I. Introduction and Context

Country Context

Congo continues to rebuild its state institutions. In 2009, the second post-war presidential election was held peacefully and Parliamentary elections were held in July and August 2012. On the economic aspect, in the last five years, economic growth rates were high, and on the back of rising oil production in 2010 the country posted the second fastest rate of economic growth in Sub-Saharan Africa. In the medium term, economic prospects are broadly positive and economic growth is expected to rise to 5.8 percent in 2013, up from 3.8 percent in 2012. Gross official reserves are estimated to reach US$ 7.4 billion, covering nearly 22 months of imports, thereby providing a buffer against current account shocks. The fiscal situation remains strong following HIPC debt cancellation in 2010 and large oil windfalls.

However, the country remains fragile in terms of its dependency on the oil sector and its low social outcomes. The high poverty rate, unemployment, and inequality remain significant threats to the country’s nascent peace. Congo’s principal challenge is how to use its large oil revenues to
stimulate broad-based non-oil growth that would generate employment and reduce poverty. Similarly, much needs to be done to improve the country’s social outcomes. Progress in the non-oil sector remains hampered by multiple factors. They include limited government capacity and effectiveness in managing a growing public investment program; poor infrastructure, especially energy and transportation; a poor business climate; inadequate skills that need to be adapted to meet private sector needs; and weak governance.

The Government is aware of these weaknesses and has produced a new Poverty Reduction, Growth, and Employment Strategy Paper (PRSP) to address these challenges. The objective of the government’s PRSP 2012-2016 is to stimulate inclusive economic growth aimed at diversifying the economy from its oil dependence. The PRSP emphasizes governance (political and economic), diversification of the economy, infrastructure development, social inclusion, and equity.

In view of the above, the objective of the Bank’s partnership with the Republic of Congo for FY13–FY16 is to help Congo use its large oil revenues to diversify its economy and improve its social outcomes. The Bank’s support is aimed at creating a dynamic that will set the stage for a sustainable and inclusive growth trajectory that should increase equality of opportunities and spread the benefits of growth, while safeguarding the environment. The ultimate goal of the Bank’s support is to contribute to propelling Congo from a low middle-income country to a medium middle-income country, and to support the country to achieve its poverty reduction goal (MDG1) – to reduce poverty to 35% by 2015.

**Sectoral and Institutional Context**

**Poverty**

Despite the strong economic growth, poverty reduction has been insufficient to make significant progress towards achieving the poverty reduction goals. In 2011 the poverty rate was estimated at 46.5% and inequality (Gini) at 0.39. The reduction in poverty by 4.2 percentage points from 50.7 percent in 2005 is much slower than what can be expected given the pace of economic growth. Moreover, the top quintile of Congo’s population retains more than 52% of the overall welfare. The highest prevalence of poverty is found in rural areas, but it is also relatively high in urban and peri-urban areas where a large share of the population resides.

**Education**

Primary enrollment is high (89.3% net), but children are often in the wrong class/age, and are likely to drop out of school before finishing the cycle (Hh survey 2011). If the pace of the current pace of improvement in enrollment was to be maintained (average annual increase of 0.5 percentage point between 2005 and 2009, MDG2 (universal primary education for all) is unlikely to be achieved. In addition, primary school dropout rate of 6-11 years old is relatively high (5.7%) compared to that for children in secondary school (4.9%).

Despite high enrollment rates in primary education, which suggest a good supply of primary schools, lack of income to pay for school related expenditures negatively affects the school participation of poor children. Education administrative data also shows that despite policies introduced to improve primary education outcomes in recent years primary level students still face a number of problems such as high repetition rates; difficulties in financing education projects, and difficulties of access in remote areas or among vulnerable population groups. Poor children are more likely to dropout school before end of school year and have irregular attendance. Some estimates show that in the
lowest income quintile of the country, 15 percent of the 5-14 year-olds are not attending any school (DHS 2011/12), while other children are not attending regularly.

