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Report No: PAD2064

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 29.60 MILLION
(US$40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF CONGO

FOR AN

INTEGRATED PUBLIC SECTOR REFORM PROJECT
April 13, 2017

Governance Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2017)

Currency Unit = CFA Franc (CFAF)

CFAF 604.346460 = US$1

SDR 0.73861244 = US$1

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AFD	*Agence Française de Développement* (French Development Agency)
AFRITAC	Regional Technical Assistance Center in Southern Africa
ARMP	*Autorité de Regulation des Marchés Publics* (Public Procurement Regulatory Authority)
ASYCUDA	Automated Systems for Customs Data
CCDB	*Cour de Comptes et Discipline Budgétaire* (Supreme Audit Authority)
CEMAC	Central African Economic and Monetary Community
CFAA	Country Financial Accountability Assessment
CFAF	Central African Franc
CGMP	*Cellule de Gestion des Marchés Publics* (Public Procurement Management Unit)
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DGCMP	*Direction Générale du Contrôle des Marchés Publics* (Public Procurement General Controlling Directorate)
DGD	*Direction Générale des Douanes* (Directorate General for Customs)
DGGT	*Délégation Générale aux Grands Travaux* (General Directorate of Public Works)
DGID	*Direction Générale des Impôts et des Domaines* (Directorate General for Taxes)
EITI	Extractive Industries Transparency Initiative
ER-P	Emissions Reduction Program
EU	European Union
FM	Financial Management
FMA	Financial Management Assessment
GDP	Gross Domestic Product
GRS	Grievance Redress Service
Ha	Hectare
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICOR	Incremental Capital-Output Ratio
IFR	Interim Financial Report
IGF	General Inspection of Finance

IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPF	Investment Project Financing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
LULUCF	Land Use, Land Use Change and Forestry
M&E	Monitoring and Evaluation
MAI	Ministry, Agency, or Institution
MEFDDE	*Ministère de l'Economie Forestière, du Développement Durable et de l'Environnement* (Ministry of Forest Economy, Sustainable Development, and Environment)
MFBPP	*Ministère des Finances, du Budget et du Portefeuille Public* (Ministry of Economy, Finance, Budget, and Public Portfolio)
MFPRE	*Ministère de la Fonction Publique et de la Réforme de l'Etat* (Ministry of Civil Service and State Reform)
MOOC	Massive Open Online Courses
MPSIR	*Ministère du Plan, de la Statistique et de l'Intégration Régionale* (Ministry of Planning, Statistics and Regional Integration)
MTEF	Medium-Term Expenditure Framework
MTR	Mid-Term Review
NDP	National Development Plan
NPV	Net Present Value
PCU	Project Coordination Unit
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PLR	Performance and Learning Review
PMO	Prime Minister's Office
PPA	Project Preparation Advance
PPP	Public Private Partnership
PPSD	Project Procurement Strategy for Development
PRSP	Poverty Reduction Strategy Paper
PSTAT	*Unité d'Exécution du Projet de Renforcement des Capacités en Statistique* (Statistics Capacity Building Project Implementation Unit)
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RoC	Republic of Congo
SIGASPE	*Le Système Intégré de Gestion Administrative et Salariale du Personnel de l'Etat* (Civil Service Registry System)
SNPC	*Société Nationale des Pétroles du Congo* (National Petroleum Company)

SOE	State-Owned Enterprise
SORT	Systematic Operational Risk-Rating Tool
SNDE	*Société Nationale de Distribution d'Eau* (National Utility for Water Distribution)
STEP	Systematic Tracking of Exchanges in Procurement
TADAT	Tax Administration Diagnostic Assessment Tool
TGRP	Transparency and Governance Report Project
ToR	Terms of Reference
TTL	Task Team Leader
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax

Regional Vice President:	Makhtar Diop
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REPUBLIC OF CONGO
INTEGRATED PUBLIC SECTOR REFORM PROJECT

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BASIC INFORMATION

Is this a regionally tagged project?	Country(ies)	Lending Instrument
No		Investment Project Financing

[ ] Situations of Urgent Need of Assistance or Capacity Constraints

[ ] Financial Intermediaries

[ ] Series of Projects

Approval Date	Closing Date	Environmental Assessment Category
04-May-2017	31-May-2022	C - Not Required
Bank/IFC Collaboration		
No		

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve public resources management and accountability in the Republic of Congo.

Components

Component Name	Cost (US$, millions)
Strengthening Revenue Mobilization and Public Expenditure Management	19.60
Modernization of the Public Administration	10.50
Improving Transparency and Accountability	4.20
Project Implementation Support	5.70

Organizations

Borrower :	Republic of Congo
Implementing Agency :	Ministry of Planning, Statistics and Regional Integration

[ ] Counterpart Funding	[ ] IBRD	[✓] IDA Credit [ ] Crisis Response Window [ ] Regional Projects Window	[ ] IDA Grant [ ] Crisis Response Window [ ] Regional Projects Window	[ ] Trust Funds	[ ] Parallel Financing

Total Project Cost: 40.00	Total Financing: 40.00 Of Which Bank Financing (IBRD/IDA): 40.00	Financing Gap: 0.00

Financing (in US$, millions)

Financing Source	Amount
IDA-60230	40.00
Total	**40.00**

Expected Disbursements (in US$, millions)

Fiscal Year	2017	2018	2019	2020	2021	2022
Annual	1.50	6.50	9.00	10.00	9.00	4.00
Cumulative	1.50	8.00	17.00	27.00	36.00	40.00

INSTITUTIONAL DATA

Practice Area (Lead)

Governance

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	High
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	High
7. Environment and Social	Low
8. Stakeholders	High
9. Other	
10. Overall	High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✔] No

Does the project require any waivers of Bank policies?

[ ] Yes [✔] No

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

Legal Covenants

Sections and Description
Schedule 2, Section II, B, 4 (a): The Recipient shall not later than three (3) months after the Effective Date, develop and install a computerized information system to record the transactions of the Project and prepare quarterly interim unaudited financial reports.

Sections and Description
Schedule 2, Section II, B, 4 (b): The Recipient shall not later than three (3) months after the Effective Date, prepare and adopt the Administrative, Financial, Accounting and Procurement Procedures Manual, in form and substance acceptable to the Association.

Sections and Description

Schedule 2, Section V, A (b): The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about on or about May 31, 2019, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of the Section V of the Financing Agreement, on the progress achieved in the carrying out of the Project during theperiod preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date.

Sections and Description
Schedule 2, Section V, A (c): The Recipient shall review with the Association, by August 31, 2019, or such later date as the Association shall request, the report referred to in paragraph (b) of the Section V of the Financing Agreement, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report, and the Association's views on the matter.

Sections and Description
Schedule 2, Section V, B, 1: The Recipient shall, not later than November 30 in each Fiscal Year, prepare and furnish to the Association, a proposed annual work program and budget ("Annual Work Program and Budget") for the next following Fiscal Year, giving details of: (a) a time table of programs and activities scheduled for implementation in the course of that next following Fiscal Year; and (b) the estimated cost of each such program or activity, along with the budget line item and source of funding corresponding to each program or activity.

Conditions

Type	Description
Effectiveness	Article IV, 4.01 (a): The Technical Steering Committee has been duly established in accordance with the provisions of Section I.A.1 (a) of Schedule 2 to the Financing Agreement.
Effectiveness	Article IV, 4.01 (b): The Project Implementation Manual has been prepared and adopted, in form and substance acceptable to the Association.
Effectiveness	Article IV, 4.01 (c): The Recipient has recruited, in accordance with Section III of Schedule 2 to the Financing Agreement, the key personnel referred to in Section I.A.3 (a) of Schedule 2 to the Financing Agreement, namely, the Project coordinator, administrative and financial officer, procurement specialist, monitoring and evaluation specialist, internal auditor and accountant.

Type	Description
Effectiveness	Article IV, 4.01 (d): The Recipient has prepared draft terms of reference, acceptable to the Association, for the recruitment of an external auditor.

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Jean Mabi Mulumba	Team Leader(ADM Responsible)	Senior Public Sector Specialist	GGO27
Sidy Diop	Procurement Specialist(ADM Responsible)	Senior Procurement Specialist	GGO07
Francis Tasha Venayen	Financial Management Specialist	Financial Management Specialist	GGO25
Aleksandar Kocevski	Team Member	Operations Officer	GGO25
Bella Diallo	Team Member	Senior Financial Management Specialist	GGO25
Emmanuel Pinto Moreira	Team Member	Practice Leader	AFCC2
Etaki Wa Dzon	Team Member	Economist	GMF01
Evariste Niyonkuru	Team Member	Consultant	GGO25
Heriniaina Mikaela Andrianasy	Team Member	Public Sector Specialist	GGO13
Issa Thiam	Team Member	Finance Officer	WFALA
Josiane Maloueki Louzolo	Team Member	Program Assistant	AFMCG
Julian Lee	Team Member	Environmental Specialist	GEN07
Laurent Debroux	Team Member	Practice Leader	AFCC2
Luc Laviolette	Team Member	Practice Leader	AFCC2
Lucienne M. M'Baipor	Safeguards Specialist	Senior Social Development Specialist	GSU01
Renganaden Soopramanien	Counsel	Consultant	LEGAM
Serdar Yilmaz	Team Member	Lead Public Sector Specialist	GGO27
Yoko Kagawa	Team Member	Senior Public Sector Specialist	GGO13

Extended Team

Name	Title	Organization	Location

REPUBLIC OF CONGO

INTEGRATED PUBLIC SECTOR REFORM PROJECT

I. STRATEGIC CONTEXT

A. Country Context

1. **The Republic of Congo (RoC) is a lower-middle-income, oil-dependent country in Central Africa with a per capita gross national income of US$2,540 (as of 2015).** From 2011 to 2015, the RoC's annual growth rate averaged 3.9 percent, which was lower than the 8.5 percent target set by the 2012–2016 National Development Plan (NDP)[1] to achieve the country's ambitions of becoming an upper-middle-income country by 2025. This was largely due to the poor performance of the oil sector. The RoC's revenue mobilization has declined mainly due to the fall in oil production, which is a direct result of the drop in global oil prices. During the last four years, oil production declined by an average annual rate of 6.2 percent, essentially due to interruptions of oil production in some offshore wells. The oil sector accounts for more than 37 percent of gross domestic product (GDP), 32.6 percent of government revenues, and 69.2 percent of total exports.[2] Accordingly, the country's economic performance is largely determined by oscillations in global prices and domestic production and recent developments translate into a high level of uncertainty with regard to public revenues.

2. **The RoC has a relatively small population of 4.1 million, about 65 percent of whom live in the urban corridor between Brazzaville and Pointe-Noire.** The country is highly urbanized with a high proportion of the population living in the two main urban centers, Brazzaville and Pointe-Noire. Both urban and rural areas are endowed with natural resources, including extensive forests, arable land, and minerals, as well as a deep-sea port in Pointe-Noire, all of which offer considerable opportunities for economic growth and development beyond the oil and gas sectors.

3. **The high levels of poverty, unemployment, and inequality are significant threats to the country's economic development aspirations.** These challenges are outlined in the latest Poverty Reduction, Growth, and Employment Strategy Paper for 2012–2016, which has as its main objective to stimulate inclusive economic growth and steer the economy away from its dependence on oil.[3] The RoC faces persistent challenges even during this period of relative sociopolitical stability. It ranks among the medium human development category of countries on the Human Development Index of the United Nations Development Programme (UNDP).[4] However, the country suffers from weak public institutions

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[1] The 2012–2016 NDP describes the development vision of the country over 2012–2016. It federates all of the macroeconomic policies to achieve the Government's economic growth, employment, poverty reduction, and equitable development objectives.
[2]The RoC began oil production in 1957 from Pointe-Indienne. Production remained minimal through the 1960s and 1970s, with a peak output of about 2,500 barrels per day. During the 1980s and 1990s, as offshore technology improved and global prices rose, production increased dramatically, from 65,000 barrels per day in 1980 to 292,000 barrels per day in 2000. As it did, the RoC joined the ranks of Africa's leading oil producers, only behind Nigeria, Angola, and Gabon. Production peaked in 2010, reaching 312,000 barrels per day. It has since declined, falling to 230,000 barrels per day in 2016, where it will likely remain in the short to medium term. Although the RoC holds nearly 2 billion barrels of proven reserves, at current extraction rates and oil prices, oil revenue is expected to continue dropping in near future.
[3]Other objectives of the strategy paper include improving governance, developing basic infrastructure, promoting social inclusion and equity, and reducing poverty from 46.5 percent in 2011 to 35 percent by 2015.
[4] In 2015, the RoC was ranked 136 out of 188 countries with an average Human Development Index score of 0.591.

and limited implementation capacity in the public sector. As such, it has not fully capitalized on the opportunities offered by its significant natural wealth. The country's key social indicators and service delivery outcomes are inferior to countries with similar resource endowment, indicating a failure to translate this great potential into benefits and opportunities for the citizens. Moreover, with an estimated population growth rate of 3.2 percent per year,[5] the demographic transition is not yet in sight. The cohorts of youth entering the labor market are large and are expected to increase in the coming years, with limited prospects for employment.

B. Sectoral and Institutional Context

4. **The RoC ranks among the worst performers of resource-rich countries in the Country Policy and Institutional Assessment (CPIA) ratings on the public sector governance cluster**. The country's average score on the public sector management and institutions cluster during 2005–2014 is 2.6, which is below the average for resource-rich Sub-Saharan African countries. Furthermore, the country lags behind in CPIA indicators on (a) property rights and rule-based governance; (b) quality of budgetary and financial management (FM); (c) efficiency of revenue mobilization; (d) quality of public administration; and (e) transparency, accountability, and corruption in the public sector.

5. **The RoC has embarked on public administration and financial management reforms in the difficult environment of falling oil prices.** Following the elections in 2016, the President articulated a vision called "The road to development" (*La marche vers le développement)*, which presents the development goals for the next five years. The Prime Minister's Office (PMO) has laid out the blueprints of a strategy to reform the public administration and public resource management systems to achieve the President's vision statement objectives.[6] In addition, the Central African Economic and Monetary Community (CEMAC), of which the RoC is a member, has adopted a series of recommendations to fight the financial crisis facing the zone.[7] In response to these recommendations, the Government has drafted a broader reform program that could potentially be supported by the Bretton Woods institutions. In the meantime, the Government has started the implementation of certain reform activities, including a civil service census to control the growing public service workforce and payroll, as well as the transcription of the six CEMAC public financial management (PFM) directives into the national legislations.[8] To date, legal texts pertaining to accounting regulations, the chart of accounts, and the central government and the table of financial operations of the state have been sent to the CEMAC Secretariat for review. In addition, the Transparency and Accountability Code on PFM was published in November 2016, to promote transparency in public resources management by engaging with the civil society organizations (CSOs).

6. **In 2012, the Government adopted a PFM Organic Law, which establishes a harmonized framework of public finances, focused on strengthening of the budgetary discipline and several innovations:**

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[5] The latest population census was completed in 2007; however, the data are difficult to access. The data from household surveys, the most recent of which was undertaken in 2011, are used to calculate population growth estimates.

[6] The reforms started with the appointment of a Prime Minister in April 2016. The PMO is tasked with implementation and monitoring of the vision.

[7] The recommendations apply to CEMAC zone countries that are to be monitored by the President of the RoC.

[8] The impact of CEMAC on its member states is essentially in respect of PFM. CEMAC has provided a harmonized framework for PFM for its member countries and the RoC has committed undertaking the relevant PFM reform measures, notably to (a) control excessive deficit; (b) improve budget execution; (c) improve accountability of ministries for results; (d) establish a single treasury account; and (e) improve the transparency of public finances.

- Granting exclusive powers to financial laws over taxation policy including determining the rules relating to the assessment, rate, and collection of taxes of any kind;
- Strengthening efficiency of public spending through the integration of international best practices;
- Adoption of the budget in a program mode by allowing the state to move from a culture of means to a culture of results;
- Introduction of multi-annularity to ensure greater transparency of fiscal policy;
- Respect of a number of principles and obligations, both for the management of public funds and public administration; and
- Rationalization and strengthening of the control system.[9]

7. **Even though there is progress in reforming PFM systems in the country, the broader public sector modernization efforts are lagging behind.** There is a need for developing and implementing a complementary public sector reform program to achieve efficiency and efficacy in public resource management. The following paragraphs summarize the current situation of PFM systems as discussed in the recent Public Expenditure Management and Financial Accountability Review (PEMFAR)[10] report at length, as well as implementation gaps in public resource management and public sector reforms that require urgent attention.

Public Financial Management

8. **The recent economic update outlines PFM challenges as follows**[11]: (a) a lack of sufficient fiscal space due to low oil prices; (b) the taxation system being complex, with a high effective tax rate and limited capacity of Congolese revenue administration in generating substantial non-oil revenues; (c) the noncompliance with budgetary rules and procedures; (d) substantial delays observed in the country procurement system; and (e) the stalled reforms in PFM coupled with poor computerization leading to budget credibility issues.

Revenue Mobilization

9. **The RoC's total revenues were historically high compared to the regional average and were well above the convergence criteria of CEMAC.[12]** This is mainly attributed to the high share of oil revenues as a percentage of total revenues (see Table 1). Oil revenues accounted for 37 percent of total revenues in 2015, compared to 69 percent in 2014 and 79 percent in 2011. As such, the falling oil prices in recent years have significantly affected the composition of overall revenue mobilization. At the end of 2016, oil revenues were estimated at about 8.8 percent of GDP, as compared to 17.9 percent of non-oil revenues

[9] The CEMAC PFM directives reduce the control system by leaving only a priori control (that of the Financial Controller), but reinforcing the ex post controls, in particular parliamentary and judicial control, as well as instituting citizen control.
[10] World Bank. 2015. *Republic of Congo – PEMFAR – Implementing Public Financial Management Reforms to Stimulate Growth and Achieve Shared Prosperity*.
[11] World Bank. 2016. *Republic of Congo – 3rd Edition of the Economic Update*.
[12] The convergence criteria of CEMAC are as follows: (a) the basic budgetary balance in relation to GDP must be positive or zero; (b) the annual inflation rate must be less than 3 percent; (c) the public debt ratio (domestic and external) must be less than or equal to 70 percent of GDP; and (d) there must be non-accumulation by the state of internal or external arrears on current management. Failure to comply with these convergence criteria by one of the CEMAC members exposes it to sanctions.

(see Table 1).

