency on the financial situation of SOEs and accountability on the way they are managed. The proposed activities are fully in line with the Bank's Integrated SOE Framework (iSOEF). This subcomponent will finance three areas of activities:

46. **Strengthening of the State ownership function:** this will include: i) a study on the consolidation and strengthening of the ownership function; ii) design and implementation of a financial monitoring system for SOEs, including a key performance indicators (KPI) database, SOE dashboards and scorecards; iii) guidelines for assessing SOEs compliance with OHADA obligations; iv) preparation of a complete inventory of State assets in all sectors<sup>29</sup> and development of a rationalization strategy; v) preparation of a regulation for the appointment of directors of SOEs; vi) preparation of guidelines on annual reports of SOEs based on international experience; vii) development of a website of the entity performing the State ownership function; viii) capacity-building program for the staff of the entity performing the State ownership function, including on the use of new tools for monitoring SOE performance and appointing directors.

47. **Technical support to SOEs:** this will include: i) undertaking of audits of the 2019 financial statements for up to seven strategic SOEs; ii) undertaking of functional audits of selected mining SOEs<sup>30</sup>; iii) functional diagnosis of SOEs management information systems; iv) training, workshops and other technical support on SOEs corporate governance, focusing on the issues identified by the recent World Bank diagnostic report,<sup>31</sup> including in relation to board practices,

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<sup>26</sup> For example, it would be important to ensure that there are links between Component 4 on mining and Component 3 on environmental and social risk management, as well as with DRM activities under Component 1.

<sup>27</sup> President Tshisekedi has declared his commitment to fight corruption during his inaugural speech and at several forums. Most recently, during the "African Anti-Corruption Day", he denounced "small and big corruption" and promised the end of the reign of the "untouchables corrupters and corrupted". The President noted also that corruption involves both "junior officials" and "the most senior members of the state".

<sup>28</sup> This is linked to the prior action foreseen in the DPO on adoption by the government of the draft law amending the law on the Code of Conduct and Ethics of Public Officials.

<sup>29</sup> The inventory of mining assets will be completed as part of Component 4.

<sup>30</sup> These two activities are linked to the prior action discussed under the DPO related to the signing by the Prime Minister of an instruction to the relevant Ministers to commission and publish financial audits and functional audits of strategic SOEs in the mining, electricity, water, rail, air and maritime sectors, as well as the Road Maintenance Fund (FONER), according to international standards.

<sup>31</sup> <https://hubs.worldbank.org/docs/ImageBank/Pages/DocProfile.aspx?nodeid=31204994>.



accounting, financial reporting, internal controls, auditing and disclosure; and v) technical assistance to support the piloting of corporate governance improvements in selected SOEs.<sup>32</sup>

48. **Reducing and enhancing the transparency of SOEs debt:** this will include: i) preparation of a complete inventory of the debt of SOEs; ii) preparation of a strategy to contain and reduce the debt of key SOEs, in particular vis-à-vis the State; and iii) technical support to the implementation of the debt-reduction strategy in two large SOEs.

49. **Subcomponent 2.2. Strengthening capacities to manage Public-Private Partnerships (PPP).** This subcomponent will support the following activities: i) curation of a list of priority PPP initiatives/opportunities; ii) diagnostic of the regulatory and institutional framework of PPPs (including at the level of public enterprises) - on the basis of relevant international good practices; iii) capacity building to carry out PPPs under the new regulatory and institutional framework, in particular within the SOEs, line ministries and the PPP Unit provided for by the PPP Law (articles 19 and 20); iv) establishment of a PPP development fund (PDF) and viability gap financing (VGF) which could be funded with the support of future World Bank Group projects and/or other development partners; v) analysis of the division of responsibilities in infrastructure sectors to provide clarity on the role of provinces, especially in sectors which have already been liberalized; and vi) capacity building on PPP and concessions in selected provinces where PPPs already exist in sectors such as power, water, roads and mining.