Health

The performance level of the health sector is inadequate to meet basic health care needs of the Congolese population. Despite the efforts that have been made to improve health service delivery in recent years, health indicators are still cause a concern. Only around 70% of the population have access to health services and varies from one department to another. As expected, the best access was observed in the two main cities, Pointe-Noire and Brazzaville, with 84.9% and 72.1% respectively. However, even in areas where accessibility is relatively high, the utilization of health services is fairly low (23.8%). Even if 92% of women receive prenatal care after giving birth mothers are not benefiting from adequate preventive care for the children which, in turn, can be linked to high infant and child mortality rate and malnutrition levels. For example, one out of three children does not have access to measles immunization. In addition, high costs of services and long wait lines were the two main complaints of patients that utilized health services in 2011.

Current Safety Nets programs

Given the high levels of poverty, the uneven distribution of the benefits of growth, and lagging social indicators investments such as social safety net programs that are targeted to the poorest and most vulnerable can play an important role in speeding up the momentum in poverty reduction. Safety nets can increase the quantity and quality of household consumption such as on improved nutritional intake and expenditures for investment in productive activities to build resilience for the most disadvantaged. Safety nets can also allow poor households to invest in the health and education of their children and break the cycle of inter-generational poverty. Hence, they protect immediate household consumption while helping to reduce poverty and promote productivity in a more permanent way. This way, safety nets are important mechanisms for helping make social services accessible to the poor and vulnerable. While efforts are made to improve health and education services in poor areas from the supply side, safety nets help improve the access of the poor to these services (demand-side). However, Congo’s social protection sector is not effectively set up to help reduce poverty and vulnerability. As in many west and central African countries, social protection take the view of solidarity and on emergency aid, and programs are inadequate and insufficiently developed to respond to the needs of the poor and vulnerable population.

Some safety net programs exist aimed towards indigents and specific vulnerable groups such as the elderly, handicapped or orphans, and are managed by the Ministry of Social Affairs, Humanitarian Action and Solidarity (MASAHS) with a very small budget (only 0.51% of the 2012 revised national budget, which represents 0.15-0.2% of GDP). Moreover, the programs are uncoordinated and very small (in terms of number of beneficiaries); they provide irregular and unpredictable social transfers; and do not have clear or transparent documentation that describe how eligibility criteria are applied and how benefit amounts are defined.

The main programs include (a) provision of an indigence card that gives entitlement to free health care, (b) ad-hoc and on-demand financial assistance to attenuate poverty or to buy medicines, (c) social workers case management activities for the resolution of social problems such as the abandonment of children, denial of pregnancy and parental irresponsibility, (d) school kits to orphans and children from vulnerable families, and (e) scholarships to the most vulnerable students for higher education.
New Social Protection strategy

Recognizing weaknesses of the current system and the importance of safety nets in the short and long-term poverty reduction strategy and to improve social outcomes, the Government has developed a new strategy (Politique Nationale d’Action Sociale, PNAS) which bringing social protection into the poverty reduction agenda. The PNAS has three axes as follows:

1. Strengthening existing categorical safety net programs for the most vulnerable groups such as street children, vulnerable and abused women, handicapped, indigenous people, etc.
2. Putting in place new programs that help reinforce economic capacities of people and develop human capital of vulnerable groups. Three types of programs are proposed:
   a) Large scale labor intensive public work programs for youth with the wage set at minimum guaranteed wage (SMIG);
   b) Social cash transfers mainly for children and the elderly; and
   c) Programs (micro-finance) supporting income generating activities.
3. Strengthen the legal and institutional framework for social protection. The focus is mainly on policy framework and capacity building as well as on establishing underlying coordinated operating systems for targeting, MIS, payment, etc.

The rational for the LINSUNGI project

In order to implement the PNAS, the Government of Congo, through MASAHS requested technical assistance from the World Bank in 2012. A small technical assistance program (P143260) started last year it was subsequently agreed that a World Bank supported project would be prepared to help the Congo to implement the PNAS, specifically by focusing on axes 2.b and 3, while providing inputs to the design of better policies in axe 1. Given these aforementioned poor social outcomes and uneven distribution of the benefits of growth, the Government of Congo is eager to use targeted cash transfer programs linked to education and health to provide support for the poorest households and help them invest in the human capital of children.