Table 1. Oil and Non-oil Revenues Share in GDP (in US$ millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP	3,211	4,043	4.023	5,311	4,530	5,947	6,804	6,979	6,534	6,556	5,092	4,892
Total revenue	1,240	1,792	1,564	2,442	1,307	2,231	2,894	2,976	3,123	2,832	1,498	1,330
Total revenue / GDP	38.6	44.3	38.9	46.0	28.9	37.5	42.5	42.6	47.8	43.2	29.4	27.2
Oil revenue	1,020	1,531	1,284	2,118	934	1,758	2,283	2,303	2,295	1,942	550	430
Oil revenue / GDP	31.8	37.9	31.9	39.9	20.6	29.6	33.6	33.0	35.1	29.6	10.8	8.8
Non-oil revenue	220	261	280	324	373	463	571	663	801	857	902	875
Non-oil revenue / GDP	6.9	6.5	7.0	6.1	8.2	7.8	8.4	9.5	12.3	13.1	17.7	17.9

Source: Government authorities and World Bank, 2016.

10. **As part of the continuing efforts to increase domestic revenue**, **the 2016 Finance Law included measures for improving tax administration, as well as revisions pertaining to personal income tax and new taxes in the forestry sector.** The law also modified taxes for telecommunications companies and levied taxes on bank transfers. In addition, as a result of the measure taken by the Government since 2008, to strengthen the capacity of the Directorate General for Taxes (*Direction Générale des Impots et des Domaines*, DGID) and the Directorate General for Customs (*Direction Générale des Douanes*, DGD), the receipts from the value added tax (VAT) have increased significantly. The share of VAT represented 7.0 percent of GDP in 2016, compared to 3.4 percent of GDP in 2011 and the customs revenues were estimated at 2.5 percent of GDP in 2016, compared to 1.3 percent of GDP in 2011. The increase of non-oil revenue is also attributable to tax administration reforms, such as the creation of a one-stop shop (*guichet unique*) for customs operations, the transition from the Automated Systems for Customs Data (ASYCUDA++) to the new efficient automated customs data system, the introduction of the unique taxpayer identification number, and the payment of taxes through the commercial banking system. However, a number of challenges remain, such as (a) the Integrated State Expenditure and Revenue System not yet helping with budget execution and record keeping; (b) the automated tax collection system not yet being operational; and (c) work being needed to further strengthen the tax administration.

11. **To increase non-oil revenues, the Government is trying to diversify its revenue base, with an emphasis on the collection of forestry and property taxes, as well as registering economic activity to collect taxes.** Forestry generates a turnover of approximately US$200 million per year and contributes

about US$40 million,[13] nearly 40 percent of which is not reversed to the state due to diversion of funds.[14] The existing loopholes in the tax code and tax collection further limit the efforts to raise revenues from this sector; collection rates of the various forestry taxes ranged between 44 percent and 75 percent[15] between 2013 and 2015. As there are limited budgetary resources allocated for the sector, resources at the local level are diverted for direct use by the forestry administration.[16] The absence of transparency and lack of knowledge about existing forestry resources limit the capacity to control forestry exploitation and affect the implementation of sectoral regulations. To address these issues, effective revenue mobilization is a priority together with improved administrative capacity to enhance sectoral governance through a capacity-building program and an effective monitoring mechanism.

12. **The urbanization rate of the RoC represents an important potential for growth and development, as well as revenue from property tax**. With more than 70 percent of the population living in urban areas, the RoC is one of the most urbanized countries in Sub-Saharan Africa. A property tax was introduced in the RoC in the 2015 budget. However, it will take time to fully exploit the property tax base, as establishing a reliable cadaster and improving property tax administration capacity are difficult tasks.

13. **The RoC suffers from informality of economic activity**. The informal economy accounts for 28.8 percent of GDP and employs more than 80 percent of the working population, which poses a challenge for the Government in mobilizing tax revenues. It makes broadening the tax base and increasing the number of taxpayers difficult.

Expenditure Management

14. **The volatility of the budget execution rate continues to be an important challenge in the RoC**. After fluctuating between 88.4 percent and 104.4 percent during 2008–2013, the budget execution rate reached 80.65 percent in 2016 compared to 87.9 percent in Kenya and 94.0 percent in Nigeria. The lower budget execution rate affects the quality of expenditure, as well as the desired attainment of sectoral outcomes. For example, although the budget allocation for strategic sectors such as health, education, energy, and agriculture increased by 10 percent between 2008 and 2013, there has been little improvement in sector outcomes due to low budget execution rates.[17]

15. **In recent years, particularly since the launch of the Heavily Indebted Poor Countries Initiative, the Congolese authorities have adopted a number of significant public finance reform measures to improve the efficiency of spending**, including the 2006 Action Plan for the Improvement of PFM the 2008 Action Plan for the Improvement of Public Investment Management (PIM) (revised in 2011), the 2009

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[13] Nearly 66 percent of the RoC's total landmass is covered by forest. In absolute terms, the RoC has the second-largest volume of forest in Africa with 22 million hectare (ha). Until the rise of the oil sector, timber constituted the RoC's leading export; it now constitutes its second-leading export, contributing as much as 5 percent of annual GDP and 10 percent of foreign trade. Until 1987, the RoC's timber industry was dominated by the Office Congolais des Bois, which enjoyed a monopoly on timber exports. The sector was liberalized substantially between 1990 and 1993 and is now almost entirely private. Production increased accordingly, from approximately 650,000 cubic meter (m^3) throughout the 1970s and 1980s to more than 2 million m^3 annually since 2010. As of 2012, the RoC surpassed Gabon as Africa's largest exporter of tropical timber, reaching nearly 1 million m^3, behind only Malaysia, Papua New Guinea, and Myanmar globally.

[14] The Ministry of Forestry carries out cash withdrawals from the forestry companies for the payment of forestry taxes, contrary to the provisions in force that require payment to be made by check to the Director of Treasury.

[15] *Etat des lieux de l'application de la loi forestière et de la gouvernance en République du Congo de 2013 à 2016*. Projet OI-APVFLEGT. 2017.

[16] These resources are often used for purposes other than forest management.

[17] As a result, a limited number of people have access to basic services in the RoC.

Procurement Code, and the 2012 Organic Law on the State Financial System. In addition, the Congolese authorities have developed an information technology (IT) master plan with the objective of improving the efficiency of PFM systems. As part of this master plan, an automated tax collection system, an automated customs data system, and a certification mechanism for oil revenues have been developed. However, despite the efforts to establish an Integrated State Expenditure and Revenue System, there has been little progress.[18] As a result, the inefficiencies in the expenditure and revenue systems hamper efficiency gains in public resource management, particularly in the public investment system.

16. **Large investments have been made by the Government during the last decade, averaging US$600 million per year.** Since 2010, the Government has undertaken a massive infrastructure campaign with an aim to diversify the economy. RoC has used most of the available resources from public debt reduction to increase its infrastructure spending, thereby raising its commitment to meeting its development priorities set out in the NDP for 2012–2016. However, the weaknesses in the monitoring and evaluation (M&E) framework of the NDP make the review of the achievement of results difficult.

17. **In addition, poor selection of investments through the PIM system, a lack of coordination, and low absorptive capacity of the construction sector, as well as weaknesses in public procurement have led to significant inefficiencies.** Classic examples of inefficient investment are the Imboulou Dam Project and the Congo Power Station, where the Government has invested over US$1.6 billion, with improvements in the electricity access rate yet to take place. In addition, the high cost of building infrastructure in the RoC also reduces the efficiency of public investment. For instance, the cost of building a road in the RoC is the highest in the region.[19] Substantial reforms of the public investment system including planning, budgeting, and implementation are needed. Specifically, the Government should consider: (a) adopting and implementing a transparent and objective process of investment project selection within public agencies, institutions, and line ministries; (b) planning and coordinating investment decisions with all institutions relevant for the investment; (c) decelerating the pace of public investment to allow the building up of the supply side of the construction industry in the RoC; and (d) targeting the allocations of public resources and providing a geographic coverage of the budget (i.e. by division of rural versus urban areas).

18. **Furthermore, the lack of effectiveness and efficiency of the public procurement system continues to affect public investment spending.** Significant progress has been made with the introduction of the new procurement code in 2009, including the (a) decentralization of procurement functions to ministerial departments by the creation of Public Procurement Management Units (*Cellule de Gestion des Marchés Publics*, CGMPs); (b) introduction of open tendering as a basic principle; (c) establishment of a complaints review mechanism for monitoring and processing appeals; (d) operationalization of the Public Procurement Regulatory Authority (*Autorité de Regulation des Marchés Publics*, ARMP) and the Public Procurement General Controlling Directorate (*Direction Générale du Contrôle des Marchés Publics*, DGCMP); and (e) design of a national capacity-building strategy and training of actors involved in the

[18] Based on the IT master plan, the Integrated State Expenditure and Revenue System was supposed to be implemented in three parts: infrastructure, software, and training. To date, several activities have not yet begun, notably the development of the software, which is at the heart of the project, and the training of personnel involved in the implementation of this system. The various types of infrastructure delivered have not been exploited and are likely to become obsolete.
[19] A paved road measuring 7 meter in width costs an average of US$0.75 million per kilometer in the RoC, as compared to about US$0.4 million per kilometer in Kenya and Nigeria. Factors that contribute towards the high cost are the geographical terrain, use of procurement methods, nationality of contractors, and time trends, among others.

implementation of the procurement code. Despite this progress, the implementation of the new procurement system has not yet addressed all the weaknesses of the procurement system with regard to efficiency, economy, and transparency. The main problems remain (a) deficiencies in the planning and budgeting of public investment; (b) a lack of interest by the private sector in meeting public demand; (c) a high level of fraud and corruption associated with insufficient controls and sanctions; (d) weak capacity of civil servants in charge of procurement; and (e) poor performance by the entities responsible for conducting public procurement transactions in line ministries, as well as those involved in the controls and approvals.

19. **An evaluation, carried out by the ARMP in August 2014, indicates that the capacities and performance of the CGMPs are uneven**. In addition, the new configuration following the appointment of a new government resulted in strong mobility for CGMP members. In some ministries, the CGMPs are closely dependent on the cabinet of the Minister. They are usually replaced when ministers change. As a result, the level and capacity of CGMPs, including the General Directorate of Public Works (*Délégation Générale aux Grands Travaux*, DGGT), have been considerably weakened. In addition, as an evidence of poor quality of procurement dossiers, a number of bidding documents have been rejected by the DGCMP. The low level of execution of procurement plans (only 30 percent) is also a testament to procurement deficiencies.

20. **Public procurement control and approvals need to be improved for the enhancement of the integrity and transparency of the system.** Although public procurement audits have been conducted for the last three years, the samples of reviewed contracts were limited. More importantly, these audits did not include high-value contracts (above CFAF 1 billion). The reports are not publicly accessible. Moreover, the complaint review mechanism is ineffective, as the private sector is reluctant to file complaints due to lack of trust.

Public Administration and Sector Reforms

21. **The public administration reform is a high priority for the Government, but there is no modernization strategy in place yet**. The Congolese administration was created after the independence of the country in 1960 on the basis of the colonial administration. However, it has not been reformed since then.[20] It is important for the Government to design and implement a reform strategy with the objective of modernizing its public administration.

22. **Although the RoC has yet to ratify the African Charter on Values and Principles of Civil Service and Administration,[21] several of the values and principles are highlighted in a recent Government document—Strategic Plan for State Reform 2016 (*Projet de plan stratégique de réforme de l'État*).**[22] Evidence in this draft document suggests that there are serious deficits of professionalism and integrity in

[20] A number of initiatives have been attempted to improve the situation of the civil service without success, including the civil servants' census and the computerization of the HR management system.

[21] The charter lays down key principles and rules that should be applied by public authorities in their relations with the public to achieve a good administration. The nine principles stipulated in the document are as follows: (a) principle of equality of all users of public service and administration; (b) prohibition of all forms of discrimination; (c) principle of impartiality, fairness, and due process; (d) principle of continuity of public services; (e) adaptability of public services to the needs of users; (f) principle of professionalism and ethics; (g) promotion and protection of rights of users and public service agents; (h) principle of accountability, integrity, and transparency; and (i) effective, efficient, and responsible use of resources.

[22] This draft Strategic Plan for State Reform was produced in October 2016 with the support of the United Nations Development Programme (UNDP).

the civil service, manifested through poor human resources (HR) management and the unreliability of the personnel data, including strong evidence of ghost workers.

23. **There is a wide divergence in the estimation of the total number of civil servants.** The RoC is estimated to have around 80,000 civil servants. However, this number is not reliable as there is no civil service database based on a civil service biometric census.[23] A lack of a reliable database for the civil servants prevents the Government from knowing accurately the size of the public sector, which accounts for 19 percent of the public spending. The draft government document on the Strategic Plan for State Reform identifies two main causes of poor civil service personnel data: (a) weaknesses in the coordination between the Ministry of Civil Service and State Reform (*Ministère de la Fonction Publique et de la Réforme de l'Etat*, MFPRE) and Ministry of Economy, Finance, Budget, and Public Portfolio (*Ministère des Finances, du Budget et du Portefeuille Public*, MFBPP); and (b) corrupt practices of civil service personnel management within the ministries, agencies, or institutions (MAIs).

24. **Although the MFPRE has overall responsibility for personnel management, several MAIs directly recruit staff for whom they obtain ex post regularization.** While the legal framework and strategic plans have been developed to improve PFM, without a computerized HR management system, staff can freely move from one department to another, or from one city to another, without approval by the relevant authority. A lack of strategic planning for training with insufficient budget for training/staff development amplifies the problems of mismatching of skills and experiences with necessary positions. Furthermore, there is no civil service strategy for career management and recruitment, which leads to disconnects between the needs and actual recruitments.[24]

25. **The challenge posed by weak civil service implementation capability for achieving the country's development goals is highlighted in the draft Government Strategic Plan for State Reform (2016).** The document attributes the overall low efficiency and competence of civil servants to the following factors: (a) low morale due to frozen pay levels (since 1994); (b) poor working environment with inadequate buildings, equipment, and furniture; (c) lack of systematic evaluation of the performance of civil servants; (d) lack of training and retraining programs; and (e) slow internal communication within and among the MAIs. The document proposes the following remedial measures in its 'Results Framework':

- Improve civil service performance through provision of tools and procedures for ensuring results-oriented management (*gestion axée sur les résultats*) and introduction of a new performance evaluation system; promotion of change management culture; improved relationship between the civil service and the public; and redefined mission and programs of the National School of Administration and Management;
- Strengthen professionalism and ethical standards in the civil service through development, publication, and enforcement of a code of ethical standards for civil servants with a monitoring mechanism; creation of a national corruption observatory with the involvement of civil society for effective monitoring of the fight against corruption in the civil service; and introduction of practical sanctions and rewards of civil servants' performance; and

[23] The Government has recently started a biometric census, which is expected to be completed by October 2017.
[24] It is reported that there is a ten-year lag between graduation from Government public administration schools and Government recruitment.

- Modernize management tools and information systems within the civil service through simplification and automation of procedures; information/communication systems such as Intranet across the Government, e-administration, and electronic archives; coherence in the choice of technological services within the civil service; an interconnected network among MAIs and between the Central Government and subnational governments; and tailor-made information and communication technology training programs for civil servants.

Governance in Sectors

26. **Oil and forestry are the most important sectors of the Congolese economy.** In recent years, there have been significant Government efforts to comply with international standards in these sectors, including the Extractive Industries Transparency Initiative (EITI) and the Reducing Emissions from Deforestation and Forest Degradation (REDD+) Program.

27. **The Government received EITI approval in 2013.** The RoC is a leading producer of crude oil, diamonds, and gold. It also produces smaller quantities of copper, lead, zinc, construction materials, and, more recently, phosphates and uranium. The country joined the EITI in 2004 and obtained the status of candidature in 2008. In 2013 the EITI board declared the country compliant with the requirements.

28. **The country needs to continue complying with EITI requirements to maintain its EITI status, to attract foreign investment to develop mining and gas fields, as well as the diversification of oil production.** Owing to the EITI, the RoC has, among other things, succeeded in (a) the publication of quarterly reports that include data on oil sales by the national petroleum company of the RoC (*La Société Nationale des Pétroles du* Congo*,* SNPC) and transfers of revenues between the latter and the Treasury; (b) the inclusion in the EITI reports of crude oil resulting from production sharing contracts and its monetization, which has contributed significantly to the transparency of this important part of the national economy; (c) tax payment by oil companies directly to the Treasury and not to intermediate Government institutions; and (d) adoption of a roadmap setting out the steps that will lead, from January 1, 2020, to the disclosure of the real beneficiaries of undertakings operating in the sector.

29. **Although the RoC is covered with forests, its non-land use change and forest emissions[25] rose 206 percent between 1990 and 2012.** The country has committed to lowering its greenhouse gas emissions by 54 percent by 2035 at the 21st Conference of the Parties of the UN's Framework Convention on Climate Change. As part of the RoC's efforts to reduce greenhouse gas emissions, the Government is espousing REDD+ to better manage its forests, while also driving economic development and diversification. REDD+ payments represent a way for the country to get paid for climate mitigation services rendered to the global community. It also represents an opportunity to add revenue streams for the forest sector, while the performance-based nature of REDD+ provides an incentive to improve forest governance and management to qualify for the payments. However, institutional constraints of the implementing agencies involved in REDD+ pose challenges for achieving sector wide results. Investing in the modernization of decentralized elements of the forest administration is expected to boost the RoC's chances of realizing the potential of its Sangha/Likouala Emissions Reduction Program (ER-P) to pilot REDD+ at a jurisdictional level, which is aligning performance-based financing of US$60 million with an additional US$108 million in investments. Ultimately, such efforts are expected to have a positive impact

[25] Land use, land-use change and forestry (LULUCF) is defined by the United Nations Climate Change Secretariat as "A greenhouse gas inventory sector that covers emissions and removals of greenhouse gases resulting from direct human-induced land use, land-use change and forestry activities."

on improving overall resource mobilization in the sector.

30. **The RoC has an outdated institutional and regulatory framework for the state-owned enterprises (SOEs) sector**. The SOEs are governed by Law 13-81 of March 14, 1981. As of November 2016, there are 49 SOEs largely concentrated in critical sectors of the economy, such as transport, energy, infrastructure, banking, and insurance. The portfolio includes 22 companies with majority state ownership of 100 percent, with six enterprises where the state owns more than 50 percent, and 21 minority-owned companies. Although some profitable companies pay regular dividends (a total of CFAF 17 billion or approximately US$28 million in 2015), some companies do not pay any dividends, some have tax obligations, some are not profitable, and majority of them do not file their financial statements with the MFBPP, as required by the Decree No-2002-369 of November 30, 2002. In the context of social service delivery, the most important SOEs are the National Utility for Electricity (*Société Nationale d'Electricité*) and National Utility for Water Distribution (*Société Nationale de Distribution d'Eau*, SNDE).[26]

Public Sector Transparency and Accountability

31. **The control environment on budget execution is weak**. Controls are exercised by two oversight institutions: the General Inspection of Finance (IGF) for internal control and the Supreme Audit Authority (*Cour de Comptes et Discipline Budgétaire*, CCDB) for external control. The functioning of these oversight institutions is impaired because of inadequate budgetary allocations, as well as the lack of qualifications and training of staff. A common challenge for the control environment is that the audit reports' recommendations are not always implemented. The central authorities usually fail to impose sanctions, leaving few incentives for ministries and companies to change their behavior.

