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Report No: PAD1995

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT PAPER
ON A
PROPOSED ADDITIONAL IDA CREDIT AND RESTRUCTURING
IN THE AMOUNT OF SDR 66.5 MILLION
(US\$90 MILLION EQUIVALENT)
TO THE
DEMOCRATIC REPUBLIC OF CONGO
FOR THE
URBAN DEVELOPMENT PROJECT

APRIL 13, 2017

Social, Urban, Rural and Resilience Global Practice
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2017)

Currency Unit = CDF
CDF 1,305 = US\$1
US\$1.3539 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ARAP	Abbreviated Resettlement Action Plan
BC	Base Condition
BP	Bank Procedures
CAS	Country Assistance Strategy
CBT	Capacity Building Team
DA	Designated Account
DRC	Democratic Republic of Congo
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FY	Fiscal Year
GDP	Gross Domestic Product
IDA	International Development Association
M&E	Monitoring and Evaluation
MUPH	<i>Ministère de l'Urbanisme et Habitat</i> - Ministry of Urban Planning and Housing
MTR	Mid-Term Review
OP	Operational Policy
PDO	Project Development Objective
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PS	Permanent Secretariat
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SDR	Special Drawing Right
UDP	Urban Development Project
UR	Urbanization Review

Regional Vice President:	Makhtar Diop
Country Director:	Ahmadou Moustapha Ndiaye
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager:	Meskerem Brhane
Task Team Leader:	Mahine Diop

DEMOCRATIC REPUBLIC OF CONGO
URBAN DEVELOPMENT PROJECT – ADDITIONAL FINANCING

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ADDITIONAL FINANCING DATA SHEET

Democratic Republic of Congo

DRC - Urban Development Project Additional Financing (P157114)

AFRICA

GSU19

Basic Information – Parent									
Parent Project ID: P129713			Original EA Category: B - Partial Assessment						
Current Closing Date: 31-Jul-2019									
Basic Information – Additional Financing									
Project ID: P157114			Additional Financing Type (from AUS): Scale Up						
Regional Vice President: Makhtar Diop			Proposed EA Category: B – Partial Assessment						
Country Director: Ahmadou Moustapha Ndiaye			Expected Effectiveness Date: 01-Aug-2017						
Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez			Expected Closing Date: 30-Nov 2022						
Practice Manager/Manager: Meskerem Brhane			Report No: PAD1995						
Team Leader(s): Mahine Diop									
Borrower									
Organization Name		Contact	Title	Telephone	Email				
Ministry of Finance		Honoré Tshiyoyo	Coordinator -Project and Program Monitoring Unit	+243811696253	minfinrdc@micronet.cd				
Project Financing Data - Parent (DRC Urban Development Project FY13-P129713) (in US\$ Million)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P129713	IDA-H8420	Effective	09-May-2013	08-Jun-2013	06-Sep-2013	31-Jul-2019	31-Jul-2019		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P129713	IDA-H8420	Effective	XDR	66.10	66.10	0.00	26.63	39.47	40.29

Project Financing Data - Additional Financing DRC - Urban Development Project Additional Financing (P157114) (in US\$ Million)						
[] Loan		[] Grant		[] IDA Grant		
[X] Credit		[] Guarantee		[] Other		
Total Project Cost:		90.00		Total Bank Financing:		90.00
Financing Gap:		0.00				
Financing Source – Additional Financing (AF)						Amount
International Development Association (IDA)						90.00
Total						90.00
Compliance						
Covenants - Additional Financing (DRC - Urban Development Project Additional Financing - P157114)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Section I.A.3.c of Schedule 2.	The recipient shall recruit no later than three months after effectiveness to the Permanent Secretariat, two technical specialists and one communications expert, all with terms of reference and experience satisfactory to the association.	04-Nov-2017	<input type="checkbox"/>		New
IDA	Section II.B.4 of Schedule 2	The recipient shall update the existing financial management system in a form satisfactory to the association.	04-Jul-2017	<input type="checkbox"/>		New
IDA	Section II.B.5 of Schedule 2	The recipient shall maintain throughout implementation of the project an accountant with terms of reference		<input checked="" type="checkbox"/>	Continuous	New