50. **Subcomponent 2.3. Improving the governance and operational performance of SOEs in the electricity sector.** The sub-component will focus on activities in two pillars: a) *Governance Pillar:* to enable ARE and ANSER to become operational entities,<sup>33</sup> the following activities will be funded: (i) training of key staff; (ii) development of remaining implementing decrees and operational manuals; (iii) dissemination of the Electricity Law and associated decrees and procedures to provincial governments; and (iv) expansion of grant and credit facilities to promote rural and peri-urban electrification. In addition, to improve SNEL governance framework, this pillar will fund the development and implementation of a performance contract between the Government and SNEL, incorporating lessons learned from past experience. It will also develop and implement an accountability mechanism and an effective monitoring/feedback mechanism to ensure achievement of results; b) *Operational Performance Pillar:* activities will be aimed at developing and implementing a comprehensive performance improvement plan for the SNEL. This will include: (i) protecting revenues from the high-consuming customer segment (high and medium voltage clients) by finalizing the deployment of a remote metering and control system; (ii) installing a management information system; and (iii) strengthening SNEL's capacity to manage the newly acquired systems.

51. **Subcomponent 2.4: Improving governance and service delivery in the water and sanitation sector.** The objective of this subcomponent is to support the water and sanitation sector in developing and implementing a new regulatory framework based on the 2015 Water law. It aims to set the foundations for the implementation of the law with respect to the transferring of public assets and management of water services to the provinces, with a view to improving service delivery in a decentralized context. The proposed activities aim at enabling the transformation of the sector envisioned by the 2015 Water law at three levels: the water utility level, the central level and the provincial level, in line with the reforms proposed for consideration under the DPO in preparation<sup>34</sup> and building on past and ongoing Bank support.<sup>35</sup>

<sup>32</sup> Most SOEs have their headquarters in Kinshasa, but some TA activities might take place in provinces (for example, the seat of the diamond mining company MIBA is in Mbuji Mayi, the capital of Kasai-Oriental province). It is expected, however, that SOEs headquartered at provincial level will benefit indirectly from the improved overall governance of SOEs supported by the project.

<sup>33</sup> This pillar is linked to the prior action foreseen in the DPO related to the signature a Presidential Order appointing the management and board of directors of ARE and ANSER.

<sup>34</sup> The DPO foresees a prior action requiring the government to approve the decrees implementing the 2015 water law, in particular those related to: i) the creation and organization of the water regulatory authority, ii) the definition of the responsibilities of the sanitation sub-sector, iii) the creation of a Congolese Office of Water, and iv) the organization of the conditions for cancellation or amendment of the water service concession.

<sup>35</sup> The Bank is currently supporting the Urban Water Supply Project or PEMU (Projet d'alimentation en eau potable en milieu urbain).



52. **At the *central level*, in the area of water, the focus will be on supporting the operationalization of the Congolese Office of Water created under the 2015 Water law (article 15).** This will include: i) restructuring the institutional framework of the sector under the new law; ii) support for planning, mobilizing funding and project management of the infrastructures of the public water service in the provinces and the Decentralized Territorial Entities (ETD); iii) developing and ensuring the regulatory function pending the effective establishment of a regulatory authority. The Office will become a center of expertise which will enable the rapid operationalization of the water reform, both in terms of technical support to new delegating authorities and sector regulation.

53. **In terms of sanitation, the project will support the drafting of legal documents and norms for the sector, as well as the management of fecal sludge.** The new law does not provide a clear basis for the reform of the sanitation sector, since it does not define in detail core issues, such as the distribution of responsibility. Therefore, the project will finance: i) the drafting of ministerial decrees; and ii) definition of norms, including for PPP in sanitation, standards for household sanitation facilities and a standard approach to local-level tariff setting, with the objective of providing provinces and provincial technical units the tools and guidance they need to oversee sanitation per the 2015 Water law. Since illegal dumping of fecal sludge collected from latrines represents a serious threat to water quality, public health and the environment, the project will support improved monitoring of fecal waste disposal, particularly in large metropolitan areas. Two activities will be implemented: i) a call-center for latrine emptying based on Senegal's experience<sup>36</sup> aimed at promoting standards and the development of latrine emptying/ desludging services; and ii) geo-tagging and tracking of waste disposers from collection to disposal at safe locations. The collected data will be made available on an open data platform to be shared with relevant ministries and the Congolese Office of Water. The online data platform will also provide citizens with the possibility to report illegal fecal sludge dumping through mobile phones.