32. **The CCDB does not fully exercise its powers due to lack of independence.** The CCDB is able to carry out audits for less than 50 percent of total expenditures due to lack of capacity. In addition, audit reports are not submitted to the Parliament on time, and therefore settlement laws are not produced on time. The recommendations of the CCDB are not implemented due to the lack of follow-up capacity and willingness by the ministries and SOEs. Furthermore, there are no sanctions imposed by central authorities to delinquent ministries and SOEs. Moreover, the CCDB does not apply the international auditing guidelines and standards as described by the International Organization of Supreme Audit Institutions (INTOSAI) and the Regional Training Council of the Supreme Audit Institutions of the State, French-speaking Sub-Saharan Africa. To address these issues, an organic law is being prepared, which should establish the independence of the CCDB and affirm its new responsibility for assessing the performance of public expenditures in accordance with international auditing guidelines and standards.[27]

33. **The budgetary authority in the RoC is the Parliament. Its functions include adopting the budget and overseeing its execution through its two Economy and Finance Committees.[28]** However, the audit reports issued by these two committees are of poor quality due to the lack of capacity needed to carry out the oversight function. It is important to note the following distinction. The IGF, which is under the

[26] The ongoing World Bank project, Water, Electricity and Urban Development SIL (P147456), provides support to these companies in the context of reforms in the water and electricity sectors. The development objective of the project is to increase access to basic infrastructure services, safe drinking water, and electricity to the inhabitants of targeted areas in the cities of Brazzaville and Pointe-Noire.

[27] There has been support from the French *Cour des Comptes* to conduct performance audit. The CCDB has already conducted a performance audit for the SNDE and has the intentions to continue with the practice in others institutions.

[28] The Parliament has been overseeing the budget execution. It is responsible for the issuance reconciliation law (*Loi de reglement*), which it did for 2015.

supervision of the MFBPP, has a mandate to carry out internal audits regarding the execution of the state budget. The mission of the CCDB is to carry out the external audits of the execution of the state budget, and it is under the supervision of the Parliament.

34. **Congolese CSOs have limited capacity to exercise external control over the implementation of public policies by the Government.** There are limited resources available for CSOs to carry out their function as outside watchdog organizations. As a result, there is a need to further improve access to information to inform the citizens about the quality of services. In addition, CSOs need to be actively engaged in independent monitoring of budget execution. To this end, the following challenges will need to be addressed: (a) access to information to ensure proper monitoring by CSOs; (b) publication of detailed information about the public investment budget; (c) building capacity within CSOs to allow their staff to monitor the implementation of key governance reforms; and (d) dissemination of CSO monitoring activities to build citizen trust and reliance in the system.

C. Higher Level Objectives to which the Project Contributes

35. **The proposed project is a key component of the RoC's Country Partnership Strategy (CPS) FY13–FY16 (report number 71713-CG)[29] and is fully aligned with the Government's PRSP II**. Its design also reflects the findings of the 2015 Performance and Learning Review[30] (PLR). The CPS is organized around two pillars and the foundation of the new World Bank Strategy for Africa: (a) competitiveness and employment and (b) vulnerability and resilience, for which the foundation is good governance and capacity building. Improved governance/Government effectiveness is one of the five pillars of the RoC's PRSP II for 2013–2016. Actions envisaged under this pillar include (a) improving HR management; (b) improving staff capacity; (c) developing results-focused management tools; (d) establishing a remuneration system that will encourage performance and improve efficiency in the public service; and (e) creating a decentralized civil service system.

36. **The proposed project seeks to support the World Bank's twin goals of eliminating extreme poverty and promoting shared prosperity by supporting the Government's effort to increase its fiscal space**. The proposed operation will support the Government in improving domestic revenue mobilization, which will in turn increase the effectiveness of tax and nontax revenue mobilization, including from forestry and land. It will also contribute to strengthening public expenditure management to effectively allocate resources to priority sectors with the objective of improved service delivery. Finally, the project will promote better accountability by supporting oversight institutions and facilitating citizen monitoring of public policies.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

37. The Project Development Objective (PDO) is to improve public resources management and accountability in the Republic of Congo.

B. Project Beneficiaries

38. **The direct beneficiaries of the project are the Ministries of Finance, Planning, Civil Service, Land,**

[29] *http://documents.worldbank.org/curated/en/953881468247277224/pdf/NonAsciiFileName0.pdf*
[30] The objective of the PLR is to discuss the performance of the World Bank program, lessons learned, and adjustments made to the RoC's CPS to respond to new developments.

and Forest Economy, as well as the DGGT, the Directorate General of the Public Portfolio, ARMP, DGCMP, the Parliament, CCDB, IGF, and selected CSOs. The ultimate beneficiaries of the project will be the citizens of the RoC, who can expect to see improvements in the quality of public service delivery. As the project proceeds, improving revenue mobilization—including from forestry and land use—is expected to translate into greater availability of funds for financing the provision of basic social services, while strengthening expenditure management and control will promote greater effectiveness across the public administration.

C. PDO-Level Results Indicators

39. **The key PDO indicators to be achieved include**

(a) Increase in non-oil tax revenue (cumulatively, as percentage of the non-oil tax revenue base);

(b) Capital expenditure execution rate (as percentage of total capital expenditures);

(c) Civil servants managed through the civil service registry (*Le Système Intégré de Gestion Administrative et Salariale du Personnel de l'Etat,* SIGASPE) (in percentage); and

(d) Coverage of internal audit (as percentage of total expenditures).

III. PROJECT DESCRIPTION

40. **The proposed operation covers selected areas deemed critical to achieving the PDOs**. The project design has been informed by World Bank analytical work (including the PLR, PEMFAR, and Policy Notes on governance aspects) and the action program of the RoC. However, there is a need to deepen the knowledge on various aspects of governance challenges facing the country, for which the project will employ a knowledge generation strategy.

41. **As the scope of governance is quite wide, a selective approach will be employed to support the implementation of the Government's priorities**. Depending on progress made in the implementation of reforms and the appetite of the Government to reform, the project coverage may be extended through additional financing. The project will focus on three blocks of reforms, which are (a) PFM; (b) public administration; and (c) transparency and accountability. Accordingly, the project is organized into four components: (a) Strengthening Revenue Mobilization and Public Expenditure Management; (b) Modernization of the Public Administration; (c) Improving Transparency and Accountability; and (d) Project Implementation Support.

A. Project Components

Component 1: Strengthening Revenue Mobilization and Public Expenditure Management (US$19.6 million equivalent)

42. The objective of this component is twofold: (a) to improve non-oil revenue collection and (b) to rationalize the expenditure chain.

Subcomponent 1.1: Strengthening Revenue Mobilization (US$7.0 million equivalent)

43. The objectives of this subcomponent are to: (a) secure existing and potential revenues; (b) strengthen the management capacity of tax administration with regard to organization, fiscal control, and procedures automation; (c) improve communication capacities on tax policy measures with other

stakeholders, in particular sectoral ministries, the private sector, and CSOs; (d) improve information systems; and (e) rationalize the exemptions system in the non-oil sectors to reduce the loss of revenues. To achieve these objectives, this subcomponent will support the following activities: (a) undertaking of a tax administration diagnostic assessment tool (TADAT) and implementation of its recommendations; (b) review of the forestry tax system and implementation of its recommendations; (c) review of the exemptions system in the non-oil sectors, and implementation of its recommendations; (d) design and implementation of a tax administration modernization strategy; (e) design and implementation of a property tax system for the benefit of MFBPP and the Ministry responsible for land titling; (f) installation of a new computer system in the General Directorate of Tax; (g) development and implementation of a training program for tax administration, and production of a new manual of execution of revenue; and (h) development and implementation of a new communications strategy.

Subcomponent 1.2: Strengthening Public Expenditure Management (US$12.6 million equivalent)

44. The objectives of this subcomponent are to: (a) improve strategic planning capacity; (b) improve the efficiency of the public investment budget; (c) strengthen the capacity for public expenditure management; and (d) improve the PFM information system. To achieve these objectives, this subcomponent will support the following activities: (a) identification of policy priorities for the national development plan (NDP); (b) updating of macro-economic data to prepare a suitable medium-term expenditure framework (MTEF); (c) review of the public investment management chain; (d) reform of the public investment management system; (e) measures to improve the institutional and regulatory framework governing SOEs; (f) elaboration of a strategic action plan for PFM reform based on the new PFM legal framework; (g) transposition of six CEMAC PFM Directives into national law; (h) design and implementation of training programs for actors involved in budget execution management; (i) computerization of expenditure management; (j) creation of a website for the Ministry of Planning, Statistics, and Regional Integration (*Ministère du Plan, de la Statistique et de l'Intégration Régionale*, MPSIR).

Component 2: Modernization of the Public Administration (US$10.5 million equivalent)

45. The objective of this component is to develop a public sector modernization strategy and implement it in pilot departments and agencies.

Subcomponent 2.1: Improving Civil Service Management Capacity (US$4.0 million equivalent)

46. The objectives of this subcomponent are to: (a) strengthen the capacity of the MFPRE to better manage HR within the public administration and (b) produce a State Reform Strategic Action Plan. To achieve these objectives, this subcomponent will support the following activities: (a) review of the legal, regulatory and institutional framework governing the civil service; (b) design and implementation of the strategic action plan for reform of the public administration; (c) development of a civil service registry, based on the results of the recently completed census; (d) establishment of an employee reference system in the civil service registry; (e) adoption of a new manual of procedures for the management of civil servants; (f) design and implementation of a computerized system for career management in the civil service; and (g) design and implementation of a training program to strengthen the capacity of the MFPRE.

Subcomponent 2.2: Modernization of the Departments Implementing REDD+ (US$1.5 million equivalent)

47. The objective of this subcomponent is to pilot the public administration reform actions in the

Ministry of Forest Economy, Sustainable Development, and Environment's (*Ministère de l'Economie Forestière, du Développement Durable et de l'Environnement*, MEFDDE) ER-P.[31] This will build capacity and enable departmental governance structures for REDD+ and the Ministry's Departmental Forest Economy Directorates to actively participate in decision making and oversee more effective oversight of REDD+ implementation and artisanal commercial logging operations. To achieve these objectives, this subcomponent will support the following activities: (a) building the capacity of Departmental REDD+ Committees in the departments of Sangha and Likouala; and (b) building the capacity of the Forest Economy Directorates of MEFDDE to boost oversight of artisanal and commercial logging operations.

Subcomponent 2.3: Modernization of the Public Procurement System (US$5.0 million equivalent)

48. The objective of this subcomponent is to pilot the State Reform Strategic Action Plan in the public procurement system to improve the efficiency, effectiveness, and value for money. The subcomponent is designed to respond to demands for addressing key obstacles to effectiveness and performance, structured around strengthening the public procurement management system. To achieve these objectives. This subcomponent will support the following activities: (a) review of the legal and regulatory framework governing procurement; (b) carrying out of regular annual independent audits of public procurement contracts; (c) strengthening of the institutional framework and management capacity, as well as capacity for collaboration, of CGMPs, ARMP, DGCMP, and DGGT; (d) restructuring and strengthening of CGMPs; (e) implementation of the Public Private Partnership (PPP) framework, as defined in the draft PPP Law under preparation; (f) development and implementation of a procurement information management system (e-tracking system); (g) design and implementation of a national training strategy; and (h) professionalization of the procurement function, along with institutionalization of a training program.

Component 3: Improving Transparency and Accountability (US$4.2 million equivalent)

49. The objectives of this component are to strengthen the capacity of the oversight institutions, increase transparency in the forestry and extractive sectors, and promote citizen engagement.

Subcomponent 3.1: Supporting the CCDB, IGF, and Economy and Finance Committees of the Parliament (US$2.0 million equivalent)

50. The objectives of this subcomponent are to (a) support the institutional reform of public oversight institutions; (b) build their capacity; and (c) improve transparency. To achieve these objectives, this subcomponent will support the following activities: (a) finalization and implementation of the organic law and code of professional ethics governing CCDB; (b) design and implementation of audit methodology guides for IGF and CCDB, along with adoption of a manual of procedures that complies with the international standards and the code of professional ethics; (c) development and execution of an annual work plan for the benefit of IGF, based on the revised manual of procedures; (d) development and implementation of a training program for the benefit of IGF and CCDB; (e) development and implementation of a training program for the benefit of Economic and Financial Committees of Parliament; (f) strengthening of communication to improve coordination between CCDB and the Economic and Finance Committees of Parliament; (g) strengthening of the archiving systems and website to broadcast regular audit mission reports; and (h) creation of a CCDB website.

[31] The ER-P is limited only to the regions of Sangha and Likouala.

Subcomponent 3.2: Supporting Social Accountability and Citizen Engagement (US$1.0 million equivalent)

51. The objective of this subcomponent is to strengthen the capacity of selected CSOs to effectively undertake social accountability actions related to PFM. This subcomponent aims to strengthen the commitment of CSOs to serve as independent monitors of the Government budget to improve the execution rate and the quality of public investment. To achieve these objectives, this subcomponent will support the following activities: (a) monitoring of implementation of governance reforms and keeping the population informed of progress; (b) participation in the budget orientation debates and monitoring of budget implementation to ensure that it reflects the needs and priorities of the people; (c) collaboration with the public oversight institutions to improve transparency, accountability and integrity in public administration; (d) monitoring of implementation of recommendations of the audit reports of oversight institutions to ensure that sanctions are taken as needed; and (e) soliciting feedback from the population about the degree of satisfaction with the quality of service delivered by the administration.

Subcomponent 3.3: Improving Transparency of the Revenue Collection System in the Forestry Sector (US$0.7 million equivalent)

52. To increase the forestry tax rate, this subcomponent will support the Government's effort to implement corrective measures following the recommendations of the forestry tax system review, with the objective of improving the transparency of the revenue collection and management. To achieve these objectives, this subcomponent will support the following activities: (a) design and dissemination of a guide on forestry tax policy and regulations; (b) design and implementation of an information-sharing mechanism between MFBPP and MEFDDE; (c) development and implementation of a communications strategy; (d) publication of signed forest concession contracts and related documents (management plans, including social clauses); (e) publication of updated lists of forestry rights holders, including artisanal permits; and (f) publication of statistics on the production and exportation of forest products and taxes paid to the Treasury.

Subcomponent 3.4: Improving Transparency in the Extractives Sector (US$0.5 million equivalent)

53. This subcomponent will support the EITI activities with the objective of allowing the RoC to continue to (a) maintain EITI compliance status and (b) improve transparency in the management of extractives resources. To achieve these objectives, this subcomponent will support the production of: (a) quarterly reports, including data on oil sales by SNPC, and transfers of revenue between SNPC and the Treasury; (b) reports on production sharing contracts in the petroleum sector; and (c) reports on conformity with EITI to be produced by an independent expert.

Component 4: Project Implementation Support (US$5.7 million)

54. The objectives of this component are to enhance the project implementation capacity and to support the development and application of an M&E system for tracking progress in governance reforms.

Subcomponent 4.1: Building Project Implementation Capacity (US$4.2 million)

55. This subcomponent will serve to enhance project implementation capacity. The project will be implemented by the MPSIR. During project preparation, the Minister of Planning has expressed her commitment by putting into place a Project Preparation Committee and chairing its meetings. In view of the current level of fiduciary risk for World Bank project implementation in the RoC, consultants will be

hired to manage the procurement and financial aspects, as well as the project's M&E system.

Subcomponent 4.2: Monitoring and Evaluation (US$1.5 million)

56. The project will provide support to capacity building in the form of technical assistance and training for the governance unit. This will enable it to (a) track the implementation of reforms; (b) help the Ministry Delegate within the PMO in charge of relations with the Parliament; and (c) improve technical and administrative management in its relationship with the Parliament. In addition, the project will provide minimum computer equipment to these two PMO structures.

B. Project Cost and Financing

Table 2. Project Cost and Financing

Project Components	Project Cost (in US$ millions)	IDA Financing (in US$ millions)
1. Strengthening Revenue Mobilization and Expenditure Management	19.6	19.6
2. Modernization of the Public Administration	10.5	10.5
3. Improving Transparency and Accountability	4.2	4.2
4. Project Implementation Support	5.7	5.7
Total Costs	**40.0**	**40.0**
Total Financing Required	40.0	40.0

57. **The proposed project is an Investment Project Financing (IPF) operation financed by a US$40 million IDA Credit, to be implemented over a five-year period**. After considering other financing modalities, an IPF is suggested as the most appropriate and realistic instrument to address the Government's needs through advisory support and technical assistance. A Project Preparation Advance (PPA) of US$2 million was committed to finance consultants, goods, and other inputs required to prepare for implementation activities under the three components. These activities support project preparation, including the establishment of baselines and the completion of necessary assessments.

C. Lessons Learned and Reflected in the Project Design

58. **In designing the project, a number of lessons from the World Bank's experience in public sector management reforms in the RoC (and beyond) have been taken into consideration and incorporated in the project design**. The most significant of these are discussed in Annex 7 and summarized as follows.

- High-level political will and reform champions are necessary ingredients for the success of the project.
- The internalization of governance reforms takes time and requires long-standing support, and the project design needs to be tailored to client capacity.
- The recently closed World Bank Transparency and Governance Repeat Project (TGRP, P122990) in the RoC encourages a simple design for a low-capacity environment.

59. Proper monitoring, evaluation, and cross-institutional collaboration are key for the successful implementation of governance reform programs.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

60. **The MPSIR will be the Implementing Agency.** The Minister of Planning has been identified as a reform champion during project preparation. The project will be implemented through a Project Coordination Unit (PCU) that will be created and placed under the leadership of the MPSIR. The PCU will manage the fiduciary functions of the project. To ensure better coordination of various reform efforts and swifter implementation of activities, the PCU will have the added responsibility of following up on project implementation in the various ministries. Otherwise key beneficiaries will be responsible for the implementation of their activities. The Implementation Unit of the ongoing CG-Statistics Capacity Building Project (P133731) (*Unité d'Exécution du Projet de Renforcement des Capacités en Statistique,* PSTAT) will manage the fiduciary aspect of this project, until the project's PCU and fiduciary structure is established. However, it is agreed to gradually move the responsibility to the procurement units in the line ministries involved in the project, once the ceiling for decentralizing procurement is increased from its current level.

61. **A Technical Steering Committee will be established to provide strategic oversight for the project.** The Steering Committee will be chaired by the Prime Minister's Adviser in charge of governance, with the technical support of the PCU. The Steering Committee will consist of representatives of both cross-cutting and key spending ministries. The Technical Steering Committee will be established before the project effectiveness.

62. **The Project Implementation Manual will define the roles and responsibilities of each stakeholder in the project, including the relationship between institutions, rules, and procedures, as well as processing times to react to specific requests from the Government and/or the World Bank**. It will be finalized by the PCU, in close collaboration with the beneficiaries, before project effectiveness. This will be done in consultation with the project's implementing agencies. It will also facilitate its validation by promoting full ownership of its content by all of the stakeholders involved. An administrative, financial accounting and procurement procedures manual will also be prepared and adopted after the effectiveness.