		and qualifications satisfactory to the association.				
Conditions						
Source of Fund		Name		Type		
IDA		Project Implementation Manual		Effectiveness		
Description of Condition						
The Recipient has updated the Project Implementation Manual in form and substance acceptable to the Association.						
Source of Fund		Name		Type		
IDA		AF Disbursement for Category 2		Disbursement		
Description of Condition						
No withdrawal shall be made under Category (2), until the proceeds of the Original Financing allocated to Category (2) of the table in Section IV.A.2 of the Schedule 2 to the Original Financing Agreement have been fully committed or disbursed.						
Policy Waivers						
Does the project depart from the CAS in content or in other significant respects?					No	
Explanation						
Does the project require any policy waiver(s)?					No	
Explanation						
Team Composition						
Bank Staff						
Name	Role	Title	Specialization	Unit		
Mahine Diop	Team Leader (ADM Responsible)	Senior Municipal Engineer		GSU19		
Clement Tubeka Lessa Kimpuni	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist		GGO07		
Lanssina Traore	Procurement Specialist	Senior Procurement Specialist		GGO07		
Bella Diallo	Financial Management Specialist	Senior Financial Management Specialist		GGO25		
Christian Katumba Kapena	Financial Management	Consultant		GGO25		
Issa Thiam	Team Member	Finance Officer		WFALA		

Saba Nabeel M. Gheshan	Counsel	Legal Analyst		LEGAM
Christelle Tandundu Epuza	Team Member	Team Assistant		AFCC2
Koho Francine Takoy	Team Member	Team Assistant		AFCC2
Christian Vang Eghoff	Team Member	Urban Specialist		GSU19
Dina Nirina Ranarifidy	Team Member	Urban Specialist		GSU19
Lucienne M. M'Baipor	Safeguards Specialist	Senior Social Development Specialist		GSU01
Claude Lina Lobo	Safeguards Specialist	Environmental Safeguards Specialist		GENDR
Sung Heng C. Kok Shun	Team Member	Senior Program Assistant		GSU19
Jean Mabi Mulumba	Team Member	Senior Public Sector Specialist		GGO27

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
DRC	Maniema	Kindu		X	
DRC	Tanganyika	Kalemie		X	Ex-Province of Katanga
DRC	South Kivu	Bukavu		X	
DRC	Equateur	Mbandaka		X	
DRC	Kongo-Central	Matadi		X	Ex-Province of Bas-Congo
DRC	Kwilu	Kikwit		X	Ex-Province of Bandundu
DRC	North Kivu	Goma	X		
DRC	Tshopo	Kisangani	X		Ex-Province Orientale
DRC	Lualaba	Kolwezi	X		Ex-Province of Katanga

Institutional Data

Parent (DRC Urban Development Project FY13-P129713)

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice				
Contributing Practice Areas				
Cross-Cutting Topics				
[] Climate Change				
[] Fragile, Conflict & Violence				
[] Gender				
[] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Sub-national government administration	50		
Transportation	Urban Transport	30		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Municipal governance and institution building	30		
Urban development	Municipal finance	10		
Urban development	Other urban development	15		
Public sector governance	Decentralization	25		
Urban development	Urban services and housing for the poor	20		
Total		100		
Additional Financing DRC - Urban Development Project Additional Financing (P157114)				
Practice Area (Lead)				
Social, Urban, Rural and Resilience Global Practice				
Contributing Practice Areas				

Cross-Cutting Topics				
[X] Climate Change				
[] Fragile, Conflict & Violence				
[] Gender				
[] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Sub-national government administration	30		
Transportation	Urban Transport	50	40	
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20	15	
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Municipal governance and institution building	10		
Urban development	Municipal finance	10		
Urban development	Other urban development	10		
Public sector governance	Decentralization	10		
Urban development	Urban services and housing for the poor	60		
Total		100		

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional IDA credit in an amount of US\$90 million equivalent to the Democratic Republic of Congo for the Urban Development Project (P129713, UDP; Grant H842-ZR) and an extension of the project closing date from July 31, 2019, to November 30, 2022.

2. The proposed additional credit would scale up the existing project, broaden its scope to include additional cities, and increase outcomes, including financing the costs associated with consolidating and strengthening the results of the UDP in the six current project cities, as well as (i) expanding the geographic reach of the project by adding three more project cities for a total of nine; (ii) revising the results framework to incorporate results from the proposed additional financing (AF), with more expected beneficiaries and more cities implementing improved urban management practices; (iii) revising and simplifying the city performance evaluation mechanism to incorporate lessons learned and recommendations from the midterm review (as planned at appraisal); and (iv) strengthening the project implementation unit in the Ministry of Urban Planning and Housing, staffed by civil servants, by more closely involving representatives from other concerned ministries in project activities and providing targeted technical assistance.

