



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DRC MULTI-MODAL TRANSPORT
APPROVED ON JUNE 29, 2010
TO
THE DEMOCRATIC REPUBLIC OF CONGO

TRANSPORT & DIGITAL DEVELOPMENT
AFRICA

Regional Vice President:	Makhtar Diop
Country Director:	Jean-Christophe Carret
Senior Global Practice Director:	Jose Luis Irigoyen
Practice Manager/Manager:	Nicolas Peltier-Thiberge
Task Team Leader:	Tojoarofenitra Ramanankirahina



ABBREVIATIONS AND ACRONYMS

AAC	<i>Autorité de l'Aviation Civile</i> (Civil Aviation Authority)
AF	Additional Financing
CEPTM	<i>Cellule d'Exécution du Projet de Transport Multimodal</i> (Multimodal Transport Project Unit)
DMVN	<i>Direction de la Marine et des Voies Navigables</i> (Directorate of Maritime Affairs and Waterways)
IDA	International Development Association
ICAO	International Civil Aviation Organization
RVA	<i>Régie des Voies Aériennes</i> (National Airways Management Agency)
RVF	<i>Régie des Voies Fluviales</i> (National Waterways Management Agency)
SCTP	<i>Société Commerciale des Transports et des Ports</i> (Company of Transports and Ports)
SNCC	<i>Société Nationale des Chemins de Fer du Congo</i> (National Railway Company of DRC)



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P092537	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 29-Jun-2010	Current Closing Date 30-Jun-2018

Organizations

Borrower CEPTM	Responsible Agency CEPTM
-------------------	-----------------------------

Project Development Objective (PDO)

Original PDO

The Multimodal Transport Project's (MTP) development objectives are: (i) to improve transport connectivity in the Democratic Republic of Congo (DRC) so as to support national economic integration, (ii) to restore Société Nationale des Chemins de Fer du Congo (National Railway Company of DRC - SNCC) financial and operational viability, and (iii) to implement a sector-wide governance plan and strengthen transport state-owned enterprises (SOEs) operational performances.

Current PDO

The Revised Project Development Objectives are: (i) to improve transport connectivity in DRC; (ii) to restore SNCC's financial and operational viability; and (iii) to strengthen transport SOEs' operational performance.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-H8590	11-Jun-2013	22-Jul-2013	11-Oct-2013	30-Jun-2018	180.00	128.69	41.36



IDA-H5950	29-Jun-2010	14-Jul-2010	15-Apr-2011	30-Jun-2018	255.00	252.54	4.45
-----------	-------------	-------------	-------------	-------------	--------	--------	------

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

Note to Task Teams: End of system generated content, document is editable from here.

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Rationale for restructuring

1. The proposed level 2 restructuring consists in the cancellation of the Project undisbursed funds before Project closing date in the amount of SDR 16 429 000. The Recipient requested in its letter dated May 5, 2018 a cancellation of SDR 20 466 000. This request did not consider existing commitments and planned disbursements during the grace period. The current project closing date is June 30, 2018 and the rationale for the restructuring is to maintain these canceled funds in the national IDA basket for the Democratic Republic of Congo. These funds were not disbursed because some procurement activities have been dropped or have not been completed before closing.

B. Project Status

2. The project was approved on June 29, 2010. The Financing Agreement was signed on July 14, 2010 and the project became effective eight months later, on April 15, 2011. The original closing date was December 31, 2015. An Additional Financing with a restructuring and an extension of the project closing date was approved by the Board on June 11, 2013 and became effective on October 11, 2013. The revised project closing date is June 30, 2018. There was a minor restructuring and a reallocation of funds in 2014. In 2016, a restructuring was approved and included (i) a revision of the scope of "Component 1 – SNCC recovery plan"; (ii) a revision of the scope of "Component 2 – Operational performance strengthening and improved governance of the sector"; (iii) a revision of the Results Framework; (iv) a revision of the Legal Covenants; (v) a reallocation of Grant proceeds between Disbursement Categories to reflect the proposed changes to project components and the latest project cost estimates.
3. The amount of the original grant (H595-ZR) was US\$ 255 million equivalent while the amount of the additional financing grant (H859-ZR) was US\$ 180 million equivalent. The total combined funding was thus US\$ 435 million at the time of the signing of the respective grant agreements. However, due to the exchange rate fluctuation between the SDR and the US\$, the total funding for the project in US\$ was reduced by about US\$ 29 million. To date, 92 percent of the IDA-funds have been disbursed and an additional 1 percent will be disbursed by the end of the grace period. The project rating for progress towards achieving the PDO is Moderately Unsatisfactory since February 2017. The rating for Implementation Progress (IP) remains Moderately Unsatisfactory since December 2015.
4. The project covers all transport subsectors: railways, inland waterways, ports, port access channel/maritime transport, airports and aviation; except for roads, and with a focus on railways (85 percent of project funding).