B. Results Monitoring and Evaluation

63. **The PCU will include an M&E specialist who will be responsible for monitoring and reporting on project results, including the method, data source, and frequency of reporting for each project indicator**. The project monitoring system will use administrative data from the responsible entities to be provided with support from the focal points that have been identified within each of the targeted entities. In this way, the project will help reinforce monitoring capacity within each of the targeted ministries and agencies. Project implementation will be guided by the Results Framework and Monitoring, as well as by the theory of change/project logic model/results chain, captured in Annex 6.

64. **For accountability purposes, the PCU is committed to provide regular (quarterly) reports**. Such reports will be posted on a dedicated project web page, with the latest data for each indicator made available to project beneficiaries and relevant stakeholders. The World Bank has appointed a country-based Task Team Leader, who will undertake regular supervision missions to ensure that key findings are fully implemented to improve the overall project performance. A midterm review will be carried out, not

later than two years of project effectiveness. The findings and recommendations will then be used to improve project performance, effectiveness, and efficiency.

C. Sustainability

65. **Sustainability is a key concern of this project, which is investing in the enhancement of the capacity of government staff to administer and monitor reform programs supported by the Government and donors, through the provision of equipment, training, and technical assistance**. This involves a strategic approach. Indeed, the support provided to the Governance Unit within the PMO, to the Ministries of Finance, Civil Service, and Planning, and to the agencies has the objective of building institutions and administrative capacities to increase their effectiveness after the completion of the project.

D. Role of Partners

66. **Several donors are assisting the Government of the RoC in its effort to implement public sector reforms and are working closely to identify and harmonize their interventions to avoid duplication and waste of resources**. These include the following:

- The European Union (EU) provides technical assistance through a resident adviser based in the MPSIR, who has been closely involved in the preparation of the MTEF.
- The International Monetary Fund (IMF) is supporting the transcription of the six CEMAC directives in the national law through the Regional Technical Assistance Center in Southern Africa (AFRITAC).
- The UNDP is involved in the implementation of the public administration reform.
- The French Development Agency (*Agence Française de Développement, AFD*) has expressed its willingness to set up a parallel financing operation to support public sector reforms.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

67. **On the basis of the World Bank's Systematic Operational Risk-Rating Tool (SORT), the overall risk of the project is rated high**. This rating is based on several large and interrelated risks, which may jeopardize the implementation of the project and the achievement of the PDO, unless properly managed and mitigated. Key project risks include political and governance, macroeconomic, technical design of the proposed operation, sector strategies and policies, institutional capacity for implementation and sustainability, fiduciary, and stakeholders' relationships.

68. **Political and governance risks are rated high**. A new Government has been appointed in 2016 with a reformist Prime Minister at the helm. However, there is a lack of consensus on the implementation approach to the Government's broader reform program, and not all ministers are willing to receive support from the international community. To mitigate this risk, a gradual approach will be employed. The project implementation will be adapted based on achievement of results and appetite of the Government to undertake reforms. In addition, reform champions, including the Prime Minister, his Adviser in charge of governance, the Ministries of Planning and Civil Service, and different departments within the MFBPP (Tax Administration, Customs Administration), have been identified and will be the key focal points to manage potential challenges that may arise in the course of implementation. The World

Bank has appointed a country-based Task Team Leader, who will provide ongoing implementation support and ensure that key challenges are addressed in a timely manner to improve the overall project performance.

69. **Macroeconomic risk is rated high**. The decline of Government revenues due to the current economic and financial crisis in the RoC is fueling the accumulation of domestic arrears to suppliers and contractors, thereby preventing the Government from continuing to implement its investment program. This situation could lead to the bankruptcy of those suppliers and contractors, as well as to a loss of jobs. Such a development could hamper economic growth and lead to social tensions. The project support to strengthen the tax policy and administration functions will generate resources needed to finance public expenditure programs that promote economic growth and target poverty reduction.

70. **Sector strategies and policies-related risks are rated substantial**. Governance risks in the RoC affect the whole of the political, economic, and social spheres. The implementation of any program that addresses areas of vested interest such as PFM, procurement, and public administration management will be affected by negative dynamics. To mitigate these risks, the proposed project will support a dialogue on economic governance focusing on the aspects of institutional reforms in the public sector to foster positive dynamics in its interventions with the objective of reducing governance risks.

71. **Technical design of the project is rated substantial** for engaging in a number of priority areas (PFM, procurement, public administration management, accountably, and citizen engagement). Under the preparation activities for the project, training programs in leadership and rapid result methodologies will be conducted to help identify a group of change agents at the Government level. The project will then rely on this network of change agents to ensure that technical advice and training provided under the project will be effectively translated into behavioral change. In addition, because of capacity constraints, emphasis will be placed on sequencing activities as well as on building evaluation opportunities.

72. **Institutional capacity for implementation and sustainability risks is rated high**. The limited capacity of the public administration negatively affects the Government's capacity to implement reforms. The public administration has a high turnover rate, low morale, weak productivity, and limited incentives. Most institutions in charge of various dimensions of PFM systems, such as Ministries of Civil Service, Infrastructure, Health, Education, Forestry, and Energy, are not adequately funded, which undermines their effectiveness. The project and PPA will finance the establishment of a dedicated PCU to support project coordination and implementation. The PCU will be responsible for coordinating with all project beneficiaries and the steering and technical committees to ensure even greater progress across participating institutions. It will also facilitate clear communications and better monitoring of the implementation of the project. In addition, the proposed project will finance technical assistance to the line ministers to allow them to implement reforms. In this context, the project will also support capacity-building activities for the Governance Unit within the PMO. This will enable it to assist the Prime Minister in coordinating and monitoring the implementation of key reforms. Finally, the project will support capacity-building activities for the Ministries of Finance, Planning, and Civil Service. With this support, they will be better able to design and implement reforms with a view to increasing their ownership of reforms.

73. **Stakeholders risk is rated high**. Sustained stakeholders' engagement is essential to ensure successful cross-cutting reforms, especially when supporting a large group of beneficiaries, as this project proposes to do. To mitigate this risk, a proactive approach to policy dialogue will be taken by the World

Bank, as well as the project implementation team. Project stakeholders will be assisted in formulating arguments and advocate for an agenda of transparency and accountability, at all levels of government. In addition, public sector reforms have more probability of success when space for understanding and acceptance is created. For this reason, the project has been designed according to priorities defined by the stakeholders to enable direct involvement at the highest level of the Government through the project preparation committee.

74. **Fiduciary risk is high.** The Government's overall PFM system presents significant weaknesses, due in particular to the functionality and internal system controls of the integrated FM information system. Indeed, internal control mechanisms within the Government and the CCDB are weak. At the project level, fiduciary risks will be mitigated by the PCU, which will have dedicated procurement and FM staff in place. These staff will benefit from training and close supervision by the World Bank procurement and FM staff based in the country office.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

75. **The proposed project is expected to generate a number of benefits, which can be captured in a conservative financial analysis (Annex 4)**. Component 1 will focus on supporting the tax administration in improving the mobilization of additional non-oil revenues, the rationalization of the tax exemption system, and improvement of transparency and management of tax administration. Through this component, the project is thus expected to improve revenue collection over the project life. Based on conservative assumptions described in Annex 4, the project will generate financial gains estimated at US$200 million over its assumed five-year life, with a financial real net present value (NPV) of US$185.2 million.

76. **Through Component 2, the project aims at supporting the Government in designing and implementing an effective civil service management system**. The improvement of civil service management capacity supported under Component 2 is expected to equip staff with increased skills and to be more efficient in management of public services. Coupled with a better management of the PFM system, this is expected to increase state capability for more capital investment and will bring about efficiency savings. From the financial analysis, the gains projected over a five-year period show a total value of US$100 million over the assumed five-year project life, with the financial real NPV of US$89 million at a 3 percent discount rate.[32]

77. **In addition to the financial benefits described in the following paragraphs, the proposed project is most likely to yield several types of economic impacts through the interventions around its different components**, including (a) improved social well-being from improved service delivery; (b) improved compliance to tax payment; and (c) crowding-in effects of increased trust in the public administration.

78. **The World Bank and other key development partners, including the AFD, EU, IMF, and UNDP, have been engaged in supporting public sector reform in the RoC.** There are many reasons for the World Bank's engagement in support of the country's own program of reforms, including the strong convening power of the World Bank, the need to strengthen the country's PFM systems as the platform for managing

[32] A 3 percent discount rate is used to meet the CEMAC inflation criterion or ceiling, given that inflation was on average less than 2 percent between 2013 and 2016.

budget support resources and the need to strengthen the collaboration framework with donor partners. Moreover, the World Bank is uniquely placed to provide support and knowledge for various public sector and PFM-related issues, including improving domestic revenue mobilization and expenditure management, strengthening oversight institutions, and improving transparency, as well as strengthening civil service management.

79. **The proposed areas of intervention were designed through active dialogue with the authorities during project preparation**. Thus, the project design is a reflection of where the Government of the RoC sees the greatest value added for World Bank involvement, given the World Bank's knowledge on the topics in question, as well as the absence of coverage by other development partners. The advantage of the World Bank, compared to other development partners, is its ability to contribute to all stages of the value chain. Accordingly, the World Bank brings a valuable financial and technical contribution to the proposed operation. It is well placed to lead a consensus-building dialogue on public sector and PFM reforms as it has already prepared diagnostic reports. It also plays a leading role in donor coordination. More importantly, the World Bank is a trusted partner of the Government on public sector and PFM reforms. The value added of the World Bank's engagement is found in the balanced and multidimensional sector support, which targets various aspects of public sector governance in the interests of promoting poverty reduction and shared prosperity.

B. Technical

80. **The design of the project was built on lessons learned from previous governance operations in the RoC and findings of a set of governance diagnostics undertaken by the World Bank in collaboration with the Government**. Building on the governance diagnostic, the design of this project has been informed by an intense process of policy dialogue around key aspects of public sector reforms. Detailed consultations have taken place with the counterparts regarding each of the constituent components of the project. The design of the project has also benefited from close partnership and coordination with other development partners (including the ADF, EU and UNDP). Efforts have also been made to focus on complementary activities and avoid duplication.

C. Financial Management

81. A FM assessment (FMA) was undertaken to analyze the capacity of the FM structure by the PSTAT, which will manage fiduciary aspects of the project until the recruitment of the project's fiduciary team is complete. These arrangements will ensure that the implementing entities (a) use project funds only for the intended purposes in an efficient and economical way; (b) prepare accurate and reliable accounts as well as timely periodic financial reports; (c) safeguard assets of the project; and (d) have acceptable auditing in place.

82. FM arrangements were found to be adequate, subject to meeting the following requirements: (a) opening the Designated Account in a financial institution acceptable to the World Bank; (b) updating the current manual of procedures to take into account grant specificities; (c) implementation of a customized Excel spreadsheet for bookkeeping in advance of the eventual installation of management accounting software; (d) development and installation a computerized information system to record the transactions of the Project and prepare quarterly interim unaudited financial reports; (e) preparation and adoption of the Administrative, Financial, Accounting, and Procurement Procedures Manual, in form and substance acceptable to the Association; (f) recruitment of project coordinator, administrative and financial officer, procurement specialist, monitoring and evaluation specialist, internal auditor, and accountant; (g)

recruitment of an internal auditor; and (h) agreeing to the terms of reference (ToRs) for the recruitment of the external auditor (acceptable to IDA).

83. The conclusion of the assessment is that the FM arrangements in place—subject to the implementation of the risk mitigation measures outlined earlier—meet the World Bank's minimum requirements under World Bank Directive: Financial Management Manual For World Bank Investment Project Financing Operations (Catalogue Number OPCS5.05-DIR.01), issued (retrofitted) on February 4, 2015, and effective from March 1, 2010, and World Bank Guidance: Reference material - Financial Management in World Bank IPF Operations (Catalogue Number OPCS5.05-GUID.02), issued on and effective from February 24, 2015. As such, they are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank (IDA). The overall FM residual risk rating at project preparation is considered substantial. The detailed FM arrangements are described in Annex 2.

D. Procurement

84. Procurement for goods, works, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 (Procurement Regulations) and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

85. The PCU will be responsible to carry out procurement activities under this project. This PCU will be staffed with qualified and experienced procurement specialists, recruited by the PSTAT. Given (i) the country context and associated risk; (ii) the unproven experience of the procurement unit due to the fact that it has to be set up and staffed within the PCU to be created; and (iii) the fact that this project will be the first project to be implemented in RoC under the World Bank New Procurement Framework, the procurement risk is rated high.

86. A Project Procurement Strategy for Development (PPSD) has been prepared with the Bank support, which aims to ensure that procurement activities are packaged and prepared in such a way that they expedite implementation, taking into account (i) the market analysis and the related procurement trends, and (ii) the procurement risk analysis. The PPSD includes the recommended procurement approaches for the project that have been reflected in the approved Procurement Plan, covering the first 18 months of the project implementation (see Annex 2 for more details on procurement).

E. Social (including Safeguards)

87. A key social impact of the proposed operation is its contribution to improve domestic revenue collection and increase available resources. Such resources would enable the Government to finance social programs that target poverty reduction. In addition, by supporting the budget rationalization process as well as the internal and external audit functions, the proposed project will simultaneously improve budget allocation and prioritization relative to improved service delivery and social sector investment. In addition, by strengthening the participation of citizens in the budgeting process, the project will provide access to information about public finances, as well as better access to basic services.

F. Environment (including Safeguards)

88. Given that the project will essentially focus on building institutional capacity and providing advisory services, environmental impact assessments are not required. Although minor works to be carried out might include refurbishment of office space for key beneficiaries and selected implementing agencies to install adequate equipment, these are not expected to have any adverse environmental impact. The project is, therefore, classified as Environmental Category 'C'.

G. World Bank Grievance Redress

89. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Congo, Republic of
Integrated Public Sector Reform Project

Project Development Objectives

The Project Development Objective (PDO) is to improve public resources management and accountability in the Republic of Congo.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Increase in non-oil tax revenue (cumulatively, as percentage of the non-oil tax revenue base)		Text	US$875m	+50%	Annually	Budget and Tax Administration Reports	MFBPP
Description: This indicator measures government's ability to improve its non-oil tax revenue collection.							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Capital expenditure execution rate (as percentage of total capital expenditures)		Percentage	40.00	70.00	Quarterly	Budget execution report	MFBPP
Description: Percentage of the capital expenditure execution compared to the total of capital expenditure. This indicator measures actual investments.							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Civil servants managed through the civil service registry (Le Système Intégré de Gestion Administrative et Salariale du Personnel de l'Etat (SIGASPE))		Percentage	0.00	50.00	Annually	Annual report	Ministry of Civil Service
Description: This indicator measures the percentage of the civil service managed through the civil service registry at the Ministry of Civil Service							
Name: Coverage of internal audit (as percentage of total expenditure)		Percentage	50.00	70.00	Annually	Audit reports	Financial General Inspectorate
Description: Percentage of total expenditure covered by the external audit. This indicator measures effectiveness of the Audit Institutions							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Tax administration modernizaiton strategy		Text	Tax administration	Tax administration	Annually	Tax administration reports	MFBPP

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
			modernization strategy not in place	modernization strategy fully implemented			
Description: Preparation and implementation of a tax administration modernization strategy, based on completed TADAT.							
Name: Ministries with strategic plans that are aligned with medium-term budgets		Number	0.00	5.00	Annually	Budget execution report	Ministry of Planning, Statistics and Regional Integration
Description: Number of selected Ministries for which medium-term strategic plans are prepared and costed. This indicator verifies that the budget of the selected Ministries reflects their sectoral strategies.							
Name: Share of investment projects entered in the budget in accordance with the new selection procedure for investment projects		Percentage	0.00	70.00	Annually	Ministry of Planning, Statistics and Regional Integration reports	General Directorate for Plan and Development/Ministry of Planning, Statistics and Regional Integration

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Percentage of investment projects entered in the budget in accordance with the new selection procedure for investment projects. This indicator verifies adequate preparation of investment projects.							
Name: Use of competitive procurement methods for pubic investments		Percentage	50.00	70.00	Annually	Regulatory Authority for Public Procurement report (ARMP)	Regulatory Authority for Public Procurement (ARMP)
Description: Percentage of public contracts awarded on competitive basis. This indicator measures progress achieved to implement new procurement code.							
Name: Share of the Inspectorate General of Finance annual workplan that has been executed		Percentage	20.00	70.00	Annually	Inspectorate General of Finance's audit reports	Inspectorate General of Finance
Description: Percentage of the Inspectorate General of Finance's annual workplan activities that have been executed compared to the total of workplan activities. This indicator measures Inspectorate General of Finance's ability to execute its workplan.							
Name: Female audit institutions' staff that are ISSAI/INTOSAI trainned		Percentage	0.00	50.00	Annually	Audit Institutions reports	Supreme Audit Authority and Financial General Inspectorate
Description: Percentage of Audit Institutions staff that are ISSAI/INTOSAI accredited compared to the total number of Audit Institutions staff. This indicator measures							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Audit Institutions commitment to be effective.							
Name: CSOs involved in the budget preparation process		Number	0.00	5.00	Annually	Annual report	Ministry of Planning, Statistics and Regional Integration
Description: This indicator measures the citizen participation in the budget formulation process							
Name: EITI compliance status maintained		Yes/No	Y	Y	Annually	Annual report	Ministries/Project Coordination Unit
Description: Maintain the EITI compliance status, achieved in 2013.							

Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Increase in non-oil tax revenue (cumulatively, as percentage of the non-oil tax revenue base)	US$875m	+10%	+10%	+10%	+10%	+50%
Capital expenditure execution rate (as percentage of total capital expenditures)	40.00	40.00	45.00	50.00	60.00	70.00
Civil servants managed through the civil service registry (Le Système Intégré de Gestion Administrative et Salariale du Personnel de l'Etat (SIGASPE))	0.00	0.00	0.00	20.00	35.00	50.00
Coverage of internal audit (as percentage of total expenditure)	50.00	50.00	55.00	60.00	65.00	70.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Tax administration modernizaiton strategy	Tax administration modernization strategy not in place	Tax Administration Diagnostic Assessment Tool (TADAT) completed	Tax administration modernization strategy under preparation	Tax administration modernization strategy under implementation	Tax administration modernization strategy under implementation	Tax administration modernization strategy fully implemented

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Ministries with strategic plans that are aligned with medium-term budgets	0.00	0.00	2.00	3.00	4.00	5.00
Share of investment projects entered in the budget in accordance with the new selection procedure for investment projects	0.00	0.00	20.00	35.00	50.00	70.00
Use of competitive procurement methods for pubic investments	50.00	50.00	55.00	60.00	65.00	70.00
Share of the Inspectorate General of Finance annual workplan that has been executed	20.00	20.00	30.00	40.00	55.00	70.00
Female audit institutions' staff that are ISSAI/INTOSAI trainned	0.00	0.00	10.00	25.00	40.00	50.00
CSOs involved in the budget preparation process	0.00	0.00	0.00	2.00	3.00	5.00
EITI compliance status maintained	Y	Y	Y	Y	Y	Y

ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

1. The PDO is to improve public resources management and accountability in the RoC. This objective will be achieved by supporting Government efforts to mobilize domestic revenues, improve public expenditure, and enhance public administration management and controls.

