



The World Bank

DRC - COVID19 Mitigation, Resilience, and Recovery DPO (P174026)

Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 13-May-2020 | Report No: PIDC29279



BASIC INFORMATION

A. Basic Project Data

Country Congo, Democratic Republic of	Project ID P174026	Project Name DRC - COVID19 Mitigation, Resilience, and Recovery DPO (P174026)	Parent Project ID (if any)
Region AFRICA	Estimated Board Date Jun 01, 2020	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Minister of Finance of the Democratic Republic of the Congo	Implementing Agency Prime Minister of the Democratic Republic of the Congo		

Proposed Development Objective(s)

Mitigating the health and social impact of the COVID-19 pandemic and enhancing the resilience of the population and the economy.

Financing (in US\$, Millions)

SUMMARY

Total Financing	200.00
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DETAILS

Total World Bank Group Financing	200.00
World Bank Lending	200.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **DRC is the size of western Europe and is bordered by 9 countries, making it key for regional stability and integration.** It is extremely rich in natural resources. Yet, the GDP per capita in 2018 shrunk to 40 percent of its 1960 level (WDI), leaving 73 percent of the population under the US\$1.9 poverty line (MPO 2018). DRC now hosts 14 percent of Sub-Saharan Africa (SSA)'s poor and is second after Nigeria with more than 60 million Congolese living in poverty. Human development indicators (HDI) are weak, with life expectancy not exceeding 60 years (175th out of 189 countries, HDI) and



the human capital index (HCI) of the country is low (HCI of 0.37, 141 out of 157 countries in 2018). The first and second Congo wars of 1996 to 2002 led to a total collapse of the state and completely shattered an already weakened social fabric, leading to a heavy direct and indirect death toll in the millions (estimates range from 2.7 to 5.4 million).

2. DRC had its first confirmed case of COVID-19 on March 10, 2020 and the government declared a state of emergency. The number of cases and deaths stood respectively at 682 and 34 as of May 4, 2020. The Government imposed confinement in the capital, which includes travel restrictions between Kinshasa and the rest of the country. With a weak health system, an expansion of the local outbreak can pose significant challenges at humanitarian, economic and political levels. As the crisis is unfolding, global growth prospects are being downgraded on a continuous basis.

3. The proposed operation contributes to filling part of the additional fiscal gap created by the COVID-19 shock and supports reforms to enhance the mitigation efforts, improve the resilience of the country, and set the path for recovery. The health sector is central, and the operation focuses on enacting the measures related to pandemic prevention, and on ensuring the funding of vaccination campaigns. The National Development Health Plan (NDHP) recommends the implementation of pandemic prevention activities. On vaccines, the delays in counterpart funding are threatening major contributions from donors, which may generate a public health crisis on top of the COVID-19 with long term consequences for the population. The operation also focuses on social resilience, through the enactment of a national social registry, the introduction of digital transaction for the payment of cash transfers, the removal of taxes and fees burdening agriculture production and food supply, and through the treatment of workers in agriculture and food industries and distribution as essential workers. In addition, the operation aims at maintaining adequate public finance management and accountability, which are critical for transparency during the response to the crisis and for country's post-crisis recovery. It includes actions promoting fiscal sustainability that are among the Policy Performance and Actions (PPAs) of the Sustainable Development Financing Policy (SDFP).

4. The government's macroeconomic policy framework is adequate to support the proposed operation. Despite the low levels of debt that provide the Government with some space, Government plans for investing in infrastructure and providing basic health and education services require higher revenue mobilization. The tax gap and related potential for enhanced DRM are estimated at around 5.2 percent of GDP.¹ To tap into this potential, the pre-COVID-19 Government program included tax policy reforms, and tax administration reforms. The Government is aware that private investments are also crucial to bridge the large infrastructure gap and has adopted his pre-COVID-19 program includes actions to develop the enabling legal and regulatory environment for such investments, including FDIs. This awareness of both the potential and the limitations of fiscal policies are consistent with the strict discipline in managing the budget on a cash basis amid the 2015-2017 commodity price shock. This helped the authorities avoid a further widening of the fiscal deficit and gradually reduce the monetary financing by the BCC. This policy stance yielded fiscal surpluses in 2017 and 2018, allowed a stabilization of the exchange rate and a reduction of inflationary pressures, hence protecting the purchasing power of the poorest. However, the monetization of deficits resumed in early 2020, and is likely to continue during the COVID-19 crisis, although the magnitude of monetization depends on the level of support DRC will be receiving from the international community.