5. **Status of Component 1 related to SNCC – Société Nationale des Chemins de Fer du Congo.** Results under component 1 are mixed. While the project financed the acquisition and rehabilitation of rolling stock and rail infrastructure, helped reduce staffing, the overall performance of the railway operator is far away from the project development objective “to restore the financial and operational viability of SNCC”. SNCC traffic volumes are well below the forecasts made in the PAD and at the time when the Additional Financing was approved in June 2013, and only slightly above volumes before project inception (210 million traffic unit per year in 2017 versus 199 million in 2011). SNCC’s financial position has worsened, with an annual turnover of US\$ 38.4 million in 2017 versus US\$ 44.8 million in 2011. There are nevertheless several positive achievements of Component 1:
 - A social scheme which allowed to retire 4,354 SNCC employees eligible for retirement (nearly a third of the permanent staff of SNCC at the time of project appraisal), which had very positive social impacts.
 - IDA funded 18 new locomotives delivered in July 2015 and 17 are operating. The Government purchased another 20 locomotives with its own funds. Also, the project funded the rehabilitation of railway track (1 100 km completed) and rolling stock (699 freight cars, 48 ballast cars, 19 passenger cars, 15 handcars). These achievements of the project have increased SNCC’s physical transport capacity.
 - Project support to SNCC’s operational costs (fuel, locomotive leasing, strategic spare parts, etc.) between 2010 and until the end of 2014 prevented the total collapse of SNCC’s operation during those years.
 - IDA funded technical assistance to SNCC to operate the company, including the preparation of financial statements and the restauration of an accounting system. The project also funded annual external financial and procurement audits.
6. An amount of SDR 13 587 000 remains undisbursed under Component 1 due to savings made during procurement process or due to the dropping of some activities that could not be completed by closing date.
7. **Status of Components 2 and 3 related to other six transport sector institutions and SOEs.** Only about 15% of the project funds are allocated to Project Component 2 (US\$ 40.45 million) and Component 3 (US\$ 2 million) which respond to the project development objectives “(i) to improve transport connectivity in DRC; and (iii) to strengthen transport SOEs’ operational performance.” As indicated in the PAD, most of the resources allocated to this component are for the acquisition of urgently needed equipment for several transport sector SOEs to maintain and improve their operational performance, while allowing them to devote their internal resources towards restructuring.
8. Positive results are being achieved in the areas of (i) aviation safety, through the supply and installation of critical equipment for air traffic control and airspace control which will help DRC comply with international safety and security standards in the future and (ii) river navigation, where the project funds a large program of manufacturing and installation of river navigational aids on several of DRC’s rivers and thereby enabling the mostly private barge operators to provide their transport services more safely and efficiently over more than 2,400 km. Concerning the restructuring of the various transport sector entities, the project funded studies identifying reform options in the air and river and maritime sectors that have not been implemented by the Government. The project also funded technical assistances for establishing reliable accounting systems and auditable financial statements in 5 SOEs and financed external annual audits. Component 2 also funds retirement indemnities of about 88 staff of one of the entities (RVF–River Transport Authority) and training. An internal diagnostic of the Ministry of Transport (MoT) and of the overall transport sector setup is also being carried out to recommend possible reorganizational scenarios and improvements in sector strategies. Finally, on the Governance side the project has funded (i) annual procurement and financial audits of various SOEs, (ii) the development of a sector wide governance plan, followed by (iii) individual governance plans which were adopted by the various SOEs in the transport sector and have partially been implemented.



9. Under Component 3, the project helped prepare an action plan for the improvement of international trade. The Government has not followed up the action plan. A Trade facilitation committee was created but has no clear road map nor budget. The project financed the construction of a passenger terminal for the river ferry crossing between Kinshasa and Brazzaville. This terminal is completed and fully equipped since July 2017 but is not operated by SCTP (Société Commerciale des Transports et des Ports). The building has been deteriorating since.
10. Progress towards achieving the PDO for Components 2 and 3 is rated as moderately unsatisfactory. While the acquisition and installation of equipment will significantly improve the operational performance of some SOEs, especially in the air transport sector and for river navigability, the air surveillance system is not used by RVA and the project failed at supporting reforms of the relevant SOES. Most of the necessary studies and preparatory work were done and restructuring plans have been developed and agreed in principle but no voluntary actions were taken by the Government.
11. **Status of Component 4 – Project Management.** The performance of the project management entity (Cellule d'exécution du Projet de Transport Multimodal – CEPTM with its two branches in Kinshasa and Lubumbashi) has been overall satisfactory.