Relationship to CAS

In view of the above, the proposed operation is fully in line with the Bank’s partnership with the Republic of Congo for FY13–FY16 which aims to help Congo use its large oil revenues to diversify its economy and improve its social outcomes. The proposed operation can help the Congo to achieve the opportunity - as underscored by the CPS – of using its oil wealth to build a more diversified and competitive economy while reducing poverty and improving social outcomes. The proposed operation will help to strengthen social protection in the country by laying the foundation for an effective safety net system, to devise effective targeting mechanisms to cater to each of the identified priority vulnerable groups, to strengthen human capital of poor families, and to strengthen governance and government capacity on social protection. Therefore, the project is aligned with FY13–FY16 CPS strategy to help Congo to use its large oil revenues to diversify its economy and improve its social outcomes and can play a catalytic role in helping Congo achieve the MDGs.

The financial arrangements for the operation follows the Government and World Bank agreement stated in the CPS, where the World Bank has a leveraging role, by contributing limited financing to largely government-funded programs. The project will ensure implementation of the internal and
external auditors’ recommendations and strict adherence to fiduciary procedures and processes of the Bank. The fiduciary implications for the project are that the Bank ensures accountability for the total project amount where disbursement of each US $ 1 is linked to the exact share of the Bank/ Government contribution

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The main objective of the LISUNGI project will be "establish the key building blocks of a national safety net system in the country and provide income support to the poorest groups of the population"

Key Results (From PCN)
The LISUNGI project’s performance in achieving its development objective would be measured through the following key outcome indicators:
To measure the institutional benchmarks for the national safety nets system the key indicators are:
  • Establishment of Unified Registry (UR)
  • Establishment of following MIS modules:
    a) Enrollment;
    b) Transactions: comprised of one module for calculation of benefits and one for payment;
    c) Reporting: comprised of one module for administrative reporting and one module for monitoring and evaluation purposes.

To measure the functionality and performance of system the key indicators are:
  • Number of potential beneficiary households for the cash transfer component included in the Unified Registry;
  • Share of cash transfer beneficiary households who receive payments on a regular basis.

To measure the effectiveness of the cash transfer program the key indicators are:
  • Direct project beneficiaries (number), of which female (percentage)
  • Share of beneficiary households living below the food poverty line (targeting efficiency)
  • Impact on poverty among beneficiaries

In addition to these key indicators, the project aims to improve human capital. Therefore, as secondary indicators the LISUNGI project will monitor a number of indicators linked to the use of health and education services of beneficiary households (to be confirmed with the health and education sectors). These indicators may include:
  • Health outcomes
    a) Share of cash transfer beneficiary children immunized by age;
    b) Share of cash transfer beneficiary pregnant women receiving antenatal care during a visit to a health provider;

  • Education outcomes
    a) Increase in primary completion rate for beneficiary children (PCR)
    b) Share of beneficiary children with regular attendance rate

III. Preliminary Description

Concept Description
The proposed project will be implemented using an Investment Project Financing (IPF) for a period of 4 years starting in FY14. The project is expected to be financed by: an IDA credit of US$2.00 million and a contribution from the Government US$13.00 million. Specifically, the project will establish the key building blocks of a safety net system, while launching the first phase of a targeted cash transfer program in the country.

The design of the proposed operation reflects the initial Government and Bank engagement through the technical assistance (TA) program that was put in place in FY13 to support implementation of Government’s social protection strategy (PNAS). The main objectives of the TA were incorporated into the LISUNGI project preparation and the TA has been closed. Hence, this project is a continuation of the Bank’s engagement in strengthening safety nets in the Congo which already has helped to build a strong relationship with the main Government counterpart team and other partners in the social protection arena.

It is important to highlight that this project aims to use Bank funds strategically where it can add specific value-added and leverage funds. While the financial envelope of the operation is relatively small, its aims to lay the foundations to a much larger Government funded and operated safety net system and an expanded cash transfer program. During the first phase of the transfer program (supported by the project) will cover about 5,500 poor households. However, preliminary cost-benefit calculations show that when the program moves into its expansion phase (after the project ends) the system and program that will be established through the proposed operation will be capable to provide adequate cash transfers to all of the households below the food poverty line (about 25 percent of the population, 250,000 households) for less than 1 percent of GDP per year. Exact costs will depend on the exact benefit level and targeting effectiveness.

