

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA797

Project Name	DRC Urban Development Project FY13 (P129713)
Region	AFRICA
Country	Congo, Democratic Republic of
Sector(s)	Sub-national government administration (50%), Rural and Inter-Urban Roads and Highways (25%), General water, sanitation and flood protection sector (25%)
Lending Instrument	Specific Investment Loan
Project ID	P129713
Borrower(s)	
Implementing Agency	Ministry of Spatial and Urban Planning, Housing, Infrastructure, Public Works and Reconstruction
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	18-Mar-2013
Date PID Approved/Disclosed	20-Mar-2013
Estimated Date of Appraisal Completion	22-Mar-2013
Estimated Date of Board Approval	07-May-2013
Decision	

I. Project Context

Country Context

The Democratic Republic of Congo (DRC) is slowly recovering from the civil war, which ended in 2002, having destroyed the country's infrastructure and social fabric. National Parliamentary and Presidential Elections were held in 2006 and 2011, the latter marred by violence and contestations of the results. Elections for the 11 provincial parliaments and for local government entities have not yet taken place for lack of funding and the need to revisit the electoral system. Provincial and local government elections are tentatively planned to take place in 2013. While progress has been made towards peace, armed conflicts continue to simmer in the East of the country, with recent resurgence of rebel activity in the North Kivu Province as a manifestation of weak and unaccountable state institutions.

Economic growth has been about 7 percent annually since 2010, which has so far not translated into lower poverty and unemployment rates due to governance problems. The DRC has huge economic potential thanks to its abundant natural resources, but poor governance, weak institutions, wars and conflicts have prevented the population from enjoying the benefits of these endowments. The quality of public administration, as measured in the 2012 Country Policy and Institutional Assessment, is stable at 2.0 (of 6.0) compared to the average among IDA borrowers of 2.9. The

DRC ranked 160 of 180 countries in Transparency International's Corruption Perception Index and was perceived as one of the most corrupt countries. Per capita gross national income is only US \$190 (2011) and 71 percent of the 71 million Congolese live below the poverty line (2006 figures, a nationwide poverty survey is being undertaken, data not available by appraisal). Despite economic growth, the private sector offers formal employment to only 1.2 percent of the labor force. The country's ranking on the Doing Business Index remains low at 181 of 185 countries. Young people are most affected by unemployment, particularly in urban areas. Moreover, the DRC has formidable infrastructure and institutional obstacles to employment creation and demographic imbalances have engendered social and political exclusion.

Addressing this paradox is at the heart of the government program to buttress recent progress made in the implementation of sound economic policies and structural reforms. Stable institutions are beginning to emerge at the national level, but challenges remain to effectively project governmental authority across the entire country. Addressing deep imbalances will require the establishment of more inclusive and equitable local governance mechanisms. The focus of the government program, which operationalizes the 2011 Poverty Reduction Strategy (PRS), is on governance, public finance management, promoting a modern public administration, private-sector-led growth, human development, closing the infrastructure gap, and improving security. With support from the Bank and IMF, the DRC reached the Highly Indebted Poor Country (HIPC) completion point in 2010 with debt cancellation of US\$12.3 billion. Following the sales of mining assets in a non-transparent manner by public mining companies, an Economic Governance matrix was agreed upon by the Bank and the IMF with the authorities in December 2010 to improve governance in the management of natural resources. The matrix has been closely monitored, and the World Bank's financial support to the DRC has been tied to progress made in implementing the agreed measures.

II. Sectoral and Institutional Context

The DRC is undergoing a rapid and unplanned urbanization process, with the twelve largest cities estimated to be growing at 4.7 percent annually. The country was 9.9 percent urbanized in 1956; by 2012 the urban population is estimated at 24 million, or 37 percent of the total population, and is projected to reach 40 million by 2025. With 400,000 new inhabitants joining the city every year, by 2030 Kinshasa (population in 2000 about 6 million) will be the largest African city, ahead of Cairo and Lagos and the 16th largest metropolis in the world. The major urban centers of Kinshasa, Lubumbashi, Mbuji-Mayi, Kananga and Kisangani are estimated to grow from 9.3 million inhabitants in 2000 to 17 million in 2015. The population of other urban centers of over 100,000 inhabitants will increase by over 75 percent over the same period, from 3.6 million to 6.3 million. Smaller urban centers are estimated to be growing at a slower pace, around 50 percent. This rapid urbanization process results in unplanned development of cities in the DRC, which in turn undermines economic growth, posing challenges to urban poverty reduction, and making provision of adequate urban services particularly challenging.