3. The proposed AF would help increase access to basic services and infrastructure under the project (e.g., roads and drainage, markets, schools, health centers, as under the parent Project) and decrease some of the substantial investment deficits in provincial capitals. It would also strengthen the programmatic aspect of the Project's performance-based approach for access to investment funds by providing urban management tools developed under the project to additional cities. The activities have been developed, at the government's request, based on the recommendations of the DRC Urbanization Review¹ and Land Sector Review², detailed below, and to further pilot the performance-based approach with a view to mainstreaming it into the government's decentralization policies. This will help build the institutions of urban management and support the emergence of cities in the DRC as engines of economic growth. Tender documents for a first phase of road investments of approximately US\$16 million in the three new cities have been prepared under the ongoing UDP to respond to priority needs in those cities.

4. The project was screened to determine its potential exposure to the effects of climate change. The results show that proposed project locations are exposed to hazards of volcanic eruption and extreme precipitation and flooding. These hazards have been addressed, and activities have been included in the proposed project in support of climate adaptation and disaster response capacity, as detailed below.

¹ Democratic Republic of Congo Urbanization Review – Scaling Up Localized Development. World Bank, forthcoming.

² Democratic Republic of Congo Land Sector Review. World Bank Report No: ACS18722, June 19, 2016.

II. Background and Rationale for Additional Financing in the Amount of US\$90 Million

A. Background and Context

5. DRC is a classic example of the “paradox of plenty”, being simultaneously rich in natural resources while the population remains extremely poor. Its population, estimated at 77 million inhabitants, is the third largest in Africa, after Nigeria and Ethiopia, but the country is among the poorest in the world, with per capita gross domestic product (GDP) in constant 2010 US\$ estimated at US\$384 for 2015 and approximately two-thirds of the population living below the poverty line. Although the overall incidence of poverty is declining, from 69 percent in 2005 to 64 percent in 2012, the number of poor people has increased by 6 million, fed by rapid population growth.

6. Macroeconomic performance has begun to deteriorate after some years of improvement. The economy has performed poorly in a difficult political and global context, which has decreased domestic revenue mobilization. The Central Bank recently revised its growth projections down to 2.5 percent in 2016 from 6.9 percent in 2015, reflecting political volatility and uncertainty about global economic trends. Estimates show an increase in the cumulated budget deficit from US\$93 million in November 2015 to US\$244 million in November 2016. Targeted reductions in capital spending are falling short of reducing fiscal imbalances, and this is likely to compromise the long-term growth prospects of the country. Inflation is accelerating as the Congolese franc continues to depreciate.

7. The current political landscape has been volatile, worsening since the current President’s second term expired in December 2016. New elections have yet to be organized. Discussions are ongoing between the presidential majority and various opposition political parties on the nomination of a transition government that will organize new elections and on the terms of the transition of power. The discord regarding elections has led to tension in the country and delays in some key reforms, such as decentralization.

Sector context

8. DRC is undergoing a rapid, chaotic urbanization process, with the 12 largest cities estimated to be growing at 4.7 percent annually. The country has moved from 9.9 percent urbanized in 1956 to 42 percent in 2015, with push factors such as insecurity and lack of economic opportunities in rural areas driving this growth in recent years. Existing urban planning legislation dates back to 1957, when the country was a Belgian colony, and has not kept pace with reforms in administration and decentralization. Cities have grown haphazardly, with little planning, few standards, and inadequate land management practices. The population at risk of disaster is increasing in cities such as Bukavu and Kikwit that have expanded in areas prone to flooding and erosion. Goma is at risk of volcanic eruption. Basic service provision has not increased at a pace commensurate with urban growth, and urban poverty remains high, at 61.7 percent.

9. The government has taken initiatives to advance decentralization, such as adoption, in 2016, of laws to establish a national equalization fund and a provincial and local civil service, but in the present political context, the pace of implementation of these laws through application decrees is uncertain. The unfinished process of decentralization has left DRC’s provincial and local governments with limited means and capacity to discharge their functional mandate. The country’s

first local elections have yet to be held, despite decentralization being a basic principle of the 2006 constitution. Presently, interim mayors that the central government has nominated are managing cities, which operate with personnel that provincial governors appoint or contractual employees. Even larger cities with populations of more than 500,000 typically have only approximately 75 staff members. Lack of financial resources, because of unpredictable fiscal transfers and underexploited generation of own-source revenue, further constrains cities. City budgets typically amount to US\$1 to US\$3 per capita, which is insufficient to deliver even the most basic services.