To achieve the LISUNGI project objective the proposed project will have three components:

i) Establishment of the key building blocks of a national safety net system such as a unique registry and a MIS system

ii) Cash transfer program: design of a cash transfer program for the poorest and most vulnerable households with children and for the elderly including measures to encourage households to invest in human capital; and

iii) Project management: support project management.

1. Description

Component 1: Establishment of the key building blocks of a national safety net system

This component will cover the set-up of basic elements of safety nets to support a long term sustainable and effective system in the country. To this end, activities financed by this component will include (i) the development of a MIS; (ii) the set-up of a Unified Registry (UR) of potential beneficiaries of safety nets programs; (iii) the set-up of an Information Education and Communication Campaign (IEC); (iv) the set-up of monitoring and evaluation procedures; and (v) technical assistance to evaluate and finance studies to address the needs of specific population such as the disabled and the indigenous population.

More specifically regarding the MIS, the project goal is to develop and implement a modular computer system that will be capable of producing reports regarding potential beneficiaries,
beneficiaries, program activities transfers; support the financial management of projects produce the necessary information for monitoring and evaluation; etc. The key components of MIS, which is linked to the Unified Registry, will include:

- Module to enroll potential beneficiaries in the program(s)
- Module to track payments
- Module to support monitoring and evaluation
- Module to produce administrative reports

Component 2: Cash transfer program

This component will support the development and implementation of phase one of a cash transfer program that will become the cornerstone of the social safety net system in the country. The cash transfer programs intends to increase the consumption of the poorest households by the provision of direct transfer to poor households with children and to poor elderly. In addition, the safety nets literature shows positive impacts of conditionalities to improve education and health outcomes. Therefore, the cash transfer program will provide an extra benefit per child in each poor household to help poor households to invest more in the human capital of the children. The extra benefit intends to support families to keep children longer in school, increase completion rates, and improve the use of preventative care. While a conditional cash transfer provides income support for the poorest and encourages them to keep their children in school and make use of health care services (demand-side) other policies in the health and educational sector should continuously be implemented to generate adequate supply and quality of services (supply side). Phase one. This phase one will last for 4 years, where households are eligible for the cash transfer program for two years, before having their situation re-evaluated for continuity of benefits. During phase one, Government evaluation plans will inform the needs for adapting the program as they go National.

The cash transfer program has two objectives: increasing the consumption of the poorest households and helping then to invest in the human capital of the children.

Beneficiaries. The cash transfers will be targeted to poor households with children under age 14 years old and elderly (60 years-old and above) using community based targeting and economic verification proxies as mechanism for targeting.

Household type structure (population of interest) and benefit structure. The criterion for participating in the cash transfer program is summarized in the figure below.

- First, households must be poor to be eligible.
- Second, poor households must have at least one child (0-14) or one elderly (60+) living in.
- Those poor households are then divided into 4 groups according to the household composition - Household Type 1 has no children (0-14) nor elderly (60+); Household Type 2 has at least one child (0-14) but no elderly (60+); Household Type 3 has no children (0-14) but at least one elderly (60+); and Household Type 4 has at least one child (0-14) and at least one elderly (60+).
- Third, households type 1 are not eligible for the cash transfer program, and not part of the population of interest.
- Fourth, each eligible household receives a benefit according to the following benefit structure:
o Type 1 households: no benefit

- Type 2 and Type 4 households are eligible for a Fixed benefit (F) to support household consumption.
  - Children in Type 2 and Type 4 households are eligible for a Child Benefit (C) to support their human capital investment. A limit of three C benefits per household is enforced.
  - Elderly in Type 3 and Type 4 households are eligible for an Elderly Benefit (E) to support their individual welfare, and household consumption.

Attention: due to the combination of benefits in Type 4 households, the cash transfer program will limit the total household transfer of these households at FCFA 45,000 (US$ 90) a month.

Number of households / beneficiaries in the cash transfer program. The phase one of the cash transfer program will support 5,000 household with children (Type 2 and Type 4) and a maximum of 1,000 elderly from either Type 3 or Type 4 households. Therefore, total number of households in the program is estimated around 5,000 and 5,500 households, with can benefit indirectly up to 30,000 people.