54. **At the *provincial level*, the project will finance capacity building and sensitization activities in the provinces around the new law and operationalization of the provincial water authorities.** The first activity will be provision of core training to strengthen the provinces' awareness of and ability to handle their new responsibilities for the management of water and sanitation assets, as well as their understanding of adequate options for service delegation and PPP. In provinces with more existing assets (such as the Kivus and Kasai central provinces), MFD opportunities exist that could be further supported to expand sustainable coverage and quality of service. The second activity will focus on operationalizing the provincial water authorities in selected provinces, by building their capacity to manage water assets transferred from the central government using ICT. This will include the establishment of e-platforms for asset management and citizen engagement in order to improve accountability of provincial governments for service quality and improve customer satisfaction.

55. **At the *water utility level*, the focus will be on the inventory of REGIDESO's assets and state-owned drinking water infrastructure (in pilot provinces to be selected)<sup>37</sup> in order to separate REGIDESO's assets from those of the State.** This step is imperative to move forward with the restructuring of the sector envisioned by the 2015 law and for REGIDESO to fully move on to its service provider role.

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<sup>36</sup> In Senegal, the public sanitation company (ONAS) developed with a local software company (MANOBI) a call center enabling households in Dakar to call in when needing a desludging service. This service aimed at improving linkages between service suppliers and customers, but also supports the development of a sanitation private sector and enhance the demand for mechanical service. Once an emptying call is registered, desludging operators can submit an offer and calls for bids go out over SMS - requiring a low level of technology. The lowest bidder amongst the operators is awarded the job. In Senegal, the service has been live since 2014 and has led to an increase in the number of mechanical desludging services and a small decrease in the price of emptying services. (Thomas, E. Broken Pumps and Promises. 2016)

<sup>37</sup> The pilot provinces (towns) are those identified by the CMU for the next CPF cycle (Kinshasa and North Kivu) and those identified by the institutional study on the restructuring of REGIDESO (Kinshasa, Matadi, Kikwit and Kolwezi).



### Component 3: Strengthening capacities for environmental and social risk management

56. **The objective of Component 3 is to improve the performance of the DRC's environmental and social risk management systems.** This will be done through four subcomponents, focused on supporting partnerships, strengthening the legal and regulatory framework and building the capacity of the ACE and other key actors.

57. **Subcomponent 3.1. Supporting partnerships, coordination and intersectoral cooperation.** This subcomponent will finance the following activities: i) a series of multi-stakeholder engagement workshops with Government and non-Government participants<sup>38</sup>. The purpose of the workshops is to provide a participatory basis for developing a shared understanding of the challenges and opportunities in environmental and social risk management, as well as a shared vision for a national system to respond to these challenges and opportunities; ii) analysis of the mandates and roles of the different institutions involved in environmental and social risk management at the national and provincial levels, in order to identify gaps and overlaps and ensure consistency of specific requirements within the overall environmental and social risk management system; iii) strengthening intersectoral collaboration by establishing partnerships between the ACE and other institutions.<sup>39</sup>

58. **Subcomponent 3.2. Strengthening the legal and regulatory framework for environmental and social risk management.** This subcomponent will finance the following activities: i) review of existing laws and regulations to identify potential gaps and overlaps; ii) support to the preparation of implementation instruments for the Law on environmental protection and other laws or regulations pertaining to environmental and social risks with a view to completing the legal framework. This may include support for the preparation of implementing regulations, procedures and guides for environmental and social impact assessments (ESIAs) and management of risks in different areas;<sup>40</sup> iii) a study on the feasibility of establishing an Environmental and Social Information Management System (ESIM); iv) support for the development of processes and tools for public consultations and publishing and disseminating information on environmental and social risks management tools.

59. **Subcomponent 3.3. Strengthening ACE's and other institutions' capacities for environmental and social risk management.** The objective of this subcomponent is to cover the specific needs for institutional support of the ACE, as well as those of other key institutional actors identified as having a central role in environmental and social risk management in the DRC through the participatory processes described under Subcomponent 3.1.