Relationship to Bank Strategies

10. The AF is fully aligned with the FY13–16 Country Assistance Strategy for the DRC (CAS, Report No. 66158, discussed by the World Bank’s Board of Directors on May 9, 2013), which was extended to the end of FY17 after the 2015 CAS Performance and Learning Review. In particular, the proposed AF is included in the FY17 financing program of the extended CAS under pillar 2 (Boosting competitiveness to accelerate private-sector-led growth and job creation) to contribute to CAS Outcome 2.2. (Improved connectivity and access to transport infrastructure.)

11. To convert DRC’s potential into inclusive, sustainable growth, the government needs a major push to support cities’ governance, productivity, and livability. The Bank’s Urbanization Review (UR) has demonstrated that the current level of investment in DRC’s cities would need to at least triple to address current infrastructure deficits and improve connectivity and that crosscutting measures are required to develop the institutions and tools necessary to govern the urban sector and reap the benefits of urbanization. A main hindrance to poor people gaining access to jobs is lack of connectivity and transport infrastructure. The findings of the urbanization and land sector reviews also indicate that interventions in cities in the DRC at various stages of urbanization (incipient, medium, advanced) are equally urgent and that establishing institutions that regulate factor markets (land in particular) and deliver basic services are the main priority in cities with incipient urbanization. The proposed AF will help alleviate the above problems and unlock the economic potential of cities by focusing on investments in economic infrastructure and services that benefit poor residents, such as schools and health clinics.

Project Concept

12. The rationale for the AF is to deepen the results of the UDP, building on lessons learned and introducing the approach to new cities. The government of the DRC is requesting the AF to help implement a strategy of investing in provincial capitals and to pave the way for a performance-based approach to funding investments in cities in the DRC. The government has a substantial investment financing shortfall, which the recent contraction of public finances and reduction of public expenditures has worsened. The AF thus serves multiple objectives of expanding to meet investment needs and enhancing development impact, helping to implement broader policies, and offsetting the budget contraction in terms of public service provision. There are, in the present situation, no alternatives to the proposed AF.

13. The proposed AF will deepen the UDP’s results, improving urban governance using performance-based allocation of funds linked to revenue collection and enhanced financial management. The project is designed to help improve urban governance and implement urban management tools in project cities, such as more efficient revenue collection, better management

of municipal own resources, and better urban planning practices. The initial implementation period has proven that improvement in performance of local governments and in urban management is possible, but implementation takes time and sustained commitment. The proposed extension of the closing date will allow for consolidation and enhancement of the results already achieved in the six current project cities and allow three additional cities to benefit from the same type of support to improved urban governance and from investments in infrastructure and basic services. Although it is likely that project activities would benefit from an overall environment favorable to decentralization, activities are not designed to depend on decentralization per se. Stronger urban governance will help targeted cities provide basic services to their fast-growing populations. This approach underpins decentralization by increasing resources at the city level and supporting inclusive local governance. The AF comes at an opportune moment and will help lay the foundation for a more-programmatic approach to addressing urban sector problems and for a national urban development program and will help address the long-term funding gap in the sector. The operationalization of the performance-based grant system was discussed with the current (transitional) government during the January 2017 mid-term review, and the guidance of the government was to continue to expand the approach. Extending the project period will allow further strengthening and consolidation of city-level governance improvements and institutionalization of the annual performance evaluation in the ministry in charge of decentralization.

14. The overall risks of implementing the project are High, largely because of the country context, which is discussed in more in detail in Section III.

B. Implementation experience

15. The Board approved the UDP on May 9, 2013, in the amount of SDR 66.1 million (US\$100 million equivalent). The Project was declared effective on September 6, 2013. The project development objective (PDO) is to improve access to basic services and strengthen urban and municipal management of the targeted cities. The project funds physical investments in six targeted cities (Bukavu, Kalemie, Kikwit, Kindu, Matadi, Mbandaka) and consists of two components.

- Component 1: Primary Infrastructure (US\$50 million): Investments to rehabilitate or construct socioeconomic infrastructure in project cities, such as roads and drainage channels and markets.
- Component 2: Urban Governance (US\$50 million, including PPA): Component 2 contains five subcomponents: (a) Performance-based investments in neighborhood-level infrastructure (e.g. small water and sanitation works, drainage, markets, access roads), subject to annual performance evaluations (US\$30.0 million); (b) Local government capacity support, including a capacity building team (CBT) and strategic activities to help improve municipal and urban management and budgetary performance (US\$12.8 million); (c) Accompanying measures aiming at mitigating identified capacity shortcomings in the urban and decentralization sectors (US\$2.5 million); (d) Strategic studies (US\$500,000); and (e) Project operating costs (US\$2.2 million).