Relationship to CPF

5. The DPO aims at helping DRC facing the short-term challenges of the COVID-19 pandemic and remains closely aligned with the medium-term perspective of the DRC SCD and the forthcoming CPF. Accordingly, the DPO remains anchored in Bank's three overarching objectives for DRC: (i) improving human capital; (ii) unlocking the potential of private

¹ World Bank, 2017



sector investment; and (iii) restoration of core public sector institutions. The operation is targeting critical areas where the Bank's leverage is crucial to protect the poor and vulnerable who has little voice and influence over the decision-making process. The operation would support the removal of long-lasting bottlenecks to activity in the informal and formal sectors. The measures supported by the DPO will contribute to maintaining the fiscal space needed for a minimum functioning of social services and human capital preservation. The measures will also ensure accountability and traceability of the COVID-19 response funds.

C. Proposed Development Objective(s)

Mitigating the health and social impact of the COVID-19 pandemic and enhancing the resilience of the population and the economy.

6. **The operation has three pillars:** (A) Protecting Lives - Mitigating the Health Impact of the Pandemic and Ensuring Food Security; (B) Protecting Livelihoods - Improving the Resilience of the Society and the Economy; and (C) Protecting the Future - Maintaining adequate Public Financial Management and Setting the Path for Recovery. The operation's three pillars are complementary and closely aligned with the Government's programs and initiatives to respond to the COVID-19 crisis. The prior actions correspond to a clear perimeter of reform identified in the programs, contribute to their implementation, and complements them. In sum, the operation supports the health response to the COVID-19 devised by the Presidency and the Ministry of Health² (MoH) as well as the economic and social response spelled-out in the Government's Economic Response Measures³ (See Table 3). While responding to crisis, the actions are consistent with the overall long-term objective of building the resilience of the country and with several medium-term sector strategies. The operation builds on existing Bank knowledge of specific sectors and would in turn remove institutional and governance bottlenecks to reforms in sectors.

Key Results

7. **The overarching objective is avoiding permanent and or long to reverse damages to the society and the economy and preparing for a post-crisis recovery.** Hence, the focus on strengthening the public health system and securing food supplies to mitigate the impact of the crisis and putting in place systems to support the most vulnerable and enhance their resilience, in an environment where self-employment and informality are predominant. The operation also focuses on ensuring that crisis response respects norms of governance and accountability, preserves advances on Public Finance Management (PFM), and enhances the efficiency of mobilizing and using public resources that would be crucial for the recovery period. One underlying objective of the operation is increasing digital financial inclusion that has proven very effective in both helping the most vulnerable sustaining shocks and in improving state-citizen, in and outside crisis times. All the above are measured through a set of 10 results indicators.

² The Presidency and the Ministry of Health have each designed their own response plans, who fortunately are quite similar, although amounts budgeted are different. The Presidency's Plan "*Plan de préparation et de riposte contre l'épidémie au COVID-19 en République démocratique du Congo*" has a budget of US\$135.3 millions. Ministry of Health's Plan "*Plan national de préparation et de riposte à une éventuelle épidémie de la maladie à Coronavirus 2019 (COVID-19) en République démocratique du Congo*" is budgeted at US\$198.9 millions. Both documents are from March/April 2020.

³ Democratic Republic of the Congo, Memorandum to the Prime Minister on the attenuation of the economic impact of COVID-19 on the economy "*Mesures d'urgence pour l'atténuation des effets négatifs de la pandémie du COVID-19 sur l'économie nationale.*" March 2020.



D. Concept Description

The DRC COVID19 Mitigation, Resilience, and Recovery DPO supports the following Pillars and Prior Actions:

8. **Pillar A: Protecting Lives - Mitigating the Health Impact of the Pandemic and Ensuring Food Security:** this pillar is consistent with the Government's objective to respond to the health crisis (**Prior Action 1**). It also, ensures that, while focus is on the immediate public health crisis, basic public health initiatives with long term implications, such as routine vaccinations campaigns, are still implemented (**Prior action 2**). Beyond health, this pillar focuses on ensuring smooth functioning of the food supply chain, by temporarily declaring workers "essential" along the chain (**Prior Action 3**), and by removing administrative, fiscal, and parafiscal obstacles that affect domestic food prices and hampers the free flow of food products and agriculture inputs (**Prior Action 4**).