60. This subcomponent will finance the following activities: i) capacity assessments (including internal self-assessments and external analysis) of ACE and other priority institutions, to identify strengths and weaknesses and develop institutional strengthening plans; ii) supporting ACE to develop procedures for ex-ante screening and classifying of projects based on their risk profile; iii) strengthening ACE's mandate to include the consideration of social risks. This could lead to the creation and operationalization within ACE of a social risk management department to address, in collaboration with the FNPSS and relevant sectoral agencies and line ministries, issues related to involuntary resettlement, land, indigenous peoples, inclusion of vulnerable or marginalized groups, etc.; iv) analysis of the organization, legal and regulatory system and financial situation of ACE and development of a strategic plan to improve its performance; (v) expanding ACE's mandate to include the control and enforcement of social risks in Environmental and Social Management Plans (ESMPs) and pollution control, including permitting, inspection, monitoring, reporting and enforcement<sup>41</sup>; vi)

<sup>38</sup> These workshops will be frontloaded at the beginning of the project and can serve as the foundation of the envisaged multi-stakeholder platform on environmental and social risk management.

<sup>39</sup> These include: the National Fund for Promotion and Social Services (FNPSS) and relevant ministries, such as Ministries of Mines, Oil; Public works; Health; Labor and employment; Gender; Customary affairs; Land affairs; Water; Energy; Finance/Cellule de Suivi des Programmes et Projets (CSPP), branches of the Ministry of Environment involved in forest governance, etc.

<sup>40</sup> These may include: occupational health and safety, community health and safety, involuntary resettlement (including harmonizing the country's involuntary resettlement policy according to identified gaps), land tenure security, indigenous peoples' issues, inclusion of vulnerable or marginalized groups, GBV issues, cultural heritage issues, etc.

<sup>41</sup> The ACE has approximately 1,500 validated ESMPs for which environmental monitoring and follow-up will be required.



developing/reviewing, in collaboration with the ministries and agencies concerned, sectoral guides for the preparation of social and environmental management instruments, internal guidelines for the review and approval of environmental and social management instruments, and the monitoring of risk and impact mitigation measures; vii) implementing a computerized system to document environmental and social assessments, monitor their implementation and potential non-compliance; viii) developing of accreditation criteria for national and international consultants for the preparation of social and environmental management instruments; ix) establishing a credible system to register and certify qualified experts at national level for the preparation of instruments, based on a periodic licensing process, including training and written and oral examinations; and x) developing standards for air/water/soil quality.

61. **Subcomponent 3.4. Enhancing the capacity of governmental and non-governmental actors for environmental and social risk management.** The objective of this subcomponent is to reach a wide audience of stakeholders, including staff of ACE, line ministries and agencies, private sector specialists, individual consultants, provincial and local authorities, through a variety of training opportunities. This will be done in collaboration with the multi-stakeholder platform on environmental and social risk management.

62. This subcomponent will focus on: i) collaborating with existing public or private universities or training institutions at the national level for diploma and qualification courses in order to improve the quantity and quality of expertise in social and environmental management in the DRC. This will be achieved through the establishment of sustainable training programs to build capacity on emerging issues and best practices in the areas of social and environmental risk management, including the World Bank's Environmental and Social Framework (ESF). This will lead to an accreditation and licensing system for specialists and companies in environmental and social risk management, thereby strengthening professional standards and ethics, and improving the quality and accountability of services; ii) targeted training for project implementation units, associated consultants and implementing partners on preparing safeguard instruments required for meeting ESF standards; iii) training for senior officials and parliamentarians involved in environmental and social issues; iv) training to provincial authorities on environmental and social risk management; iv) training to governmental and non-governmental actors at national and provincial level on using tools (e.g. Kobo Toolbox; monitoring matrix) to monitor the implementation of environmental and social laws and regulations.<sup>42</sup>

#### **Component 4: Strengthening the capacity of the Government to evaluate and manage its mining assets and liabilities**

63. The objective of this component is to improve the contribution of the mining sector to the sustainable development of the DRC. This will be done through two subcomponents focused on improving geological knowledge and strengthening institutional capacity. Where relevant, a special emphasis will be put on the so-called 'strategic minerals', i.e. minerals that are crucial for the clean energy transition, and where the DRC has a comparative advantage.