Implementation Status and Results

16. The project experienced some start-up delays but has progressed over the past two years, as has implementation capacity. The project has consistently maintained “Moderately Satisfactory” or higher ratings in the past 12 months, as detailed in the last two Implementation Status and Results Reports. All key loan covenants have been complied with. Forty percent of funds have been disbursed. Procurement is well advanced, and 56 percent of project resources are committed.

17. The project has rehabilitated 12.4 kilometers of urban roads, resulting in 76,000 beneficiaries gaining access to all-season roads, and two out of six project cities meet urban management criteria, with other cities making demonstrable progress. Almost all cities now meet the base conditions for access to performance-based grants, which means that the most basic foundations of urban management are in place, such as consultations on and adoption of the budget before the start of the fiscal year, presence of a chief city administrative officer, and external audits of municipal accounts. External audits have resulted in improved accounting practices, and budgets are prepared on time. For the first time, urban residents were consulted and included in setting priorities for interventions at the city level through preparation of local development plans, annual programming of investments and maintenance activities based on an asset registry, and public consultations on budget preparation and implementation.

18. The CBT is further supporting the cities to continuously improve management, which includes developing and implementing realistic procurement plans and own-source revenue enhancement plans through newly established revenue mobilization units. The CBT is also helping to mobilize local civil society organizations for enhanced demand-side governance and transparency. This will allow the project to strengthen the foundations for the accountability of future elected mayors, especially because local civil society organizations in UDP cities are taking an increasing interest in urban management affairs and helping complete the accountability loop in the absence of local elections. The government would like to replicate these experiences in other cities and combine this with investments in primary and neighborhood infrastructure to catch up on the substantial investment deficit in cities in the DRC.

19. Contracts for rehabilitation of another 10.7 kilometers of roads have been signed, and work has begun at four of five sites. Studies for rehabilitation of a further 1.2 kilometers of roads and a main market in Bukavu are ongoing to use the remaining US\$50 million allocated to Component 1, with some reserves for any future depreciation and cost overruns. For subcomponent 2A, the five cities that have qualified for investment grants have selected investments mainly in schools, health centers, access roads, and markets, amounting to US\$11 million of the US\$14.3 million of investment grants that have been notified to date. Start-up of sub-component 2A activities had been delayed because of inability to select realistic investments (because of problems with land ownership and O&M arrangements), but introduction of the principle of prefeasibility studies has helped improve the feasibility of investments and design studies for these investments are about to be initiated.

20. One problem affecting project performance has been inadequate compensation for civil servants working in the Permanent Secretariat (PS), the project unit in the Ministry of Urban

Planning and Housing. Although performance has improved somewhat over time, it is likely that greater compensation, by the government, would ensure a higher level of motivation. This is part of regular discussions between the government and the Bank. The PS will also be strengthened through addition of technical assistance in strategic positions, and the CBT supporting project cities will be reinforced.

21. A project restructuring was completed on June 9, 2016, to revise the results framework to ensure that indicators and their target values are realistic, make minor changes to the performance evaluation instrument for cities and to component activities to incorporate early lessons learned, reallocate funds between disbursement categories, and make minor adjustments to activities based on implementation experience. The restructuring took a first step toward lowering expectations regarding the roll-out of the system for performance-based investment grants, given the evolving context, and modified a PDO indicator to measure piloting of the system rather than readiness for roll-out.

Selection of New Project Cities

22. The selection of the three new cities—Goma, Kisangani, Kolwezi—is based on a number of considerations, including the findings of the UR. The main criterion is population size. Based on the priorities for sector intervention in the UR, the proposed AF will target cities with incipient to medium urbanization, because a multisector project has less chance of success and risks spreading resources too thin if intervening in cities with advanced urbanization, which need more-targeted interventions. Whereas the selection criterion in the parent Project was population range from 100,000 to 1 million, this has been narrowed to 500,000 to 1 million because of the desire to assure adequate impact in terms of combined population size of the additional cities while still intervening in a limited number of cities where the magnitude of problems has not yet exploded. The other criteria from the parent project have been maintained, namely that cities should be accessible to establish work sites and allow supervision, have good economic potential (in connection with growth corridors), and align with previous and ongoing investments. In addition, the nine cities will allow for a relatively even spread of investments across the country.