2. The proposed operation covers selected areas deemed critical to achieving development objectives. Its design has been informed by solid analytical work (PLR, PEMFAR, and Policy Notes on governance aspects) and the action program of the RoC.

3. As the political and stakeholder risks have been identified as high, a gradual approach will be employed to support the implementation of the priorities, depending on progress made in the implementation and the appetite of the Government to undertake reforms. The project will focus on three areas of support: (a) PFM; (b) public sector administration; and (c) transparency and accountability.

4. Accordingly, the project is organized into four components: (a) Strengthening Revenue Mobilization and Public Expenditure Management; (b) Modernization of the Public Administration; (c) Improving Transparency and Accountability; and (d) Project Implementation Support.

Component 1: Strengthening Revenue Mobilization and Public Expenditure Management (US$19.6 million equivalent)

5. The RoC faces several fiscal challenges: (a) lack of sufficient fiscal space due to low oil prices; (b) the taxation system being complex, with a very high effective tax rate and limited capacity of Congolese revenue administration in generating substantial non-oil revenues; (c) the noncompliance with budgetary rules and procedures; (d) substantial delays observed in the country procurement system; and (e) the stalled reforms in PFM coupled with poor computerization leading to budget credibility issues.[33]

6. Oil revenue windfall negatively affects the country's ability to implement fully an NDP.[34] Pro-cyclicality of fiscal policies creates deficiencies in planning, which result in inefficiency and waste, as there are several large incomplete projects. Pro-cyclicality of fiscal policies created favorable economic conditions from 2008 to 2013, with public investment spending peaking at an average annual rate of 32.8 percent during 2000–2012. However, the oil bonanza has ended with a drop in oil prices and the country is currently facing a difficult public finance situation. Its macroeconomic framework is deemed unsustainable. Therefore, the country has to undertake reforms related to fiscal consolidation to achieve macroeconomic stability, a prerequisite in achieving the twin goals of poverty reduction and shared prosperity. In the short term, improving the efficiency of public investment planning and management and attracting private investment in infrastructure are critical remedies addressing the consolidation challenges.

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[33] World Bank. 2015. *Republic of Congo – 2nd Edition of the Economic Update.*

[34] Since the beginning of major oil production in 1970s, Congo has not been able to fully implement an NDP. The 1973–1976 NDP was stopped in 1975 due to disappointing oil production. The 1982–1986 plan was stopped in 1985 because of low government revenue resulting from a sharp decline in oil prices. Finally, the 2012–2016 NDP is no longer followed, since May 2015, after the adoption of the revised budget.

7. The recent PEMFAR study outlines remedies to address fiscal challenges.[35] The objective of this component is to implement some of these recommendations to (a) improve revenue collection and (b) rationalize the expenditure chain.

8. The RoC has a long tradition of state ownership with origins from the socialism regime in 1970s and 1980s. The regulatory framework dates back to 1980s and SOEs are governed by Law 13-81 of March 14, 1981. At the beginning of the privatization program in 1994, the state portfolio consisted of more than 100 enterprises. However, over the past 20 years, the RoC has privatized a large proportion of the assets in the SOE portfolio. As of November 2016, there are 49 SOEs largely concentrated in critical sectors of the economy, such as transport, energy, infrastructure, banking, and insurance. The portfolio includes 22 companies with majority state ownership of 100 percent, with 6 enterprises where the state owns more than 50 percent, and 21 minority-owned companies. Although some profitable companies pay regular dividends (a total of CFAF 17 billion or approximately US$28 million in 2015), some companies do not pay any dividends, some have tax obligations, some are not profitable, and majority of them do not file their financial statements with the MFBPP, as required by the Decree No-2002-369 of November 30, 2002.

Subcomponent 1.1: Strengthening Revenue Mobilization (US$7.0 million)

9. Oil revenues represent a significant portion of the total revenues and the falling oil prices in recent years have significantly affected the overall revenue mobilization. To mitigate the exposure to oil price fluctuations, the Government is trying to diversify the revenue base, with an emphasis on the collection of forestry and property taxes. According to a recent IMF study, the country can mobilize more non-oil revenue by improving its revenue collection system.[36] The objectives of this subcomponent are to (a) secure existing and potential revenues; (b) strengthen the management capacity of tax administration with regard to organization, fiscal control, and procedures automation; (c) improve communication capacities on tax policy measures with other stakeholders, in particular sectoral ministries, the private sector, and CSOs; (d) improve information systems; and (e) rationalize the exemptions system to reduce the loss of revenues. These objectives will be achieved by reinforcing the institutional structure and capacity of the directorates in charge of revenue mobilization at the Ministries of Finance, Land, and Forest Economy. Key activities include:

- Undertaking of a TADAT and implementing its recommendations;
- Review of the forestry tax system and implementation of its recommendations, as agreed with the Government;
- Review of the exemptions system in the non-oil sectors and implementation of its recommendations;
- Design and implementation of a tax administration modernization strategy;
- Design and implementation of a property tax system for the benefit of the Ministries of Economy, Finance, Budget, Public Portfolio, and Land;
- Building of a new computer system in the DGID;
- Development and implementation of a training program for tax administration and development of a new manual of execution; and

[35] World Bank. 2015. *Republic of Congo – PEMFAR – Implementing Public Financial Management Reforms to Stimulate Growth and Achieve Shared Prosperity*.
[36] IMF. 2014. “Republic of Congo: Selected Issues.” Country Report No. 14/273.

- Development and implementation of a new communications strategy.

Subcomponent 1.2: Strengthening Public Expenditure Management (US$12.6 million equivalent)

10. The volatility of the budget execution rates is an important challenge in the RoC. The lower budget execution rate affects the quality of the expenditure, as well as the desired attainment of sectoral outcomes. To address these issues, this subcomponent will support the Government of the RoC in rationalizing its expenditure management system to improve budget allocation and prioritization. The objectives of this subcomponent are to (a) improve strategic planning capacity; (b) improve the efficiency of the public investment budget; (c) strengthen the capacity for public expenditure management; and (d) improve the PFM information system. Key activities include:

- Identification of policy priorities for the new NDP;
- Updating of macroeconomic data to prepare a credible MTEF;
- Review of the PIM chain;
- Support for the reform of the PIM system;
- Support to the Directorate General of Public Portfolio to improve the overall institutional and regulatory framework for SOEs;
- Elaboration of a strategic action plan for PFM reform based on the new PFM legal framework;
- Support for the transcription of the six CEMAC PFM directives in the national law;
- Design and implementation of training programs for actors involved in budget execution management;
- Support for the computerization of expenditure management; and
- Creation of a website for the MPSIR.

Component 2: Modernization of the Public Administration (US$10.5 million equivalent)

11. The RoC ranks among the worst performers of resource-rich countries in the CPIA ratings on public sector governance cluster. The RoC's average score on the public sector management and institutions cluster during 2005–2014 is 2.6, which is below the average for resource-rich Sub-Saharan African countries.[37] Furthermore, the country lags behind in CPIA indicators on (a) property rights and rule-based governance; (b) quality of budgetary and financial management; (c) efficiency of revenue mobilization; (d) quality of public administration; and (e) transparency, accountability, and corruption

[37] CPIA (public sector management and institutions cluster) scores of selected countries:

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005-2014
Angola	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.4
Congo, Rep.	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.6
Nigeria	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.9
Resource-rich Sub-Saharan African countries	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.9	2.9	2.9
Tajikistan	2.6	2.6	2.6	2.6	2.7	2.8	2.9	3.0	3.0	3.0	2.8
Uzbekistan	2.4	2.4	2.5	2.7	2.8	2.8	2.9	2.9	2.9	3.0	2.7

in the public sector. To improve the public sector governance environment, the Government needs to develop a comprehensive modernization strategy.

12. The Congolese administration was created after the independence in 1960, on the basis of the colonial administration. Currently it is regulated by Law No. 021/89 of November 14, 1989, amending the general status of the civil service that defines terms of employment, the administration's staffing levels and HR management, and mandatory retirement age. A number of decrees have been promulgated by the President in 2011 and 2012 to address the organization and functioning of the High Council of the Public Service for controlling civil servant selection and hiring process without significant impact.

13. The administration is confronted with many constraints: (a) poor management of HR; (b) poor organization of its structures; (c) cumbersomeness and opacity of the proceedings; (d) politicization of civil service; (e) low motivation of the agents; (f) lack of incentive; (g) corruption and fraud; (h) low circulation of information; (i) poor record keeping; and (j) lack of statistics.

14. The objective of this component is to develop a comprehensive public sector modernization strategy and implement it in pilot departments and agencies.

Subcomponent 2.1: Improving Civil Service Management Capacity (US$4.0 million equipment)

15. The country is confronted with the following civil service issues: (a) misinterpretation of legal texts; (b) opacity in the recruitment system[38]; (c) lack of information on the exact number of civil servants; (d) lack of HR management tools and skills; (e) mismanagement of the career of the agents—lack of objective parameters[39]; (f) absence of a computerized HR management system and the absence of its connection to the payroll; (g) lack of training strategy; (h) chaotic mobility of agents, geographically as well as between different agencies; and (i) lack of computerization in the public administration leading to inefficiencies in service delivery. It is important that the country designs and implements a reform strategy with the objective of modernizing its public administration. The objectives of this subcomponent are to (a) strengthen the capacity of the MFPRE to better manage HR within the public administration and (b) produce a State Reform Strategic Action Plan. Key activities include:

- Review of the civil service legal, regulatory, and institutional framework;
- Design and implementation of the State Reform Strategic Action Plan;
- Development of a civil service registry, based on the results of the recently completed census;
- Establishment of employment references throughout the civil service registry;
- Adoption of a new manual of procedures for the management of civil servants;
- Design and implementation of a computerized system for the management of civil servant careers; and
- Design and implementation of a training program to strengthen the capacity within the MFPRE.

[38] For example, there is no civil service strategy for career management and recruitment, which leads to disconnect between needs and actual recruitment. As a result, there is a ten-year lag between recruitment and graduation from Government public administration schools.
[39] The advancement procedures are neither regular nor supported by a system of evaluation based on criteria guaranteeing performance and merit.

Subcomponent 2.2: Modernization of the Departments Implementing REDD+ (US$1.5 million equipment)

16. The RoC's LULUCF emissions rose 206 percent between 1990 and 2012.[40] The country has committed to lowering its greenhouse gas emissions by 54 percent by 2035 at the 21st Conference of the Parties of the UN's Framework Convention on Climate Change, held in November 2015. As part of the RoC's efforts to reduce greenhouse gas emissions, the Government is espousing REDD+ to manage better its forests, while also driving economic development and diversification. REDD+ payments represent a way for the country to be paid for climate mitigation services rendered to the global community. It also represents an opportunity to add revenue streams for the forest sector, while the performance-based nature of REDD+ provides an incentive to improve forest governance and management to qualify for the payments. However, institutional constraints of the implementing agencies involved in REDD+ pose challenges for achieving sectorwide results. Investing in the modernization of decentralized elements of the forest administration is expected to boost the RoC's chances of realizing the potential of its Sangha/Likouala ER-P to pilot REDD+ at a jurisdictional level, which is aligning performance-based financing of US$60 million with an additional US$108 million in investments. The project will build capacity and enable the effective participation of decentralized MEFDDE and REDD+ structures in decision-making and oversight of forest operations and REDD+ in the ER-P area. Key activities include:

- Capacity building for Departmental REDD+ Committees (CODEPA-REDD) in the departments of Sangha and Likouala and
- Capacity building and provision of equipment, training, and communications for the Departmental Forest Economy Directorates of Sangha and Likouala and their forest brigades to boost oversight of artisanal and commercial logging operations, with benefits for both tax revenue generation and REDD+ implementation.

Subcomponent 2.3: Modernization of the Public Procurement System (US$5.0 million equivalent)

17. As the RoC is preparing a fiscal consolidation program, the reform program should include reforming the public procurement system. To rationalize public expenditures, the Government has carried out an evaluation of its public procurement system, which highlighted limited institutional capacity of the CGMPs.[41] The objective of this subcomponent is to pilot the State Reform Strategic Action Plan in the public procurement system to improve the efficiency, effectiveness, and value for money. The subcomponent is designed to respond to demands for addressing key obstacles to effectiveness and performance, structured around (a) strengthening the public procurement management system; (b) introducing a public procurement management system; and (c) strengthening the institutional capacities within the procurement system. Key activities include:

- Review and update of the legal and regulatory framework;
- Support for the regular conduct of annual independent audits of public procurement contracts;
- Strengthening of the collaboration, institutional framework, and management capacity

[40] CAIT. 2015. *Climate Data Explorer. 2015* Washington, DC. CAIT is the world's most reliable climate data source hosted by the World Resources Institute (http://cait.wri.org).
[41] Although Congo has a robust public procurement code, the procurement system is poorly integrated into the public sector governance modernization efforts and seriously undermined by noncompliance with deadlines. The public procurement system is poorly integrated into the public sector governance system as a result of weak capacity and inadequate HR management in Congolese PFM in general. Procurement plans are undermined by delays in budget preparation, launching tenders, evaluation, and approval and signing of contracts.

of the CGMPs, ARMP, DGCMP, and DGGT;

- Restructuring and strengthening of the CGMPs in contracting authorities (ministries, agencies, SOEs, and so on);
- Support for DGGT in implementing the PPP framework, as defined in the PPP Law under preparation;
- Development and implementation of a procurement information management system (e-tracking system);
- Updating and support for the implementation of the national training strategy; and
- Initiating the professionalization of the procurement function including institutionalization of a training program, which will be explored including the Massive Open Online Courses (MOOC) option.

Component 3: Improving Transparency and Accountability (US$4.2 million equivalent)

18. The RoC goes through a cyclical pattern of conflicts with grave consequences. The impact of sociopolitical stability has been devastating to the economy as well as the living standards of ordinary Congolese. The lack of transparency and citizen engagement contributes to social fragility and high income inequalities. In this politically tense period, increasing oversight of budget execution, improving transparency of revenue collection in key sectors, and strengthening the capacity of CSOs will contribute to addressing social fragility. The objectives of this component are to strengthen the capacity of the oversight institutions, increase transparency in the forestry and extractive sectors, and promote citizen engagement.

Subcomponent 3.1: Supporting the CCDB, IGF, and Economy and Finance Committees of the Parliament (US$2.0 million equivalent)

19. The control environment on budget execution carried out by the oversight institutions is weak, due to inadequate budgetary allocations, as well as lack of qualified staff. A common challenge for the control environment is that the audit reports' recommendations are not always implemented. The central authorities usually fail to impose sanctions, leaving very little disincentive or, indeed, incentives for ministries and companies to change their behavior. This subcomponent aims to strengthen the capacity of the IGF, CCDB, and the Economy and Finance Committee of the Parliament to enable them to conduct regular financial audits, monitor performance and compliance, and optimize resources in line with international auditing standards. The objectives of this subcomponent are to (a) support the institutional reform of public oversight institutions, (b) build their capacity, and (c) improve transparency. Key activities include:

- Finalization and implementation of the organic law for the CCDB and code of professional ethics;
- Design and implementation of audit methodology guides for the CCDB, including a manual of procedures that complies with the international standards and the code of professional ethics;
- Development and execution of an annual work plan, based on the revised manual of procedures (IGF);
- Development and implementation of a training plan/program for internal and external audit institutions (the IGF and CCDB);

- Development and implementation of a training plan/program for the Economic and Financial Committees of the Parliament;
- Strengthening of communication to improve coordination between the CCDB and the Economic and Finance Committees of the Parliament (National Assembly and Senate);
- Strengthening of the archiving systems and website to broadcast regular audit mission reports; and
- Creation of a CCDB website.

Subcomponent 3.2: Supporting Social Accountability and Citizen Engagement (US$1.0 million equivalent)

20. Strengthening civil society to enable it to play a bigger role in the RoC's development is key for citizen engagement. The Congolese civil society is weak and disorganized. More importantly, the lack of available public information on Government activities and programs hampers the effectiveness of CSOs. The Government has adopted a new transparency and accountability code on PFM, which promotes transparency in public resource management through CSO engagement. However, Congolese CSOs have limited capacity to exercise external control over the implementation of public policies by the Government. There are limited resources available to carry out their function as outside watchdog organizations. As a result, there is a need to improve further access to information to inform the citizens about the quality of services. In addition, CSOs need to be actively engaged in independent monitoring of budget execution. The objective of this subcomponent is to strengthen the capacity of selected CSOs to undertake effectively social accountability actions related to PFM. This will increase the commitment of CSOs as independent monitors of the Government budget, to improve the execution rate and the quality of public investment, while enabling them to perform the following functions:

- Monitor the implementation of governance reforms and inform the population of the progress made;
- Participate in the budget orientation debates and monitor its implementation to ensure that it reflects the needs and priorities of the people;
- Collaborate with the public oversight institutions to improve transparency, accountability, and integrity in public administration;
- Follow up on the implementation of report recommendations of oversight institutions to ensure that sanctions are taken against the administration, as and when needed; and
- Obtain feedback from the population regarding the degree of satisfaction with the quality of service delivered by the administration.

Subcomponent 3.3: Improving Transparency of the Revenue Collection System in the Forestry Sector (US$0.7 million equivalent)

21. Even though the forestry sector is an important component of the Congolese economy, its contribution to the public finances is limited, due to the diversion of funds. For instance, the Ministry of Forestry carries out cash withdrawals from the forestry companies for the payment of forestry taxes, contrary to the provisions in force, which require payment to be made by check to the Director of Treasury. The absence of transparency and lack of knowledge about existing forestry resources limit the capacity to control forestry exploitation and affect the implementation of sectoral regulations. This subcomponent will support the Government's effort to implement corrective measures following

the recommendations of the forestry tax system review, with an objective to improve the transparency of the revenue collection and management and the efficacy of tax collection, as measured by collection rates of existing taxes. Key activities include:

- Design and dissemination of a guide on forestry tax policy and regulations. Such a guide could include minimum performance objectives for the involved structures;
- Design and implementation of an information-sharing mechanism between the MFBPP and the MEFDDE. Such a mechanism will enable the register and share basic forest-related tax between the assessor of the tax (MEFDDE) and the collector (DGT). This mechanism could draw, among others, upon data generated by systems being put in place in the context of the Voluntary Partnership Agreement with the EU and could draw lessons from the linkages between the MFBPP and the Agency for Control of Exports of Forest Products; and
- Development and implementation of a communications strategy.