Absence of substantial investments and continuous degradation of the urban infrastructure result in low levels of access to services and high levels of urban poverty, at 61.5 percent in 2005. Congolese cities experience higher levels of poverty than Central African counterparts (below 50 percent in Republic of Congo). Even Kinshasa, with 42 percent poverty, is above other main cities of the region. In the absence of reliable statistics, it is not possible to know the exact level of public investments in urban areas. However, the 2010 urban sector study (carried out as part of the Country Economic Memorandum) estimates the investment needs in urban areas at 16-17 percent of central government expenditures, or US\$12 per capita – three times the current investments. In the absence

of investments commensurate with needs, most of the 1,000 kilometers of paved urban roads throughout the country (out of 7,400 kilometers total urban road network) date back to the colonial period and are poorly maintained, with a negative impact on urban mobility and economic activity. The trunk drainage systems, 280 kilometers for all urban areas, are old and badly maintained – only 5 percent of roads in poor neighborhoods are properly drained. Despite abundant water resources, access to clean water remains low at 26 percent in urban areas and only 36 percent of urban residents have access to improved sanitation. Access to electricity, key to development of economic activities, varies between 28 percent (Boma) and 66 percent (Kinshasa) in major cities above 1 million inhabitants.

Urban planning is largely non-existent, the formal sector is unable to deliver housing, and land management practices contribute to making cities ungovernable. The urban planning legislation from 1957 is outdated, and the only master plans in existence are over 30 years old. Some urban reference plans and local development plans have recently been elaborated with the support of donors, but overall the limited institutional and technical planning capacity results in unplanned settlements on undeveloped land, with auto-construction being the norm, making subsequent delivery of services expensive, and entailing risks of natural hazards. The housing deficit is estimated (1999, latest figures available) at between 854,094 and 1,243,554 units and there is no organized housing sector in the DRC. In principle, land is the inalienable domain of the state. In reality, only land allocation operated by traditional leaders is functioning, with the allottee having to subsequently obtain a registry certificate with the authorities through a lengthy procedure. To further complicate matters, responsibility for urban planning and urban development at the national level is split between several ministries and agencies (MINURB, the newly integrated Ministry of Spatial and Urban Planning, Housing, Infrastructures, Public Works, and Reconstruction, Ministries responsible for Decentralization and Land Affairs, and the Urban Road Agency - Office de voirie et de drainage, OVD), and the provinces also play a role, which does not facilitate coordination.

The unfinished decentralization agenda leaves provinces and local government entities with limited means and capacity to discharge their functional mandate, and local government elections have yet to take place. While waiting for the first local government elections to take place (potentially in 2013) cities and communes are managed by nominated mayors and burgomasters respectively. In spite of the constitution conferring substantial tasks upon the cities and communes, including roads and drainage construction and maintenance, urban planning, markets, and solid waste management, they currently play almost no role in urban planning, land management, and investment programming, which is essentially carried out at the provincial or national level; as a consequence, city authorities sense little ownership over infrastructure in their jurisdiction. Further, the budgets are imposed by Kinshasa, without involving the local governments in budget elaboration; many investments, which are in principle under the authority of local governments, are undertaken directly by the central or provincial governments.

Project preparatory studies confirm the general trend of low levels of revenues and limited staffing of project cities. In general, cities operate with personnel placed at their disposal by the provincial governor or contractual employees; organizational audits of the Urban Development Project (UDP) participating cities carried out as part of project preparation show that even municipalities with over 500,000 population do not have more than 75 staff. They are further constrained by very limited financial resources, due to random transfer of resources and underexploited generation of own source revenue, compounded by the informal nature of the collection system. Budget execution rates do not surpass 40 percent for any of the project cities. City budgets are typically around US\$1-3 per

capita, which is insufficient to run even the most basic services. Commercial infrastructure yields far below potential and should be a specific area of focus to improve municipal revenue.

The 2006 constitution provides three levels of state power: the central government, the provinces and the Decentralized Territorial Entities (ETD) and stipulated the repartition of government revenues between the three levels. It also introduced significant reforms in the political and administrative architecture of the country, including the establishment of provincial authority (provincial assemblies, provincial governments, provincial governors) and the allocation of the State's financial resources between the central and provincial governments (respectively 50% for the central government, 40% for the provinces and 10% through an Equalization Fund, which is not yet operational, to finance investments in provinces and ETDs) without further precision of the vertical and horizontal distribution criteria. A national forum on decentralization was held to develop a formula for the distribution of the 40% destined for the provinces. This formula, which is applied in the state budget since 2008, has been included in the Finance Act of 2011 and is based on a categorization of state revenues. The World Bank is currently funding an Enhancing Governance Capacity Project, which aims to enhance transparency and efficiency in central and sub-national public finance and human resource management and establish and consolidate an equitable resource sharing mechanism between central and subnational governments, particularly the provinces.

Apart from transfers, ETDs have two other sources of income, namely own-source revenue and the Equalization Fund via the provinces. The nomenclature of own revenues of the provinces and ETDs was enacted in June 2012 and is expected to reduce the dependence of ETDs on transfers. The Finance Act provides that 10% of national revenue is paid into the Equalization Fund to finance investments in the provinces. To stimulate ETDs to improve governance, it would be desirable that access to the latter window by ETD is conditional on the achievement of a number of performance criteria. Based on this logic, and the instruments implemented under the proposed UDP, government is expected to gradually adjust its fiscal system of allocations to local governments through the Equalization Fund to that of a primarily performance-based allocation for the discretionary use of the cities.