23. The government has not been able to nominate a mayor for the city of Kalemie, which is included in the parent project; so Kalemie has not been able to meet conditions for access to performance-based investment funds, which has diminished the overall performance of the project. This situation is not resolved, but the government requested that Kalemie remain in the project. Project activities there have been suspended. No works are ongoing in Kalemie, where 2.2 kilometers of road rehabilitation has been finalized. Rehabilitation of a market in Kalemie has been put on hold. Going forward, the project includes as an eligibility criterion that a city has a mayor in office to benefit from project investments.

III. Proposed Changes

Summary of Proposed Changes	
The proposed additional credit would scale up the existing project, expand its scope into additional cities, and increase outcomes, including financing the costs associated with consolidating and strengthening the results of the UDP in the six current project cities, as well as (i) expanding the geographic reach of the project by adding three project cities for a total of nine project cities; (ii) revising the results framework; (iii) revising and simplifying the city performance evaluation mechanism; and (iv) strengthening the PS and providing targeted technical assistance. The proposal includes an extension of the project closing date from July 31, 2019, to November 30, 2022.	
Change in Implementing Agency	Yes [] No [X]
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [X] No []
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [X] No []
Reallocation between Disbursement Categories	Yes [] No [X]
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [X] No []
Change in Financial Management	Yes [X] No []
Change in Procurement	Yes [X] No []
Change in Implementation Schedule	Yes [X] No []
Other Change(s)	Yes [] No [X]
Development Objective/Results	
Project's Development Objectives	
Original PDO To improve access to basic services and strengthen urban and municipal management of the targeted cities.	
Change in Project's Development Objectives	
The change in PDO is proposed to more specifically capture the existing infrastructure aspect of the parent project.	

Proposed New PDO—Additional Financing

To improve access to basic services and infrastructure and strengthen urban and municipal management of the Target Cities.

Change in Results Framework

Some changes are proposed to the PDO indicators in the results framework to better capture beneficiaries of all project physical investments (not just road rehabilitation, which was the initial investment of the parent project). The results framework has also been updated to include relevant corporate results indicators at the PDO level (people provided with improved urban living conditions and cities with improved livability, sustainability, and management, which will replace the core sector indicators), and adjustments have been made to indicator target values to reflect the deepening of results with the introduction of three new cities and to some intermediate indicators, as detailed in Annex 1.

Compliance

Covenants - Additional Financing (DRC - Urban Development Project Additional Financing - P157114)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Section I.A.3.c of Schedule 2.	The recipient shall recruit no later than three months after effectiveness to the Permanent Secretariat, two technical specialists and one communications expert, all with terms of reference and experience satisfactory to the association.	04-Nov-2017	<input type="checkbox"/>		New
IDA	Section II.B.4 of Schedule 2	The recipient shall update the existing financial management system in a form satisfactory to the association.	04-Jul-2017	<input type="checkbox"/>		New
IDA	Section II.B.5 of Schedule 2	The recipient shall maintain throughout implementation of the project an accountant with terms of reference and qualifications		<input checked="" type="checkbox"/>	Continuous	New

		satisfactory to the association.			
Conditions					
Source of Fund					
Source of Fund		Name		Type	
IDA		Project Implementation Manual		Effectiveness	
Description of Condition					
The Recipient has updated the Project Implementation Manual in form and substance acceptable to the Association.					
Source of Fund					
Source of Fund		Name		Type	
IDA		AF Disbursement for Category 2		Disbursement	
Description of Condition					
No withdrawal shall be made under Category (2), until the proceeds of the Original Financing allocated to Category (2) of the table in Section IV.A.2 of the Schedule 2 to the Original Financing Agreement have been fully committed or disbursed.					
Risk					
Risk Category				Rating (H, S, M, L)	
1. Political and Governance				High	
2. Macroeconomic				Substantial	
3. Sector Strategies and Policies				Substantial	
4. Technical Design of Project or Program				Substantial	
5. Institutional Capacity for Implementation and Sustainability				High	
6. Fiduciary				Substantial	
7. Environment and Social				Substantial	
8. Stakeholders				Moderate	
9. Other (Climate change and natural hazards)				High	
OVERALL				High	
Finance					
Loan Closing Date - Additional Financing (DRC - Urban Development Project Additional Financing - P157114)					
Source of Funds			Proposed Additional Financing Loan Closing Date		
International Development Association (IDA)			30-Nov-2022		
Loan Closing Date(s) - Parent (DRC Urban Development Project FY13 - P129713)					
Explanation:					
Proposed closing date: November 30, 2022. This is to align with the proposed AF closing date.					
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-H8420	Effective	31-Jul-2019	31-Jul-2019	30-Nov-2022	