II. DESCRIPTION OF PROPOSED CHANGES

12. The proposed changes consist in the cancellation of funds in six disbursement categories, as per the Borrower's request, for a total amount of SDR 16 429 000.
13. Under Component 1, the total undisbursed funds amount to SDR 13 587 000. The cancellation of SDR 11 196 000 under Category (1) (a) is due to the cancellation of procurement of slippers (USD 12 545 000) and spare parts for locomotives (USD 3 831 803) that could not have been completed before closing. The cancellation SDR 60 000 under Category (1) (e) is justified by savings made during the implementation of the three social plans to retire 4,300 employees of SNCC. The cancellation of SDR 279 350 under Category (1) (c) is due to savings made during procurement process for the acquisition of equipment for SNCC.
14. Under Component 2, the total undisbursed funds amount to SDR 2 909 000 because some procurement activities have been dropped or have not been completed before closing.
 - a. Concerning DMVN, a total of SDR 847 000 is proposed for cancellation under Category (8) because several activities were dropped. These activities depended on the acquisition by DMVN of a building to host its offices. The project was supposed to finance works and equipment for the building. In addition, the study meant to actualize DRC Navigation Code was dropped in the course of a long procurement process when it was deemed that the activity could not be completed before closing.
 - b. Concerning AAC, a cancellation of SDR 2 062 000 under Category (9) is proposed due to the non-completion of the ICAO training before project closing. This amount also accounts for an unallocated balance under this Category.
15. Under Component 4 – Project management, a balance of SDR 2 022 000 is proposed for cancellation. This accounts to a balance of SDR 2 022 000 under Category (6) (a) for operating cost of the Project Implementing Unit based in Lubumbashi (UPL).



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Change in Implementing Agency		✓
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Change in Results Framework		✓
Change in Loan Closing Date(s)		✓
Change in Disbursements Arrangements		✓
Change in Disbursement Estimates		✓
Change in Overall Risk Rating		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Change in Implementation Schedule		✓
Other Change(s)		✓
Change in Economic and Financial Analysis		✓
Change in Technical Analysis		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

IV. DETAILED CHANGE(S)



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: SNCC recovery plan	373.85	No Change	Component 1: SNCC recovery plan	373.85
Component 2: Operational performance strengthening and improved governance of the sector	40.45	No Change	Component 2: Operational performance strengthening and improved governance of the sector	40.45
Component 3: International trade procedures simplification and infrastructure investment	2.00	No Change	Component 3: International trade procedures simplification and infrastructure investment	2.00
Component 4: Project management	18.70	No Change	Component 4: Project management	18.70
TOTAL	435.00			435.00

CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-H5950-001	Disbursing	XDR	168,800,000.00	0.00	11-Jun-2018	168,800,000.00	UNDISBURSED BALANCE AT CLOSING
IDA-H8590-001	Disbursing	XDR	119,300,000.00	16,429,000.00	11-Jun-2018	102,871,000.00	UNDISBURSED BALANCE AT CLOSING

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IDA-H8590-001 | Currency: XDR

iLap Category Sequence No: 1A

Current Expenditure Category: GD,WK,CS, NCS, OP PT A1 EX 1b,1cii



	81,638,000.00	57,905,501.64	70,442,000.00	100.00	100.00
iLap Category Sequence No: 1C					Current Expenditure Category: GOODS PART A.1Cii
	16,117,000.00	15,838,648.60	15,838,650.00	100.00	100.00
iLap Category Sequence No: 1E					Current Expenditure Category: SNCC INDEMN. SOC SEC PART A.1 B iii
	6,345,000.00	6,279,062.09	6,351,350.00	100.00	100.00
iLap Category Sequence No: 4A					Current Expenditure Category: GD/WRK/ NCS / CS PART B.1C
	3,300,000.00	3,074,984.57	3,200,000.00	100.00	100.00
iLap Category Sequence No: 6A					Current Expenditure Category: G/W/NCS/ CS/OP COST PART D.1
	4,300,000.00	2,035,367.47	2,063,000.00	100.00	100.00
iLap Category Sequence No: 6B					Current Expenditure Category: G/W/NCS/CS B.3/B.4/B.5/C/D.2 OC D.2
	3,770,000.00	2,865,073.19	2,870,000.00	100.00	100.00
iLap Category Sequence No: 8					Current Expenditure Category: GD, WK, CS, NCS PART B.6
	891,000.00	43,237.07	44,000.00	100.00	100.00
iLap Category Sequence No: 9					Current Expenditure Category: GD, WK, CS, NCS PART B.7
	2,939,000.00	2,061,700.84	2,062,000.00	100.00	100.00
Total	119,300,000.00	90,103,575.47	102,871,000.00		

Note to Task Teams: End of system generated content, document is editable from here.