9. **Pillar B: Protecting Livelihoods - Improving the Resilience of the Society and the Economy:** this pillar focuses on the social consequences of the crisis and aims at creating the conditions for an improved resilience of the population and the economy. DRC has important physical accessibility challenges, high poverty, and high prevalence of informality and self-employment. In this context, digital financial inclusion becomes crucial for reaching and aiding the most vulnerable. Hence, measures supported are crucial for registering the potential beneficiaries of social aid and cash transfers (**Prior Action 5**), digitally identifying for access to mobile money accounts (**Prior Action 6**) and enhancing accessibility through interoperability of mobile money systems (**Prior Action 7**).

10. **Pillar C: Protecting the Future - Maintaining adequate Public Financial Management and Setting the Path for Recovery:** this pillar focuses on improving the governance and transparency in the management of public resources by (i) maintaining adequate financial management in times of crisis and post-crisis; and (ii) putting in place reforms that help both facing the constraints of the crisis and paving the way for the post-crisis recovery. Given emergency spending pressures, there is a risk of seeing fiscal discipline deteriorating during the crisis period, with potential of lack of accountability and traceability of funds dedicated to the crisis response. The revision of the treasury plan may safeguard against such risks by ensuring that crisis-related spending is included and accounted for in regular budgetary channels (**Prior Action 9**). The digitalization of tax collection is a quick win since all preparatory work has been completed. It would help the Government increasing the efficiency of tax collections, in times where every penny counts and where the overall slowdown is already putting downward pressure on the tax base (**Prior Action 10**). The deployment of the treasury and accounting network aims at increasing the efficiency of the budget process and at ensuring better execution as well as better recording, tracking and reporting of spending (**Prior Action 8**).

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

11. **The prior actions supported by the proposed operation are expected to attenuate the impact of the COVID-19 shock on poor and vulnerable groups.** Poverty is projected to increase by 2.8 percentage points and the number of poor to rise by 2.4 million. A World Bank study on SSA⁴ shows that the new poor are more likely to be living in urban areas, be self-employed in service or sales occupations, and live in a female headed household. More than half the new poor are still expected to be children under 18 years. Therefore, the proposed operation includes measures to strengthen and protect health services and supply of food during the crisis that benefit directly to the above-mentioned categories. It also sets the stage for longer term preparedness, resilience, and recovery in both sectors. The operation strengthens financial

⁴ How much will poverty rise in Sub-Saharan Africa in 2020? World Bank, April 29, 2020. Internal Document.



inclusion in order to ensure a wider coverage of social safety nets through cash transfers, which would both help mitigating the immediate consequences of the crisis and enhancing the longer-term resilience of the poorest, including the self-employed females. While responding to crisis and strengthening resilience, the operation focuses on maintaining a minimum of fiscal discipline so that the use of COVID-19 response funds is mainstreamed and accounted for in budget processes. Also, the operation attempts to attenuate the decline in revenues by promoting ready-to-go reforms in the digitization of tax procedures that would on the longer term contribute to higher and better managed revenue mobilization.

Environmental, Forests, and Other Natural Resource Aspects

12. **Most of the prior actions have a neutral impact on the environment, forests, and natural resources, with one negative exception, and some have a positive impact on Occupational Health and Safety (OHS).** Prior Action 4 may trigger an expansion of agriculture activity and increases investment in the sector, hence generating negative environmental externalities in case the new activities do not respect norms and regulation that safeguard the environment. Other Prior Actions have a positive impact in terms of OHS. Such is the case for the **Prior Actions 5, 6, and 7** promoting the use of mobile money since they reduce the handling of cash and bring financial services to the proximity of the beneficiaries, hence reducing the exposure to COVID-19 and limiting the spread of the disease. Same goes for the digitization of tax administration (**Prior Action 10**) that limits direct contacts and the spread of COVID-19. In general, those Prior Actions promoting mobile money and digitization increase the resilience of the population in times of crisis and reduces its exposure to risks by curtailing the need for social interaction and direct contacts.

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APPROVAL

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