Change in Disbursement Arrangements (including all sources of financing)						
Disbursement categories will change for the AF. Subcategories will be introduced under Category 1 to distinguish funding of the parent project from the proposed AF for Component 1 (in line with the subcomponents being introduced for this component), and a disbursement clause has been added requiring full disbursement of all funds of the parent project for sub-component 2A before funds are disbursed under this category for the AF. This arrangement has been agreed to avoid specific project expenditures being imputed to the parent project and proposed AF. The same designated account will continue to be used for the AF as for the parent project.						
Change in Disbursement Estimates (including all sources of financing)						
Explanation: Change in disbursements accounts for the AF funds.						
Expected Disbursements (in US\$ Million) (including all sources of financing)						
Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	18.00	13.00	20.00	18.00	13.00	8.00
Cumulative	18.00	31.00	51.00	69.00	82.00	90.00
Allocations - Additional Financing (DRC - Urban Development Project Additional Financing - P157114)						
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Proposed		Proposed	
IDA	US\$	Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 1.b and 2.(b)(c)(d)(e) of the Project	50.00		100.00	
IDA	US\$	Goods, works and consultants' services for subprojects under Component 2A	40.00		100.00	
		Total:	90.00			
Components						
Change to Components and Cost						
The overall project structure will not change. The two components will remain the same, but a sub-component will be added to Component 1 for the three new cities. The amounts will be revised to account for the proposed additional funds and scale-up of activities. Approximately 36 percent of AF resources will be for Component 1, and will benefit the three new cities only. The other 64 percent are allocated to Component 2, with AF funds going to all nine project cities (of which 44 percent will be for investments in neighborhood infrastructure).						

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Primary Infrastructure	Primary Infrastructure	50.00	82.00	Revised
Urban Governance (including PPA)	Urban Governance (including PPA)	50.00	108.00	Revised
	Total:	100.00	190.00	

Change in Institutional Arrangements

Implementation arrangements for the proposed AF will remain largely the same as under the parent project. The ministry responsible for urban planning (presently the Ministry of Urban Planning and Housing, MUPH) will continue to be responsible for project implementation. The project oversight mechanisms will be maintained, including a Project Steering Committee (PSC) ensuring coordination at the national level, provincial steering committees playing this role in each province, and local consultative forums established in each city to ensure broad participation. As mentioned above, although the PS has had coordination problems, it has also shown increasing willingness and ability to perform the required tasks. The PS (in the MUPH Department of Studies and Planning under the General Secretariat of Urban Planning and Housing) will be maintained for the proposed AF and will be provided with technical assistance in strategic areas to improve implementation capacity given the extra workload from the AF. The project will also ensure greater daily involvement of the ministry in charge of decentralization to support cities in all aspects of mobilization of resources and municipal administration and to increase use of expertise at the provincial level for elaboration of technical studies and monitoring of project activities. It was also agreed upon during appraisal that cities should ensure that their staff participate in monitoring implementation of works. Local consultative forums, already operating in the six cities of the parent project, will be established in the three new cities to facilitate dialogue between civil society representatives and local authorities, ensuring that local development plans are created through a participatory priority-setting process. Local NGOs are also being recruited to run awareness-raising activities related to urban governance; this will continue under the AF. The project will also target more involvement of beneficiaries in maintenance of infrastructure, especially drainage.

As in the parent project, two types of documents will be used for each of the cities included in the AF: delegated contract management arrangements will be signed between the project cities and the PS to delegate implementation of activities that the cities are formally responsible to the PS (given the cities' capacity constraints and fiduciary risk), and the government, provincial authorities, and city authorities will sign city contracts to clearly set out the rights and responsibilities of the parties under the project. The project is further designed to make use of relevant national teaching and training institutions, such as the provincial local government training institutions developed with support from the Bank-funded Governance Enhancement Project for training of city staff and the Institute of Architecture and Urban Planning for elaboration of urban reference plans for project cities. Further synergies will be sought with training and teaching institutions as part of the development of a programmatic approach to ensuring that local capacity is built in a sustainable manner. The *Office de Voirie et Drainage* (the Urban Roads Agency) has been strengthened under the parent project through technical assistance to improve the quality of technical designs and perform an economic analysis of roads. This agency will continue to be responsible for all technical and economic studies related to road rehabilitation works.