22. With respect to the maintaining the EITI compliance status, the project will support the publication of the:

- Signed forest concession contracts and related documents (management plans, including social clauses);
- Updated list of forestry rights holders, including artisanal permits; and
- Statistics on the production and exportation of forest products and taxes paid to the treasury.

Subcomponent 3.4: Improving Transparency in the Extractives Sector (US$0.5 million equivalent)

23. The country joined the EITI in 2004 and obtained the status of candidature in 2008. In 2010, the EITI confirmed significant progress toward compliance and in 2013, the EITI board declared the country compliant with the requirements. Since 2013, the EITI has provided recommendations to improve the transparency of oil management, which are yet to be implemented. The country needs to continue complying with EITI requirements to maintain its EITI status, to attract foreign investment to develop the extractive sector. This subcomponent will support the EITI activities with the objective of allowing the RoC to continue to (a) maintain EITI compliance status and (b) improve transparency in the management of extractives resources. The project will support the production of:

- A quarterly report, including data on oil sales by the state enterprise and transfers of revenue between the latter and the Treasury;
- A report on sharing and production contracts in the petroleum sector; and
- A report on conformity with the EITI, produced by an independent expert.

Component 4: Project Implementation Support (US$5.7 million equivalent)

24. The objectives of this component are to enhance the project implementation capacity and to support the development and application of an M&E system for tracking progress in governance reforms.

Subcomponent 4.1: Building Project Implementation Capacity (US$4.2 million equivalent)

25. This subcomponent will serve to enhance project implementation capacity. The project will be implemented by the MPSIR. During project preparation, the Minister of Planning has expressed her commitment by putting into place and coordinating the meetings of a Project Preparation Committee.

In view of the current level of fiduciary risk for World Bank project implementation in the RoC, consultants will be hired to manage the procurement and financial aspects, as well as the project's M&E system.

Subcomponent 4.2: Monitoring and Evaluation (US$1.5 million equivalent)

26. The project will support capacity building in the form of technical assistance and training for the Governance Unit. This will enable it to (a) track the implementation of reforms; (b) help the Ministry Delegate within the PMO in charge of relations with the Parliament; and (c) improve technical and administrative management in its relationship with the Parliament. In addition, the project will provide minimum computer equipment to these two PMO structures.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

Project Institutional and Implementation Arrangements

1. The project will be implemented through a PCU that will be created and placed under the leadership of the Minister of Planning, Statistics, and Regional integration, who has been identified as a champion during project preparation. To ensure better coordination of various reform efforts and swifter implementation of activities, the PCU will have the responsibility of following up on project implementation in various ministries. The PCU will manage the fiduciary functions of the project, which include procurement and financial management. However, it is agreed that the responsibility will be gradually moved to the procurement units in the line ministries involved in the project once the ceiling for decentralizing procurement is increased from its current level. Also, key beneficiaries will be responsible for the implementation of their activities.

2. A Technical Steering Committee will be established to provide strategic oversight of all project activities. It will be established before the project effectiveness and it will be chaired by the Prime Minister's Adviser in charge of governance, with the technical support of the PCU. It will consist of representatives of both cross-cutting and key spending ministries.

3. The Technical Steering Committee will be supported by 'focal points' designated by their respective institutions. The focal points will be directly involved in the project activities and will facilitate their day-to-day management and monitoring by establishing a regular channel of communications and exchange between the PCU and the beneficiaries. The focal points will also support the technical leadership in preparing all relevant documentation to be discussed at Technical Steering Committee meetings, which they will also have the right to attend.

4. The Project Implementation Manual will define the roles and responsibilities of each stakeholder in the project, including the relationship between institutions, rules, and procedures, as well as processing times to react to specific requests from the World Bank or the Government. It will be finalized by the PCU, in close collaboration with the beneficiaries, before project effectiveness. A national consultant will be hired to finalize the draft Project Implementation Manual, through the PPA, working in consultation with the project's implementing agencies. This will also facilitate its validation by promoting full ownership of its content by all stakeholders involved in the project. The administrative, financial accounting and procurement procedures manual will also be prepared and adopted after the effectiveness.

Financial Management

5. As part of the preparation phase of the Integrated Public Sector Reform Project, an FMA was undertaken for the PCU. This PCU is in charge of the FM of the ongoing PSTAT. It will manage the fiduciary aspects of the project until the recruitment of a proper fiduciary team for the project. The aim of the assessment was to ensure that the FM arrangements in place (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) can facilitate the preparation of regular, accurate, reliable, and timely interim financial reports (IFRs) and annual financial statements; (c) can safeguard the project entity assets; and (d) are subject to auditing arrangements acceptable to the World Bank. The assessment concluded that the overall residual FM risk is substantial.

Implementation Arrangements

6. The PCU that has been managing the ongoing PSTAT will manage fiduciary aspects of the project until the recruitment of a proper fiduciary team for the project can be made. The current project fiduciary team consists of a Chief Financial Officer (*Responsable Administratif et Financier*) and an accountant. The FM performance rating following the last FM supervision mission of November 2016 is moderately satisfactory.

7. The FM system of the PCU has been assessed to determine if (a) adequate FM arrangements (staffing, budgeting, accounting, internal control, reporting, and external audit) are in place to ensure that the project funds will be used for their intended purposes in an efficient and economical way; (b) financial reports will be prepared accurately, reliably, and on time; (c) the project's assets will be safeguarded properly; and (d) the auditing arrangements are acceptable.

8. The FM arrangements were found to be adequate subject to meeting the following requirements: : (a) opening the Designated Account in a financial institution acceptable to the World Bank,; (b) updating the current manual of procedures to take into account grant specificities,; (c) implementation of a customized Excel spreadsheet for bookkeeping in advance of the eventual installation of management accounting software,; (d) development and installation a computerized information system to record the transactions of the Project and prepare quarterly interim unaudited financial reports; (e) preparation and adoption of the Administrative, Financial, Accounting, and Procurement Procedures Manual, in form and substance acceptable to the Association; (f) recruitment of project coordinator, administrative and financial officer, procurement specialist, monitoring and evaluation specialist, internal auditor, and accountant,; (g) recruitment of an internal auditor,; and (h) agreeing to the terms of reference (ToRs) for the recruitment of the external auditor (acceptable to IDA).

9. The conclusion of the assessment is that the FM arrangements in place, subject to the implementation of the risk mitigation measures identified, meet the World Bank's minimum requirements under World Bank Directive: Financial Management Manual For World Bank Investment Project Financing Operations (Catalogue Number OPCS5.05-DIR.01), issued (retrofitted) on February 4, 2015, and effective from March 1, 2010, and World Bank Guidance: Reference material - Financial Management in World Bank IPF Operations (Catalogue Number OPCS5.05-GUID.02), issued on and effective from February 24, 2015. These are subject to meeting some initial requirements and therefore are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by the World Bank (IDA). The overall FM residual risk rating at project preparation is considered substantial.

Overview of Project Implementing Entity

10. The PCU (and eventually the Financial and Administrative Service) will have full responsibility for project fiduciary management.

The Country's PFM Situation and Use of Country Systems

11. The World Bank and other donor assessments, notably, the Country Financial Accountability Assessment (CFAA), the Public Expenditure Review (PER), and the Public Expenditure and Financial Accountability (PEFA) for 2008 and 2012, have shown an unsatisfactory economic and financial control environment. This includes weak budgeting preparation and control, financial reporting, external audit, and HR. As a result, the overall country fiduciary risk is still considered high. The repeated PEFA, concluded at the end of 2012, took stock of the areas of progress and revised the existing PFM strategy accordingly. The outcomes of the use of the national PFM systems (use of country systems) assessment, undertaken in April 2013, will be gradually implemented for the World Bank-financed

projects. Concerning internal and external audits, discussions will be conducted with the Government to organize the working environment of the IGF and the CCDB.

Risk Assessment and Mitigation Measures

12. The World Bank's principal concern is to ensure that project funds are used economically and efficiently for the intended purpose. Assessment of the risks that the project funds will not be used as intended is an important part of the FMA work. The risk features are determined using two elements: (a) the risk associated with the project as a whole (inherent risk) and (b) the risk linked to a weak control environment of the project implementation (control risk).

Table 2.1. Risk Mitigating Measures

Risks	Risk Rating	Risk Mitigating Measures	Residual Risk Rating	Conditions for Effectiveness (Y/N)
Inherent risk				
• Country level	H	The World Bank and other donor assessments, notably, the CFAA, the PER, and the PEFA for 2008 and 2012 have shown an unsatisfactory economic and financial control environment. This includes weak budgeting preparation and control, financial reporting, external audit, and HR. As a result, the overall country fiduciary risk is still considered high. Compared to 2006, the 2014 PEFA shows that the PFM system in the RoC has experienced some progress in the following areas: improving medium-term predictability and budget preparation quality, preparation of the budget, the organization of procurement and market controls, the organization and control of public procurement, contractual debt management, and capacity building in internal and external control functions. However, in other areas, progress is not commensurate with the stated objectives and efforts made. In particular, this applies to the areas of organization and monitoring of budget implementation, administrative and financial bookkeeping, and the follow-up for extra-budgetary entities. In general, efforts are undermined by the inadequate priority given to (a) the strengthening of IT systems, with important delays in their modernization that are not limited to technical problems, and (b) capacity building in the dissemination of information.	H	N
• Entity level	S	—	S	N
• Project level	M	Recruitment of a Chief Financial Officer, an accountant, and an internal auditor on a competitive basis. Review the ToRs for prospective staff, and incorporate a performance element.	M	N
Control risk				

Risks	Risk Rating	Risk Mitigating Measures	Residual Risk Rating	Conditions for Effectiveness (Y/N)
• Budgeting	M	An annual work plan and budget will be prepared each year. The project FM manual of procedures will define the arrangements for budgeting and budgetary control as well as the requirements for budgeting revisions. Annual detailed disbursement forecasts and budgets will also be required. IFRs will provide information on budgetary control and analysis of variances between actual and budget numbers.	M	N
• Accounting	S	The PCU staffing arrangement will be strengthened with two additional staff: one FM assistant and an accountant, with appointments made on a competitive basis. The PCU's accounting software will be customized to take into account the specifics of the new project.	S	N
• Internal control	S	Recruitment of an internal auditor. The current manual of procedures will be upgraded. Regular internal audit missions will be conducted during the project implementation with a focus on fraud and corruption risk. The work program of the current internal audit unit will be updated to reflect the new project specificities.	S	N
• Funds flow	S	Opening of a Designated Account at a financial institution acceptable to the World Bank. • Organizing frequent controls for each involved actor to help prevent and mitigate the risk of diversion of funds. • Payment requests will be approved by the coordinator and the financial management specialist before disbursement of funds. • Requiring the FM team to ensure monthly submission of the withdrawal application. • Perform an external audit.	S	N
• Financial reporting	M	Recruitment of an accountant. Computerized accounting system. Purchase appropriate accounting software and customize it to generate financial reports for the project. The current content and format of the PCU of the PSTAT are acceptable to IDA. The IFR of the new project will use a similar format and content, subject to material amendments being made to the said format and content.	M	N

Risks	Risk Rating	Risk Mitigating Measures	Residual Risk Rating	Conditions for Effectiveness (Y/N)
• External auditing	M	Recruitment of an independent external auditor based on agreed ToRs developed in line with International Accounting Standards (including fraud and corruption). ToRs will be subject to approval by IDA.	M	N
• Fraud and corruption	M	Organizing of frequent controls of each actor to help prevent and mitigate risks pertaining to diversion of funds. Payment requests will be approved by the coordinator and the financial manager before disbursement of funds. Require the future FM team to ensure monthly submission of the withdrawal application.	M	N
• **Governance and accountability**	**M**	(a) The ToRs of the external auditor will comprise a specific chapter on corruption auditing; (b) the FM manual of procedures shall be approved three months after project effectiveness; (c) there will be a quarterly IFR, including budget execution and monitoring; and (d) measures to improve transparency are built into the project design. These include, for example, providing information on the project status to the public and encouraging the participation of civil society and other stakeholders.	M	N
Overall inherent risk	**S**		**S**	
Overall control risk	**S**		**S**	
Overall FM risk	**S**		**S**	

Note: H = High; M = Moderate; N = Negligible; S = Substantial.

13. The FM arrangements will be built on the existing FM system established under the ongoing PSTAT; these arrangements will then be strengthened by implementing the following action plan.

Table 2.2. Key Weaknesses and Action Plan to Reinforce the Control Environment

Issue	Remedial Action Recommended	Entity Responsible	Deadline for Completion	Effectiveness Conditions
1	Opening a Designated Account in a financial institution acceptable to the World Bank.	PCU/RoC Government	Two months after effectiveness	N
2	Acquisition of a computerized information system to record the project's transactions and prepare quarterly unaudited IFRs.	PCU/RoC Government	Three months after effectiveness	N
3	Updating of the current manual of procedures to take into account the grant specificities, as well as the World Bank's FM guidelines and directives.	PCU/RoC Government	Before effectiveness	Y
4	Recruitment administrative and financial officer, internal auditor and accountant	PCU/RoC	Before	Y

	on a competitive basis.	Government	effectiveness	
5	Finalizing of the ToRs for the recruitment of an external auditor acceptable to IDA.	PCU/RoC Government	Before effectiveness	Y

14. In view of the general country FM issues, as well as the issues peculiar to the PCU and the mitigation measures provided earlier, the overall FM risk rating for this project is substantial. The overall risk rating at preparation is substantial.

Governance and Anticorruption Considerations

15. The country's political situation has weakened the governance and corruption environment. In the context of the project, the following governance and anticorruption measures will contribute to enhancing transparency and accountability during project implementation: (a) an effective implementation of the fiduciary mitigation measures should contribute to a strengthening of the control environment; (b) an appropriate representation and oversight of the Steering Committee involving key actors should be ensured; (c) transparency in the implementation of the project's activities should be guaranteed and the stakeholders and public should be involved during project implementation; (d) the ToRs for both the internal and external auditor units will include a specific chapter on corruption considerations; and (e) the FM manual of procedures will include anticorruption measures with a specific safety mechanism that will enable communities and CSOs to denounce abuses or irregularities.

Overall Fiduciary Implementation Arrangements and Staffing

16. The FM arrangements for the project will be handled by the PSTAT's PCU until the recruitment of the project's fiduciary team. It will be responsible for implementing and monitoring day-to-day project activities, including budgeting, disbursement, FM, reporting, supervision, management of the Designated Account, and auditing.

Project Accounting and Financial Software

17. The current accounting standards in use in the RoC for ongoing World Bank-financed projects will be applicable. Organization for the Harmonization of the Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) Accounting System is the assigned accounting system in West and Central African Francophone countries. The PCU will update the existing FM system. This software will be tailored to the scale and nature of the program. It can record and report program operations (by origin of funds, component, and activities) on time. The existing system is a multicurrency, multilocation, and multidonor system that includes the following modules: general accounting, cost accounting, budgeting, asset management, contract management, preparation of withdrawal applications, tracking of donor disbursements, and report generation, including quarterly IFRs and annual financial statements.

Project Financial and Accounting Manual

18. The PCU will use the PSTAT's existing Financial and Accounting Procedures Manual that includes the fiduciary procedures to be updated for the purposes of the new project. It includes a description of the FM system and financial policies and procedures. Specifically, it contains (a) the accounting system to be used (chart of accounts, budget coding, accounting standards); (b) the main transactions cycles; (c) internal control procedures; and (d) a summary of the various operational procedures related to budget management (planning, execution, and monitoring) and asset management, procurement of works, goods, and services, and disbursements.

Financial Reporting and Monitoring

19. The PCU will prepare at least two sets of financial reports. The quarterly IFRs, as required by the World Bank and the annual financial statements, will include the project's consolidated financial statements. The quarterly IFRs will be prepared and submitted to the World Bank 45 days after the closing of each quarter. The IFRs will be based on formats developed in the World Bank's guidelines on financial monitoring reports, with some adjustments. The manual of procedures will indicate provisions for quarterly and yearly financial reporting, including physical progress. The quarterly reports will include a table on budget execution. The format of this report will comprise (a) a statement of sources and uses of funds; (b) a table summarizing the use of funds by category, activities, and components; (c) an updated procurement plan; (d) a report on the physical progress of activities; and (e) a summary of missions of internal audit, as well as the implementation status of the recommendations of internal or external audit and supervision missions.

Internal Control and Auditing

20. Given the country's high risk rating, an internal audit consultant will be recruited to maintain a good standard of internal control system for the project—specifically by strengthening the internal audit unit of the PCU. The auditor's mandate will also cover the PPA activities. Furthermore, the project's administrative and FM procedures provide a clear description of the approval and authorization processes with respect to the rule of segregation of duties. The World Bank will direct attention to the adequacy of internal control during the supervision mission.

External Auditing

21. The project financial statements and internal control system managed by the PCU will be subject to annual audits by an independent external auditor acceptable to the World Bank whose mandate will be renewed every two years.

22. The audit report should reflect all the activities of the FM program. It should be submitted to the World Bank within six months after the end of each fiscal year. The selection of an external auditor of project financial statements should be presented to the World Bank for 'no objection'. Appropriate ToRs for the external auditor will be provided to the project team before project effectiveness and should include a special opinion of the PPA's activities.

23. The external auditor will provide an opinion about the annual financial statements in accordance with the auditing standards of the International Federation of Accountants. In addition to audit reports, the external auditor will also provide a Management Letter regarding the internal control procedures. It will outline recommendations for improving the control system, accounting, and financial procedures as a result of the audit, as well as maintaining compliance with financial covenants under the Financing Agreement.

24. The project will be required to submit, not later than June 30 of each fiscal year, the annual audited financial statements. In line with the World Bank's new Access to Information Policy, the project will comply with the disclosure policy of the World Bank regarding audit reports (for instance, by making available to the public without delay (after receipt of all reports) the final financial audit, including qualified audit reports. It will also place the information on its official website within one month after acceptance of the final report by the World Bank.

25. The audit reports that will be required to be submitted by the PCU and the due date for submission is as follows:

Table 2.3. Audit Report Requirements

Audit Report	Due Date
Institutional financial statements, that is, annual audited financial statements (including statements of sources and uses of funds, with appropriate notes and disclosures) and a Management Letter	Submitted within six months after the end of each fiscal year

26. The project will be required to produce a final audit report no later than six months after the closing of the project.

Implementation Support and Supervision Plan

27. FM implementation support missions will be consistent with a risk-based approach and will involve a collaborative approach with the project team. A first implementation support mission will be undertaken six months after project effectiveness. Subsequently, the missions will be scheduled by using the risk-based approach model and will include the following: (a) monitoring of the FM arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FMA at entry and subsequently during implementation (Implementation Status and Results Report); (b) an integrated fiduciary review of key contracts; (c) a review of the IFRs; (d) a review of the audit reports and Management Letters from the external auditors and follow-up on material accountability issues by engaging with the Task Team Leader, client, and/or auditors; (e) close monitoring of the quality of the audit (internal and external) to ensure that it covers all relevant aspects and provides enough confidence about the appropriate use of funds by recipients; (e) physical supervision on the ground; and (f) assistance to build or maintain appropriate FM capacity.

28. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed:

Table 2.4. FM Implementation Support Plan

FM Activity	Frequency
Desk reviews	
IFRs review	Quarterly
Audit report review of the project	Annual
Review of other relevant information, such as interim internal control systems reports	Continuous, as they become available
On site visits	
Review of the overall operation of the FM system	Annual (implementation support mission)
Monitoring of actions taken on issues highlighted in audit reports, Management Letters from auditors, internal audit, and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity-building support	
FM training sessions	Before project starts and thereafter as needed

29. The objective of this implementation support plan is to ensure that the project maintains a satisfactory FM system throughout the project life cycle.

30. **Conclusions of the FMA.** The overall residual FM risk is considered substantial. The proposed

FM arrangements for this project are considered adequate to meet the World Bank's minimum fiduciary requirements under World Bank Directive: Financial Management Manual For World Bank Investment Project Financing Operations (Catalogue Number OPCS5.05-DIR.01), issued (retrofitted) on February 4, 2015, and Effective from March 1, 2010, and World Bank Guidance: Reference material - Financial Management in World Bank Investment Project Financing Operations (Catalogue Number OPCS5.05-GUID.02), issued on and effective from February 24, 2015.

Disbursements

Flow of Funds Arrangement

31. The PCU will have one Designated Account that will be managed by a joint signature of both the PCU FM specialist and the project coordinator. The Designated Account will be opened at a reputable commercial bank acceptable to the World Bank. This account will be held in US$. The Designated Accounts will receive cash advances to pay project expenses eligible for World Bank financing. Any interest earned on funds deposited in the Designated Account shall be deposited into the project account. Payments will be made in accordance with the provisions of the manual of procedures (that is, with joint signatures by the Project Coordinator and the Chief Financial Officer).

Reporting on Credit Proceeds

32. The supporting documentation for reporting eligible expenditures paid from the Designated Account should be a summary report of the statement of expenditures and a list of payments against contracts that are subject to the World Bank's prior review. The supporting documentation for requests for direct payment should be records evidencing eligible expenditures (copies of receipts, supplier invoices, and so on). All supporting documentation for the statement of expenses will be retained by the PCU and will be made available for periodic review by World Bank review missions, as well as internal and external auditors.

Minimum Value of Applications

33. The minimum value of applications for reimbursement, direct payment, and special commitments is 20 percent of the outstanding advance made to the Designated Account. The ceiling amount for the Designated Account will be set at CFAF 1.3 million.

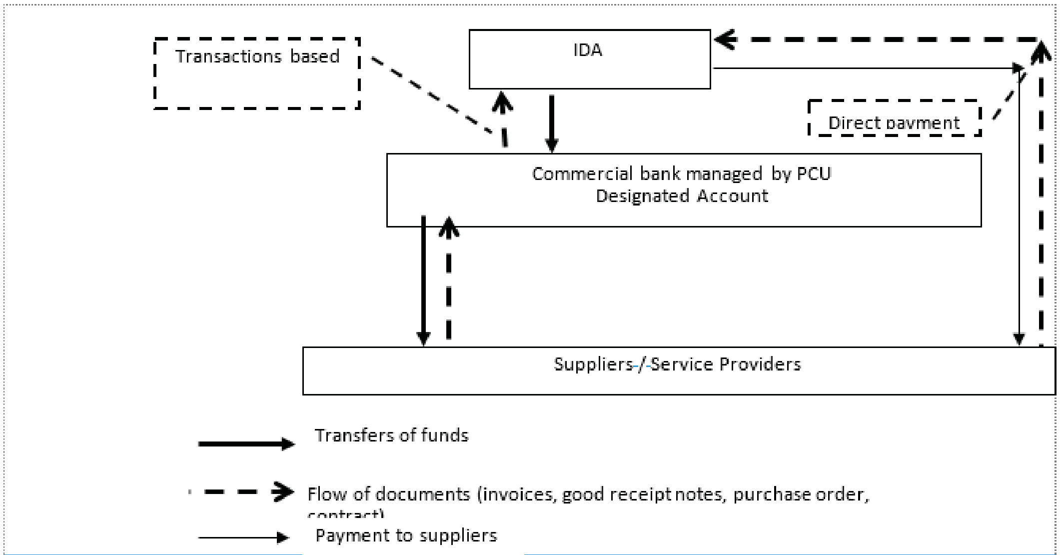
Disbursement Arrangements: Use of Statement of Expenditures

Disbursement Methods

34. By effectiveness, the project will use the transaction-based disbursement procedures, that is, replenishment, direct payment, reimbursement, and special commitments. The transaction-based disbursement method will be applied to the Designated Account, which will receive an initial advance of CFAF 300 million. The Designated Account will be used for all payments inferior to 20 percent of the ceiling (CFAF 1.3 million), and replenishment will be submitted as often as possible. When project implementation begins, the quarterly IFRs produced by the PCU will be reviewed. If the reports are found to be well prepared and produced on a timely basis, and the recipient requests conversion to report-based disbursements, a review will be undertaken to determine if the project is eligible for report-based disbursements.

35. Funds flows for the Designated Account are as illustrated in Figure 2.1.

Figure 2.1. Funds Flow



Disbursement of Funds to Other Service Providers and Suppliers

36. The PCU will make disbursements to service providers and suppliers of goods and services in accordance with the payment modalities, as specified in the respective contracts/conventions, as well as the procedures described in the project's Manual of Administrative, Accounting, and Financial Management. In addition to these supporting documents, the project will consider the findings of the internal audit unit while approving the payments. The PCU with the support of its internal audit unit will reserve the right to verify the expenditures ex post, and refunds might be requested for noncomliance of contractual clauses. Misappropriated activities could result in the suspension of financing for a given entity. All funds will have to be tied to clearly defined disbursement expense categories.

Disbursements by Category

37. Table 2.5 sets out the expenditure categories to be financed by the Credit. This table takes into account the prevailing country financing parameters for the RoC in setting out the financing levels. In accordance with World Bank standard procurement requirements, contracts will continue to be approved with 'all taxes included' for local expenditures.

Table 2.5. Disbursement Categories

Category	Amount of the Financing Allocated (SDR)	Percentage of Expenditures to Be Financed (inclusive of Taxes)
(1) Goods, works, consulting and non-consulting services, training, and operating costs	28,000,000	100
(2) Refund of preparation advance	1,600,000	Amount payable pursuant to Section 2.07 of the General

		Conditions
Total	**29,600,000**	**100**

38. **Counterpart funding.** There will be no counterpart funding.

39. **Monthly replenishment applications.** The Designated Account will be replenished through the submission of withdrawal applications on a monthly basis by the PCU account unit. It will include reconciled bank statements and other documents, as may be required until such time as the recipient may choose to convert to report-based disbursements.

Procurement: Applicable Procurement Rules and Procedures

40. The procurement of goods, works, non-consulting, and consulting services for the project will be carried out in accordance with the procedures specified in the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 (Procurement Regulations) and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

41. All goods, works and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VI. Approved Selection Methods: Goods, Works, and Non-Consulting Services of the Procurement Regulations, and the consulting services will be procured in accordance with the requirements set forth or referred to in Section VII. Approved Selection Methods: Consulting Services of the Procurement Regulations, PPSD, and Procurement Plan approved by the World Bank.

42. A PPSD has been prepared with the World Bank support, which aims to ensure that procurement activities are packaged and prepared in such a way that they expedite implementation, taking into account (i) the market analysis and the related procurement trends, and (ii) the procurement risk analysis. The PPSD includes the recommended procurement approaches for the project that have been reflected in the approved Procurement Plan, covering the first 18 months of the project implementation. Table 2.6 summarizes the various procurement methods to be used for main activities, financed by the proposed IDA Credit.

Table 2.6. Procurement Methods

Type of Procurement	Selection Methods
1 - Goods (US$12.3 million)	Request for Proposals, Request for Bids, Request for Quotations, and Direct Selection
2 - Non-Consulting Services (US$12.8 million)	Request for Proposals, Request for Bids, Request for Quotations, and Direct Selection
3 - Consulting Services (US$ 14.9 million)	Quality Cost Based Selection, Fixed Budget Based Selection, Least Cost Based Selection, Quality Based Selection, Consultant's Qualification Based Selection, Direct Selection, and Selection of Individual Consultants.

43. **Procurement Plan**. The Procurement Plan, including its updates, shall include for each contract (a) a brief description of the activities/contracts; (b) the selection methods to be applied; (c) the cost estimates; (d) time schedules; (e) the World Bank's review requirements; and (f) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation was approved at project negotiations and will be published on the World Bank website. Any updates of the Procurement Plan shall be submitted for World Bank approval. The recipient shall use the World Bank's online procurement planning and tracking tools to prepare, clear, and update the Procurement Plans, and manage all procurement transactions and related

documentation.

44. **Institutional arrangements for procurement.** The PCU is to be set up and staffed and will be responsible for ensuring that the fiduciary aspects of the project are managed appropriately. The procurement unit within the PCU will be staffed with qualified and experienced staff who will be responsible for carrying out procurement activities of the project. As needed, the procurement staff to be recruited will benefit from the coaching and assistance of the procurement unit of the PSTAT. The procurement staff will be trained on procurement regulations.

45. **Procurement risk assessment.** Given the (a) country context and associated risk; (b) unproven experience of the procurement unit because it has to be set up and staffed within the PCU to be created; and (c) the fact that this project will be the first project to be implemented in the RoC under the World Bank's New Procurement Framework, the procurement risk is rated high.

46. The prevailing risk can be improved to substantial provided that the corrective measures in table 2.6 are implemented.

Table 2.7. Procurement Action Plan Corrective Measures

Ref	Tasks	Responsibility	Due Date
1	Recruit a well-qualified and experienced staff for the procurement unit within the PCU.	PSTAT	Before effectiveness
2	Coach and assist the new recruited procurement staff.	PSTAT	Before effectiveness
3	Train the new recruited procurement staff on the World Bank's New Procurement Framework (online courses and face-to-face courses) and on the use of Systematic Tracking of Exchanges in Procurement (STEP) tools, which will be used to manage all procurement transactions and related documentation.	PCU	Three months after effectiveness
4	Prepare a Project Implementation Manual that will include procurement procedures and arrangements for the project along with the standard and sample documents to be used.	PCU	Three months after effectiveness
5	Organize a launch workshop involving all stakeholders.	PCU	Three months after effectiveness
6	Develop a contract management system to ensure that all contracts under the project are effectively and efficiently managed.	PCU	Continuously
7	At the request of the client, use of hands-on expanded implementation support (HEIS) for the initial period up to six months, while the PCU is being established.	Borrower	Three months after effectiveness

47. **Frequency of procurement supervisions.** In addition to the prior review to be carried out by the World Bank, at least two implementation support missions will be carried out annually, including field visits to be carried out for post review of procurement actions. As agreed with the Government, contracts will be published on the web. Annual compliance verification monitoring will also be carried out by an independent consultant and will aim to: (a) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Financing Agreement; (b) verify technical compliance, physical completion, and price competitiveness of each contract in the

selected representative sample; (c) review and comment on contract administration and management issues as dealt with by the PCU; (d) review capacity of the PCU in handling procurement efficiently; and (e) identify improvements in the procurement process in light of any identified deficiencies.

Environmental and Social (including safeguards)

48. Given that the project will essentially focus on building institutional capacity and the provision of advisory services, environmental impact assessments are not required. There are some minor works to be carried out that might include refurbishment of office space for key beneficiaries and selected implementing agencies to install adequate equipment. However, these are not expected to have any adverse environmental impacts. The project is, therefore, classified as Environmental Category 'C'. A key social impact of the proposed operation is its contribution to improving domestic revenue collection, with the attendant impact of increasing available resources. This will help the Government finance social programs that target poverty reduction. Also, by supporting the budget rationalization process, as well as internal and external audit functions, the proposed project will simultaneously improve budget allocation and prioritization toward key service delivery improvements and social sectors.

Monitoring and Evaluation

49. The PCU will also include an M&E specialist responsible for monitoring and reporting on project results, including the method, data source, and frequency of reporting for each project indicator. The project monitoring system will use administrative data from the responsible entities. It will be provided with support from the focal points that have been identified within each of the targeted entities. In this way, the project will help reinforce monitoring capacity within each of the targeted ministries and agencies.

50. For accountability purposes, the PCU is committed to providing regular reports to the Government of the RoC, as well as the World Bank. The World Bank will undertake regular supervision missions and ensure that key findings resulting from such visits are fully implemented to improve the overall project performance. A midterm review will be carried out and the findings and recommendations will be used to improve project performance, effectiveness, and efficiency. The M&E specialist will also produce quarterly reports that will be posted to a dedicated project web page. It will contain the latest data for each indicator and will be made available to project beneficiaries and relevant stakeholders.

Role of Partners (if applicable)

51. Several donors are assisting the Government of the RoC in its effort to implement the public sector reforms. These include the following donors and type of support:

- The EU provides technical assistance through a resident adviser based in the MPSIR who has been closely involved in the preparation of the MTEF.
- The IMF is supporting the transcription of the six CEMAC directives through AFRITAC.
- The UNDP is involved in the implementation of the public administration reform.
- The AFD has expressed its willingness to set up a parallel financing mechanism to support public sector reforms.

52. Donors involved in public sector reforms are working closely together to identify and harmonize their intervention, thereby avoiding duplication and wastage of resources.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

Strategy and Approach for Implementation Support

1. The implementation support plan for the project has been developed based on specific project activities, current capacity of the implementing agency, political context of the RoC, lessons learned from past public sector reform operations in the country and the region, and the project's risk profile in accordance with the SORT. This Implementation Support Plan reflects the assessment conducted by the Bank during project appraisal which, built on lessons learned from several years of the Bank's public sector reform engagement in Africa.

2. Implementation support missions, including field visits, would concentrate in the following areas:

- **Enhanced Technical Assistance**. Implementation support missions will concentrate on the overall implementation of project activities, at all levels and with all beneficiaries. Random field visits will verify compliance with the approved PIM. In addition, enhanced technical assistance will be required on CSO engagement and support, communications, and monitoring and evaluation. The Bank team will facilitate knowledge exchange and mobilize appropriate global expertise, as needed. The team will provide support to the design, development and implementation of the communication strategy for the targeted project beneficiaries, the general public, and internal and external clients. An M&E specialist will provide regular technical assistance and oversight of data collection, and ensure effective flow of information between the multiple participants involved in service delivery.
- **Client Relations**. The Task Team Leader (TTL) will: (i) coordinate the overall Bank implementation support to ensure consistent project implementation, as specified in the legal documents (i.e. Financing Agreement, PIM, etc.); and (ii) meet regularly with the client's senior representatives to gauge project progress in achieving the PDO and address implementation bottlenecks, as they arise. In addition, the TTL will ensure regular exchanges of information with other key donors supporting activities related to the public sector reform processes, as well as bilateral, multilateral partners and UN agencies.
- **FM**. Supervisions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach and will include reviews of audits, financial reports and advice to task team on all FM issues. Based on the current overall risk assessment of high, the project will be supervised at least twice a year, with possibility to adjust the intensity of supervisions if and when needs arise. The Implementation Status and Result Report (ISR) will include a FM rating of the project. An implementation support mission will be carried out before effectiveness, to ensure project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement monitoring and evaluation, and disbursement colleagues.
- **Procurement**. With regards to procurement activities, the implementation support will include prior procurement reviews. In addition to the prior reviews to be carried out by the World Bank, at least two implementation support missions will be carried out annually, including field visits for post review of procurement actions. As agreed with the Government,

contracts will be published on the web. Annual compliance verification monitoring will also be carried out by an independent consultant and will aim to: (a) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Financing Agreement; (b) verify technical compliance, physical completion, and price competitiveness of each contract in the selected representative sample; (c) review and comment on contract administration and management issues as dealt with by the PCU; (d) review capacity of the PCU in handling procurement efficiently; and (e) identify improvements in the procurement process in light of any identified.

- **Safeguards**. Although the project is not anticipating any negative environmental and social impact and the project is categorized as Category C, , the task team will seek advice from environmental and social safeguards specialists on critical issues that may arise during project implementation. The task team will also follow up on any safeguards issues through regular implementation support missions, during which document reviews, site visits and spot-checks will be conducted.
- **Mid-Term Review**. A Mid-Term Review (MTR) will be carried out within two years of project implementation (no later than May 31, 2019). In preparation for the MTR, an independent review of implementation progress will be carried out, including audits. Results will provide input to any potential project revisions or restructuring, at the time. The MTR will cover inter alia review of the Results Framework, SORT, country ownership, stakeholder participation, financial management, procurement processing, and sustainability aspects.

Implementation Support Plan and Resource Requirements

3. The World Bank team will provide regular technical supervision and hands-on assistance. It will be focused on proactively identifying and resolving threats to the achievement of the PDO. These supervision missions will be conducted with the support of various specialized technical experts and jointly with the Government. This will help create a dynamic environment for the project, promoting the sharing and implementation of good practices and initiatives. During the first year of the project implementation, regular technical assistance missions will take place to support the client in initiating activities, given the complex nature of the project. The volume of support is expected to be high throughout project implementation. An implementation support plan is provided below, including required skills mix.

4. The Bank task team requires a Work Program Allocation (WPA) to provide implementation support and technical assistance to the project, particularly in light of risks associated and complexities surrounding various activities

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Project start-up, assessments, conducting training for fiduciary staff, setting-up specialized support to various project beneficiaries, setting up management information systems	As per the skills mix table below		MPSIR
12-48 months	Supporting implementation of project activities,	As per the skills mix table below		MPSIR

	enhanced technical assistance on a number of areas		

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL	12	As much as needed	Kinshasa-based
Procurement Specialist	6	As much as needed	Brazzaville-based
FM Specialist	6	As much as needed	Kinshasa-based
M&E / Operations Specialist	6	As much as needed	HQ-based
Other staff	6	As much as needed	HQ and Kinshasa-based

Partners

Name	Institution/Country	Role
EU, IMF, UNDP, FDA	World and Brazzaville-based	Coordination of complementary activities

ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

1. This section is organized into two main parts:

- **Financial analysis.** Section A presents the financial analysis to estimate the financial gains from the project over an implementation period of five years. Through Component 1 (Strengthening Revenue Mobilization and Public Expenditure Management), the project will support the securing of the mobilization of existing and future potential non-oil sector revenues. This will include support to mobilize property tax, improve transparency of forestry-based taxation, and rationalize tax exemptions, which is also expected to provide additional revenues. Component 1 will be allocated US$19.6 million. Component 2 (Modernization of the Public Administration) of the project will provide support to rationalize the management system of civil service, while strengthening the capacity of civil servants to improve efficiency in public management. Component 2 will be allocated US$10.5 million.
- **Economic analysis.** Section B shows the economic analysis that captures all the economic benefits of the project that makes society as a whole better-off. These benefits will be assessed in qualitative terms.