64. **Subcomponent 4.1. Managing mining assets.** The objective of this subcomponent is to strengthen the Government's knowledge of the current value and potential of its existing mining assets, as well as its capacity to efficiently manage them. This is critical for reinforcing the Government's position vis a vis companies, including SOEs, improving its stewardship of the mineral wealth and ultimately, for paving the way for an increased contribution of mineral assets to the development of the country. This subcomponent will focus on four key activities:

65. **Assessment and verification of the geological assets of the largest mining SOEs.** The future of mining SOEs and their possible restructuring depend on their reserves and resources, some of which have not been certified according to international standards, while those that have been require verification.<sup>43</sup> The project will therefore support: i) an

<sup>42</sup> This activity will be preceded by a study on the use of Kobo Toolbox and other monitoring and reporting technologies used in Bank-financed and other projects to identify lessons learned and their applicability for improving environmental and social risk management and reporting, including in FCV context.

<sup>43</sup> For Gecamines, most of the mining permits are covered by joint-venture agreements under which mining assets have mostly been certified according to international standards. However, this requires verification and Gecamines may have additional mining permits. The situation is uncertain for the other mining SOEs (Miba, Sokimo, Sodimico, Sakima, Cominiere, Sacim, SCMK-Mn).



inventory of existing mining permits of the main SOEs including technical details and analytical results if available; ii) a review of the available geological information on the mineral deposits (both resources and reserves, brownfield and greenfield); iii) the digitization of geological information archives, where needed; iv) the certification of selected priority mining permits by internationally reputed firms<sup>44</sup>; v) a plan to improve the management of the State-owned mining assets based on the updated valorization. It is important to note, however, that the successful assessment and verification of mining SOEs assets would depend on whether the SOEs and their respective partners provide access to all the required information about their mining permits and all archives.

66. **Development of a digitized database of existing geological data.** The newly created National Geological Survey does not have a comprehensive modern database to manage the geological information of the country. This activity will finance consultant services to design the system and train the administration in the compilation, computerization, and management of the data. This will also include hardware, software, and support to the promotion of the geological information locally and internationally.

67. **Building capacity, systems and tools for the analysis and evaluation of mineral samples.** The Government's capacity to evaluate mineral production before export is very limited. This results in inconsistencies in the monitoring of the ore grade and mineral volume provided by companies and leads to possible losses or undue gains in tax returns, as well as poor statistics. The project will assess the capacity gaps and finance priority equipment and training so that the National Geological Survey and other administrations can improve their control of mineral production.

68. **Strengthening of the policy framework and capacity to manage and monitor the artisanal exploitation of selected deposits (starting in the Katanga region), including the further identification and management of artisanal mining zones.** Conflicts between industrial and artisanal miners are common in Katanga and other regions, resulting in accidents and suboptimal management of the country's mineral potential. At the same time, informal/illegal artisanal mining practices and associated environmental and social risks, are damaging for both the mining communities and the international reputation of the DRC mining sector. This activity will finance advisory services to improve the legal and policy framework for artisanal miners and capacity building to the small-scale mining support service SAEMAPE, both at national and provincial level.<sup>45</sup> Support will focus on developing solutions to improve formalization and regulation, including the design and management of dedicated artisanal mining zones.<sup>46</sup>

69. **Subcomponent 4.2. Managing mining liabilities.** The objective of this subcomponent is to strengthen the capacity of the Government to address and manage the long-term impacts and costs of mining, with the objective to transform current liabilities, in the form of abandoned, or soon to be closed mine sites into future assets. These sites can either be re-processed for potentially remaining valuable minerals, and/or be rehabilitated to facilitate other forms of economic regeneration, thereby making sure they no longer form a danger for human health and safety. This subcomponent will focus on four activities:

70. **Assessing the legal and policy framework for mine closure and the management capacity for ASM and LSM in line with international good practices.** Despite its long history of mining, the DRC does not have a robust framework for managing mine closure and remaining pits and tailings. This has resulted in severe environmental damage and challenges in cases where investors were willing to re-exploit former sites. This activity will finance advisory services to strengthen

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<sup>44</sup> Certification of mining permits is costly and will potentially require drilling and geochemical sampling. Therefore, the relevance of this activity and the number of possible targets will have to be reviewed during project preparation.