Identification of potential beneficiaries. Local committees will be set up in each CAS with representatives of the district, communes and neighborhood/villages. Their mandate will be to participate in community and household targeting and to support verification. The local committee comprises representatives also from health and education sector to ensure adequate coordination for reaching the human development objectives of the program. A proposal for the institutional and operational arrangements is presented in Annex3 – still in French and will be clarified during the pre-appraisal mission.

Benefit level. The exact benefit level will be determined based on the economic and impact analysis currently ongoing. For the moment the LISUNGI team plans to have a Fixed benefit (F) per household of FCFA 10,000 (US$ 20) per month, a Child benefit (C) of FCFA 5,000 (US$ 10) per child per month; and an Elderly benefit (E) of FCFA 10,000 (US$ 20) per elderly per month. Current simulations shows that on average the total transfer for the average beneficiary household will represents about 25% of the food poverty line and 15% of the poverty line in the country.

Phase one areas of intervention. The phase one of the cash transfer program will operate in 2 peri-urban areas (in Brazzaville and Pointe-Noire) and in one rural area in Cuvette. These three areas have operating CASs that can be used for supporting program implementation, while other CASs are going to be rehabilitated or constructed under the ongoing PARSEGD project. In the expansion phase (after the end of this project) the cash transfer program will be expanded to other regions where CASs have been improved and are functioning. For program expansion the LISUNGI project will benefit from a transparent geographic targeting criterion that is currently under preparation by a local consultant.

Payment agencies. One or more payment agencies will be recruited to make payments to beneficiary households. Payments are expected to be made quarterly during the this project and increase in frequency to become bimonthly during the expansion phase (after the end of this project). During project preparation, special attention will be given to identification of agencies in rural areas, which has been an important constraint in the implementation of cash transfer projects in other countries.

Conditionalities. In order to promote investments in human capital the transfers (excluding those
from the elderly) will be made conditional on regular participation in schooling and utilization of health care facilities for both boys and girls. The exact types of conditionalities will be determined together with the Government (especially the Ministries of Health and Basic Education) and aligned with the upcoming World Bank supported health project P143849 (PBF pilot). The idea is to combine the PBF supply-side incentives for improved health service delivery with the cash transfers demand incentives for boosting health indicators of children and pregnant women in the most disadvantaged households. The conditions may include:

- Health: conditions on regular health center visits including pre/post natal exams, and age relevant check-ups.
- Education: conditions on regular primary school attendance.

Component 3: Project management and Monitoring & evaluation

This component will support project management to ensure that the management unit is operational and it implements the project effectively and successfully in accordance with the guidelines of the project documents and the Project Implementation Manual (PIM). This component will also finance Monitoring and Evaluation (M&E) activities that are key element in the project because the project must be analyzed regularly to inform the Government, the World Bank and other development partners about its results and impacts. More specifically the M&E activities supported in the project will finance key activities to evaluate and to provide timely information regarding the accuracy and impact of cash transfer component to inform program expansion to national scale. Among key activities for monitoring and evaluation of the cash transfer component project will finance: (i) annual process and mid-term evaluations; (ii) spot checks; (iii) one full impact evaluation, and (iv) annual independent audits of the system.

In order to operationalize the project, the LISUNGI team will use the existing local infrastructure/social assistance offices - Circonscriptions d’Action Sociale (CAS) - of the Ministry of Social Affairs to implement the cash transfer program. These CAS offices are being constructed or rehabilitated throughout the country through the project PARSEGD financed by the African Development Bank. Because the LISUNGI project aims to build the foundation of effective and sustainable social safety net system in the country, part of the project will focus on strengthening the existing social safety nets structures and improve the capacity of staff involved in the project. Hence, in the selected geographic areas in which the cash transfer program will be implemented, the CAS infrastructure will be reinforced with staff for the coordination, supervision and monitoring of the project as well as some office equipment and or communications infrastructure necessary for coordination and supervision of the program (not including any support for the actual buildings/office locations). Training (including South-South forums participation) for staff at the central and regional levels will also be supported to ensure proper implementation of the program.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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VI. Contact point

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