2. **For the purpose of modeling, the net financial benefits will be calculated with respect to an assumed project life of five years, starting from Year 0.** The investment data are derived directly from the project investment costing and is assumed to be made over five years. The RoC's real growth rate of GDP is assumed to be 2.5 percent per year, on average. The market exchange rate is assumed to be fixed at the average 2016 rate of CFAF 593.2 for US$1. It is assumed that these macroeconomic assumptions remain constant over the project life.

Section A. Financial Analysis

3. Component 1 (Strengthening Revenue Mobilization and Public Expenditure Management) of the project will provide support to improve revenue mobilization, as well as better public expenditure management. Component 1 will focus on supporting the tax administration on improving the mobilization of additional non-oil revenues, the rationalization of the tax exemption system, and improvement of transparency and management of tax administration. Through Component 1, the project is thus expected to improve revenue collection beyond the project life. Based on conservative assumptions, the project will generate financial gains estimated at US$200 million over the assumed lifetime of five years, with a financial real NPV of US$185.2 million.

Assumptions

4. Assumptions are consistent with the country financial context and calculations made by the IMF in its 2014 Article IV report. These assumptions made it possible to estimate the financial gains.

(a) The discount rate is set at 3 percent, which is slightly above the inflation rate.

(b) The tax rate is under conservative rules and the Government's non-oil revenue to GDP is expected to increase annually by 2.5 percentage points starting from 2018 until 2022.

(c) Revenue collection from the forestry sector will experience a strong improvement, by adding 1 percentage point each year to the previous ratio of forestry revenue to GDP.

(d) Decrease of at least 60 percent of off-budget revenues is expected by the end of the project life.

(e) There are no improvements in revenues or losses in the first year of project implementation.

5. Through Component 2, the project aims at supporting the Government in designing and implementing an effective civil service management system. The improvement of civil service management capacity is expected to equip staff with improved skills and to be more efficient in management of public services. Coupled with a better PFM system, this is expected to increase the state's capability for increased capital investment and bring about efficiency savings.

6. From the financial analysis, the gains projected over a five-year period show a total value of US$100 million over the life of the project, with the financial real NPV of US$89 million at a 3 percent discount rate.

Assumptions

7. These estimates were made on the basis of the following assumptions:

(a) The ratio of investment to GDP is stable at 18 percent.

(b) Investment growth is fixed at 1.2 percent per year.

(c) Efficiency of the investment is based on the incremental capital-output ratio (ICOR) (based on the 2007 data of the Revised Minimum Standard Model- Extended [RMSM-X]), and its annual change is established at 0.15 percent.

8. The amounts shown earlier are conservative estimates. The project support will contribute to enhancing public sector management and PFM. Improvements in these areas will contribute to increased confidence in public institutions, which is likely to have spillover effects on tax compliance and payment. Furthermore, more efficient public investments are also likely to improve social well-being while crowding in more private investment will thus spur additional growth. Other expected impacts are described in the following paragraphs.

Economic Analysis

9. The proposed project is most likely to yield several types of economic impacts through the interventions around its different components, including the following:

- **Improved social well-being from improved service delivery.** Better efficiency of public expenditures is expected through the support of the project. This will mainly derive from support under Component 1 and public expenditure management in which procurement and public expenditure management are expected to be improved, as well as Component 2 and Component 3. Improvement in these areas will lead to better and more efficient use of public resources, which is expected to result in improved service delivery to the citizens, including investment programs with improved value for money and addressing the needs of the country and the population as a whole.

- **Improved compliance to tax payment.** The project is expected to improve transparency and increase capacity in the management of the tax administration under Component 1. Experience shows that better use of public resources leading to more efficient service delivery also contributes to behavioral changes toward better tax payment compliance. Improved transparency and accountability in the management of public finances supported under both Component 1 and Component 3 are expected to improve the efficiency of the use of public resources toward service delivery. Consequently, improvement of service delivery is expected to bring in more revenues due to improved tax compliance.

- **Crowding-in effects of increased trust in the public administration.** The support provided through the project is expected to improve public sector and PFM and governance. Improvement in these areas will increase trust in the Government by people and businesses and will create favorable conditions for economic growth. This includes, for instance, the attraction of new private investments. Furthermore, more efficient use of public financial resources with more efficient investment programs is also likely to create an attractive environment for the private sector. In this case, improved public investments will crowd in more private investments.

Table 4.1. Summary of the Economic and Financial Analysis

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Macro baseline						
Growth	7.5	1.6	0.9	1.0	2.2	2.0
Inflation	3.2	2.7	2.5	2.9	3.0	2.8
Nominal GDP (CFAF, billions)	5,506.9	6,599.4	6,571.2	6,761,6	6,649.4	6.649.4
Discount rate (%)	3					
Government revenue / GDP	16.3	23.2	21.9	22.2	21.1	23.4
US$ / CFAF	593.2					
Component 1						
Non-oil revenues (CFAF, billions)	895.4	1,643.2	1,636.2	1,683.6	1,655.7	1.514.3
Percentage of increase per year (%)	—	2.5	2.5	2.5	2.5	2.5
Increase per year (US$, millions)	—	38.0	39.0	40.0	41.0	42.0
Increase from 2017 (US$, millions)	—	38.0	77.0	117.0	158.0	**200.0**
Time year	5					
Total increase of revenue (US$, millions)	200.0					
NPV total increase of revenue (US$, millions)	185.2					
Component 2						
Capital investment (CFAF, billions)	978.0	990.0	1,002	1,014	1,026.0	1,038.0
Capital investment (US$, billions)	1.65	1.67	1.69	1.71	1.73	1.75
Growth of investment (%)	—	1.2	1.2	1.2	1.2	1.2
Increase per year (US$, millions)	—	19.5	19.8	20.0	20.2	20.5
Increase from 2017 (US$, millions)	—	19.5	39.3	59.3	79.5	**100.0**
Capital investment / GDP (%)	18	18	18	18	18	18
Congo, Rep.'s ICOR of 2007	3.4					
Benefit from the ICOR	0.0	0.002	0.002	0.002	0.002	0.002

	2017	2018	2019	2020	2021	2022
Benefit from the ICOR (CFAF, billions)	0.0	1.5	1.5	1.5	1.5	1.6
Savings from the ICOR (US$, millions)	**100.0**					
NPV savings from the ICOR (US$, millions)	**89.0**					
Fiscal expenditures (CFAF, billions)	1,007.1					
Customs revenues (CFAF, billions)	210.0					
Fiscal expenditures to customs revenues (%)	480					
Forestry revenue (CFAF, billions)	3,831	5,607	5,977	6,809.0	7,361,0	7,340.0
Forestry revenue / GDP	0.07	0.08	0.09	0.10	0.11	0.12
Collection rate of forestry revenue (%)	54.5	56.0	57.5	59.0	60.5	62.0
Increase by 1 percentage point a year	—	0.015	0.015	0.015	0.015	0.015
Out of budget	390.0	365.6	301.0	256.0	208.2	157.4
Out of budget / GDP (%)	6.7	5.5	4.6	3.8	3.1	2.6

ANNEX 5: REPUBLIC OF CONGO 2013 PEFA SCORES

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

PEFA Indicator	2006 Assessment	2013 Assessment
PI-1 Aggregate expenditure outturn compared to original approved budget	B	C
PI-2 Composition of expenditure outturn compared to original approved budget	D	D+
PI-3 Aggregate revenue outturn compared to original approved budget	A	A
PI-4 Stock and monitoring of expenditure payment arrears	D+	D
PI-5 Classification of the budget	C	D
PI-6 Comprehensiveness of information included in budget documentation	B	C
PI-7 Extent of unreported government operations	C+	C+
PI-8 Transparency of intergovernmental fiscal relations	D	D+
PI-9 Oversight of aggregate fiscal risk from other public sector entities	D	D
PI-10 Public access to key fiscal information	D	D
PI-11 Orderliness and participation in the annual budget process	D+	C
PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting	D+	C+
PI-13 Transparency of taxpayer obligations and liabilities	C+	B

PEFA Indicator	2006 Assessment	2013 Assessment
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	D+	D+
PI-15 Effectiveness in collection of tax payments	A	NA
PI-16 Predictability in the availability of funds for commitment of expenditures	D	D
PI-17 Recording and management of cash balances, debt, and guarantees	B+	B
PI-18 Effectiveness of payroll controls	C+	D+
PI-19 Competition, value for money, and controls in procurement	D+	D+
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	D+
PI-21 Effectiveness of internal audit	D	D
PI-22 Timeliness and regularity of accounts reconciliation	D+	D+
PI-23 Availability of information on resources received by service delivery units	D	D
PI-24 Quality and timeliness of in-year budget reports	C+	D+
PI-25 Quality and timeliness of annual financial statements	D+	D+
PI-26 Scope, nature, and follow-up of external audit	D	D+
PI-27 Legislative scrutiny of the annual Budget Law	D+	D+
PI-28 Legislative scrutiny of external audit reports	NA	D+

PEFA Indicator	2006 Assessment	2013 Assessment
D-1 Predictability of Direct Budget Support	A	NA
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	A	B+
D-3 Proportion of aid that is managed by use of national procedures	D	D

Source: *https://pefa.org/sites/default/files/assesments/comments/CG-Jun14-PFMPR-Public_0.pdf*

ANNEX 6: THEORY OF CHANGE/PROJECT LOGIC MODEL/RESULTS CHAIN

COUNTRY: Congo, Republic of
Integrated Public Sector Reform Project

The Project Development Objective (PDO) is to improve public resources management and accountability in the Republic of Congo.						
Impacts	**Long-Term Outcomes**	**Medium-Term Outcomes**	**Short-Term Outcomes by Component**	**Key Outputs BY Subcomponent**	**Activities**	**Inputs**
Improved institutional capacity for public resources management	**Improved revenue collection and rationalization of the**	**Improved revenue management and control and improved**	**Component 1: Strengthening Revenue Mobilization and Public Expenditure Management (US$19.6 million)** • Secured existing and potential revenues • Strengthened management capacity of tax administration with regard to organization, fiscal control, and procedures automation • Improved communication capacities on tax policy measures with other stakeholders, in particular sectoral ministries, the private sector, and CSOs • Improved information systems • Rationalized exemptions system to reduce the loss of revenues	**Subcomponent 1.1: Strengthening Revenue Mobilization** • Completed the TADAT and implemented related recommendations • Reviewed the forestry tax system and implemented recommendations, as agreed with the Government • Reviewed the exemptions system and implemented recommendations • Implemented the tax administration modernization strategy • Implemented the property tax system • New computer system in the DGID • Implemented the training program for tax administration • Implemented a new communications strategy	See Annex 1	**US$7.0 million**

	expenditure chain	**debt management**	• Improved strategic planning capacity • Improved efficiency of the public investment budget • Strengthened capacity for public expenditure management • Improved PFM information system	**Subcomponent 1.2: Strengthening Public Expenditure Management** • New NDP • Updated macroeconomic data to prepare a suitable MTEF • Reviewed M chain • Reformed PIM system; • Improved SOE institutional and regulatory framework • Elaborated strategic action plan for PFM reform based on the new PFM legal framework • Transcript of six CEMAC PFM directives in the national law • Implemented training programs for actors involved in budget execution management • Computerized expenditure management • Creation of a website for the MPSIR	See Annex 1	**US$12.6 million**
			Component 2: Modernization of the Public Administration (US$10.5 million) • Improved strategic planning capacity • Rationalized management of civil servants • Built capacity within the administration to enable the MFPRE to better manage civil servant careers	**Subcomponent 2.1: Improving Civil Service Management Capacity** • Reviewed civil service legal, regulatory, and institutional framework • Disseminated the State Reform Strategic Action Plan and implemented the strategic action plan • Developed a civil service registry, based on the results of the completed census • Established employment references throughout the civil service registry	See Annex 1	**US$4.0 million**

	Modernized public sector administration	**Public sector modernization strategy implemented in pilot departments and agencies**		• Adopted a new manual of procedures for the management of civil servants • Implemented a computerized system for the management of civil servant careers • Implemented a training program to strengthen the capacity within the MFPRE		
Improved institutional capacity for public resources management			• Pilot modernization strategy implemented in the participating departmental authorities	**Subcomponent 2.2: Modernization of the Departments Implementing REDD+** • Capacity built for the piloting of Departmental REDD+ Committees in the Sangha and Likouala departments • Capacity built, equipment, training, and communications provided for the Departmental Forest Economy Directorates of Sangha and Likouala	See Annex 1	**US$1.5 million**
			• Improved procurement management system • Strengthened capacity of procurement institutions	**Subcomponent 2.3: Modernization of the Public Procurement System** • Updated the legal and regulatory framework • Conduct of annual independent audits of public procurement contracts • Strengthened collaboration, institutional framework, and management capacity of the CGMPs, ARMP, DGCMP, and DGGT • Restructured and strengthened CGMPs in contracting authorities (ministries, agencies, SOEs, and so on) • PPP framework implemented, as defined in the PPP Law under preparation	See Annex 1	**US$5.0 million**

				• Developed and implemented the procurement information management system (e-tracking system) • Implemented a national training strategy • Professionalized procurement function including institutionalization of a training program explored including the MOOC option		
	Improved public sector transparency and accountability	**Strengthened capacity of the oversight institutions, increased**	**Component 3: Improving Transparency and Accountability (US$4.2 million)** • Completed institutional reform of public oversight • Built capacity within the oversight institutions • Improved transparency of public oversight institutions	**Subcomponent 3.1: Supporting the CCDB, IGF, and Economy and Finance Committees of the Parliament** • Finalized and implemented the organic law and code of professional ethics governing CCDB • New audit methodology guides for the IGF and the CCDB • New IGF code of professional ethics, coupled with a manual of procedures adapted to international standards • IGF execution of an annual work plan, based on the revised manual of procedures • Staff internal and external audit institutions' staff trained (IGF and CCDB) • Implemented a training program for the Economic and Financial Committees of the Parliament • Improved communication between the CCDB and the Economic and Finance Committees of the Parliament (National Assembly and Senate)	See Annex 1	**US$2.0 million**

		transparency in the forestry and extractive sectors, and promoted citizen engagement		• Archiving systems and website in place, to broadcast regular audit mission reports • Operational CCDB website		
			• Enhanced capacity of the CSOs to independently monitor the budget execution	**Subcomponent 3.2: Supporting Social Accountability and Citizen Engagement** • Population informed of the progress made in the implementation of governance reforms • Participation in budget orientation debates and ensure that people needs and priorities are reflected • Collaboration between CSOs and public oversight institutions to improve transparency, accountability, and integrity in public administration • Sanctions taken against the administration, as and when needed • Feedback by the population obtained and considered, regarding the degree of satisfaction with the quality of service delivered by the administration	See Annex 1	**US$1.0 million**
			• Improved transparency of forestry management • Improved forestry revenue collection and management	**Subcomponent 3.3: Improving Transparency of the Revenue Collection System in the Forestry Sector** • Guide on forestry tax policy and regulations in place • Operational information-sharing mechanism • Implemented a communication strategy	See Annex 1	**US$0.7 million**

				• Signed forest concession contracts and related documents (management plans, including social clauses) • Updated list of forestry rights holders, including artisanal permits • Available statistics on the production and exportation of forest products and taxes paid to the treasury		
			• Maintained EITI compliance status • Improved transparency in the management of extractives resources	**Subcomponent 3.4: Improving Transparency in the Extractives Sector** • Produced quarterly report, including data on oil sales by the state enterprise and transfers of revenue between the latter and the Treasury • Produced report on sharing and production contracts in the petroleum sector • Produced (by an independent expert) conformity report of the EITI	See Annex 1	**US$0.5 million**

ANNEX 7: LESSONS LEARNED AND REFLECTED IN THE PROJECT DESIGN

COUNTRY: Congo, Republic
Integrated Public Sector Reform Project

1. **In designing the project, a number of lessons from the World Bank's experience in public sector management reforms in the RoC (and beyond) have been taken into consideration and incorporated in the project design**. The most significant of these are discussed in this annex.

2. **High-level political will and reform champions are necessary ingredients for the success of the project.** To tackle politically sensitive reforms, it is necessary to garner support from various agencies responding to different kinds of authority, instead of relying on one single champion. By having multiple champions, broad support and authorization will be generated and high-level responsibility and ownership will be ensured during the project design and implementation. To this effect, the Prime Minister, his Adviser in charge of governance, the Ministries of Planning and Civil Service, and different departments within the MFBPP (tax administration, customs administration) have been identified as champions during the project preparation process and will be the key focal points to manage potential challenges that may arise in the course of implementation. In addition, the World Bank has appointed a country-based Task Team Leader, who will provide ongoing implementation support and ensure that key challenges are timely addressed to improve the overall project performance.

3. **The internalization of governance reforms takes time and requires long-standing support, and the project design needs to be tailored to client capacity.** The implementation time frame of a governance project needs to be long enough to allow for the necessary adjustment to contingencies inherent to unexpected opportunities resulting from inevitable shifts in reform agendas. Client institutional capacity may not lend itself to breakthroughs and all-encompassing change and systemic reforms. Therefore, World Bank support to governance reforms may, in such circumstances, build on performing agencies and successful initiatives to foster incremental progress. Taking into account this lesson, the project has been designed with a long-term vision, a kind of a programmatic approach while establishing the optimal implementation arrangements in place.

4. **The recently closed World Bank TGRP in the RoC encourages a simple design for a low-capacity environment**. The proposed project has three main components and a fourth to build internal capacity and support project implementation. Reforms supported will be coordinated by a single PCU that will be created and placed under the leadership of the MPSIR. A Technical Steering Committee will be established to provide strategic oversight of all project activities and will meet regularly to support the implementation of the project. The Steering Committee will be chaired by the Prime Minister with the technical support of the PCU. It will consist of representatives of both cross-cutting and key spending ministries. To ensure better coordination of various reform efforts and swifter implementation of activities, the PCU will have the added responsibility of following up on project implementation at the various ministries.

5. **Proper monitoring, evaluation, and cross-institutional collaboration are key for the successful implementation of governance reform programs**. A communication system will be established to facilitate the interaction between the World Bank, the PCU, and the implementing agencies. Such a system, together with a strong focus on M&E, will ensure that information flows adequately and is made

available to all stakeholders on time. It will inform stakeholders' relationship and interaction and help monitor their respective performance in handling procedures. A full-time M&E Officer will be responsible for the production of a quarterly dashboard that will be made available to the implementing agencies, to allow them track implementation progress. The focal points supporting the Technical Steering Committee will facilitate their day-to-day management and monitoring by establishing a regular channel of communications and exchange of messages between the PCU and the beneficiaries.