<sup>45</sup> The formalization of the ASM sector, addressing environmental and social impact of extractives at the local level, and the participation of women in mining have been highlighted as innovative areas of particular interest for local stakeholders in the context of the 2019 EITI Standard.

<sup>46</sup> A precursor activity has already been conducted with Bank support. It supported the preparation of a more accurate assessment of mineral potential in order to better apprise the allocation of a specific area for artisanal miners, thus avoiding situations where artisanal miners are sent to unproductive zones.



the legal and policy framework in a strategic and consultative way. It will also include capacity building of the relevant authorities at both national and provincial level.

71. **Undertaking a ‘hot spot mapping’ of copper/cobalt mines (both ASM and LSM) in Katanga in the context of future closure.** Neither the Ministry of Mines nor the Ministry of Environment can adequately monitor abandoned or closing mines. In parallel to the work at the policy level, this activity will finance consulting services to map priority sites, assess potential health risks and existing environmental damages affecting the population, as well as the socio-economic impacts of (near) future closing of some of the currently operating mines. In addition, the project will cost the necessary rehabilitation activities and recommend both remedial measures and a long-term strategy for environmental and social remediation.

72. **Assessing the presence and value of “strategic minerals” in selected abandoned sites based on the mapping, in order to evaluate the costs and benefits of rehabilitation.** Some of the former mining sites and existing tailings have mineral concentrations of cobalt, tantalite, beryl, lithium and rare earth elements (REE) or other strategic metals. This activity will finance an estimate of these potential resources, as well as a strategy for promotion of rehabilitation and economic recovery through advanced processing and extraction technologies.

73. **Strengthening mine closure financial assurance mechanisms.** This activity will put in place mechanisms to ensure that the costing of the closure and rehabilitation of new mining projects is included in the planning and financing process from the earliest stages of the mining process onwards. This will be complemented with capacity building of relevant authorities to implement and supervise the mechanisms.

**Component 5. Project management**

74. **This component will provide support to the overall management and implementation of the project.** This will involve financing: (i) the operating costs of the project implementation unit (PIU); (ii) the monitoring and evaluation of project activities; (iii) the development and implementation of a communication strategy and action plan; (iv) the development and implementation of a change management strategy and action plan for each project component; v) the establishment of a grievance redress mechanism (GRM) to allow affected stakeholders to raise grievances and seek redress if and when they perceive that a negative impact has arisen from the project; and vi) the hiring of staff, goods, consultant services, workshops, conferences, study visits, and provision of just-in-time technical assistance to respond to emerging needs during project implementation. TA activities will be identified during the life of the Project and will be consistent with the PDO. They will include, inter alia, ensuring proper monitoring of environmental and social safeguards policies and capacity building for staff of the CTR (and other institutions, as needed), to strengthen its role for coordination and monitoring of economic reforms. The key result of this component is enhanced capacity for project management and interinstitutional coordination to achieve project results.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	



75. **Potential environmental and social safeguard risks are rated Substantial.** No significant or irreversible risks or impacts are expected from the TA activities supported by the project. However, the project may facilitate the development of policies or strategies that could have adverse downstream environmental and/or social impacts related to the implementation of TA outputs, for example, for the mining, water and electricity sectors. In addition, the capacity of the PIU and other stakeholders to comply with the new ESF requirements is weak. These risks will be assessed and addressed in a Strategic Environmental and Social Assessment (SESA), and mitigated by engaging in capacity-building activities, preparing required environmental and social instruments, and by hiring environmental and social specialists to support the PIU in the implementation of environmental and social measures. Furthermore, Component 3 is most likely to have positive environmental and social impacts in that it is intended to improve the ability of Government to manage environmental and social risks across projects in many sectors. Finally, in Component 4, the work on mining liabilities aims at dealing with the negative environmental impact of past operations and preventing / anticipating the social and environmental impacts of potential or new operations.

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