There is some positive experience in the DRC in implementing poverty-targeted interventions in selected urban areas, but policy-setting and coordination at the national level has been largely absent. The 2008 government strategy for the urban sector targets improvements to living conditions through a land management policy and activities to curb urban poverty. The government has struggled to implement the strategy. Sector donors have so far not supported its implementation in a coordinated manner at the national level. Some donor-supported projects have succeeded in implementing poverty-targeted interventions, based on participatory approaches and local development plans, and including capacity-building in selected local government entities. However, the approaches have not been fully institutionalized at the national level. Except for EU-support to solid waste management in Kinshasa, sector investments by donors do not exceed US\$50 million (post-crisis period and ongoing). Further, lack of reliable and updated data on the urban sector is a major handicap for any urban development strategy and the proposed Urban Development Project would support the elaboration of an actual sector strategy. The urban sector study carried out in 2010 as part of the Country Economic Memorandum, also suffers from lack of updated data. The Bank is funding a Statistical System Project to address country-level data shortcomings, two operations targeting enhanced governance, and a project to support the emergence of growth poles.

III. Project Development Objectives

To improve access to basic services and strengthen urban and municipal management of the targeted cities.

IV. Project Description

Component Name

Urban Governance

Priority Urban Infrastructure

V. Financing (*in USD Million*)

For Loans/Credits/Others	Amount
BORROWER/RECIPIENT	0.00
IDA Grant	100.00
Total	100.00

VI. Implementation

Project implementation will be assured by MINURB, through a Permanent Secretariat (PS), and relying on specialized government agencies. The Department of Urban Planning and Housing in MINURB has very limited capacity and experience in implementing this type of project and will receive adequate technical assistance to allow it to assure the technical and fiduciary management of the project during implementation. No PIU will be used for the implementation of this project. The PS was established in the MINURB during project preparation, with staff seconded, which is assuring technical preparation and will take over full implementation, including reporting to the Bank. The Enhancing Governance Capacity and Forest and Nature Conservation projects are already implemented in this way, and initial experience shows that while strong implementation support is needed, the approach is feasible. The incentives for MINURB staff to perform well in project implementation consist in providing better working conditions to MINURB staff, financing training, and providing career development opportunities and the possibility to contribute to visible results. Participating to project implementation will further provide the opportunity to visit project cities. To ensure the staff involvement and capacity is adequate, an annual performance plan will be established for each member of the PS (seconded staff as well as consultants), based on the terms of reference for the position in the Project Implementation Manual.

Fiduciary responsibility for project preparatory activities has been assured by the Unité de Coordination des Projets (UCoP, under the Ministry of Plan), which is well versed in Bank procedures. The project will rely on the Urban Road Agency (OVD) to play substantial roles during implementation in their area of expertise. The Ministries of Decentralization and Land Affairs will implement activities under their domain, and receive support to carry out the ascribed tasks (focal points are already appointed in each ministry and have participated to project preparation).

Cities, the principal beneficiaries, will be responsible for developing investment proposals, with technical and fiduciary responsibilities delegated to the PS, with potential to accord some implementation responsibilities to cities, if they demonstrate adequate capacity. Planning and budgeting involves both local communities as well as the general public. Cities will be subjected to annual performance evaluations, carried out by independent auditors, which will have funding consequences. Assistance to cities has been determined through organizational and financial audits carried out as part of project preparation. This assistance will figure in the city contracts, to be

signed between the mayor and the provincial governor, and which will also specify the types of performance criteria the city will be evaluated on. The Flying Capacity Building Team will be the central pillar of support to cities, and covers the areas identified as weaknesses in the urban, organizational and financial audits of cities carried out as part of project preparation. Additional training will be provided by provincial training centers, for which a convention will be signed between the PS and the centers. The city contracts will further specify the autonomy of Mayors to determine investments in consultation with the population, without interference from the Governor. The Governor's task will be to monitor the process of public participation and budget adoption. To the extent possible, and in line with increasing capacities, cities will gradually be charged with planning and implementing infrastructure under their responsibility, especially neighborhood infrastructure, with adequate technical assistance and use of delegated contract management as needed. A detailed review of city capacities will be carried out before the Mid-Term Review.

A Project Steering Committee will assure coordination at the national level, with Provincial Coordination Mechanisms playing this role in each province and local consultative forums established in each city to assure broad participation.

VII. Safeguard Policies (including public consultation)

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

VIII. Contact point

World Bank

Contact: Mahine Diop
 Title: Senior Municipal Engineer
 Tel: 5371+384 / 2
 Email: mdiop4@worldbank.org

Borrower/Client/Recipient

Name:
 Contact:
 Title:
 Tel:
 Email:

Implementing Agencies

Name: Ministry of Spatial and Urban Planning, Housing, Infrastructure, Public Works and Reconstruction

Contact: Kabau Tshiendesha
Title: Permanent Secretary, Urban Development Project
Tel: 243812503337
Email: akatshi2007@yahoo.fr

IX. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>