Project management is being strengthened in connection with the AF to ensure capacity for implementation in the three additional cities. The PS has had challenges in delivering project activities and communicating with stakeholders in project cities. The lack of skills and experience of the civil servants in the PS partially explains this, although they have gradually improved activity implementation over the course of the project and will be able to implement the additional activities with targeted technical assistance in strategic areas of

project management, infrastructure, and communication. A communications expert will be added to the PS through the proposed AF to improve communication.

Monitoring and evaluation has steadily improved over the course of the project. It is currently rated moderately satisfactory, because activity monitoring is not fully satisfactory, although results data are produced on time. A staff member from the MUPH Department of Urban Statistics joined the PS two years into implementation and has received formal and on-the-job training to conduct M&E activities, which is steadily improving the quality of data and of activity and results monitoring. One of the MTR recommendations was to develop a formal M&E plan, which will be implemented as part of the AF.

Implementation support has been provided through twice-yearly extended project implementation support missions and regular videoconferences with the project unit. Visits by the Bank team to project cities have been regular—once or twice a year to one of the project cities. Additional project support resources will be mobilized to ensure greater frequency of visits to project cities in connection with supervision missions.

Change in Financial Management

Financial management arrangements will remain largely unchanged, with exceptions outlined below. Financial management is rated satisfactory. Financial monitoring reports are produced on time and are acceptable to the Bank, and annual audits are delivered on time and are unqualified. The existing implementing unit of the UDP will execute this proposed AF; the financial management system (budgeting, staffing, financial accounting, financial reporting, funds flow and disbursements, internal and external audit arrangements) of this unit was fully assessed in 2013 in accordance with the Financial Management Practices Manual that the Financial Management Sector Board issued on November 3, 2005, as revised in March 2010. The assessment concluded that the overall residual financial management risk is substantial because of the country context. The financial management staff includes a financial manager, who is responsible for financial and administrative matters, and two accountants. They have been trained in the use of World Bank procedures and the accounting software over the three years of project implementation. The AF funds will be managed through a Designated Account that the Project Coordinating Unit will open and maintain in a commercial bank acceptable to IDA. To strengthen the financial management system, the existing Project Implementation Manual will need to be updated, the TOM2PRO software will be upgraded to take into consideration the specifics of the new project, and an accountant will be added to the project unit given the additional workload.

Change in Procurement

Procurement arrangements will remain largely unchanged, with the exceptions presented below. The project will use the old procurement guidelines, because the Project Concept Note Review Meeting was held before July 1, 2016. The procurement guidelines dated January 2011 and revised July 2014 and the consultant guidelines dated January 2011 and updated July 2014 will replace the 2011 guidelines that were applicable for the parent project at appraisal, and the procedures for use of national competitive bidding have been updated, as detailed in Annex 5, which has been reflected in the financing agreement. The same review thresholds will apply to the proposed AF. A post procurement review has confirmed proper use of thresholds and procedures, but procurement overall is rated moderately satisfactory because of delays in processing procurement and termination of a contract with a nonperforming consultant. The Project Appraisal Document had foreseen that project cities might be asked to implement some activities under the project after the Mid-Term Review (MTR), but it has taken some time to put procurement units in place in project cities, so this shift in implementation responsibility will take longer. The AF will however continue to study the possibility of letting one or two cities implement minor activities on a pilot basis will be regularly evaluated going forward.

Change in Implementation Schedule

Explanation:

All AF activities are expected to be completed within the proposed extended timeframe, which will allow the three cities being incorporated into the project to benefit from the same process of gradual application of performance criteria as the original cities and from accompanying technical assistance.

Appraisal Summary

Economic and Financial Analysis

The rationale for providing Bank financing for the types of investments included in the proposed AF is that they are public goods that generate net economic benefits and, with the exception of markets, are not profit making. Stated differently, these infrastructure investments will generate substantial benefits to the public, but there are no public or private funds available for the investments. Bank investment financing is justified given the budgetary constraints of city authorities and the central government itself, which the current budgetary constraints further exacerbate.

The economic analysis of the proposed AF will follow the approach already in place for the parent UDP. *Office de Voirie et Drainage* staff have been trained and are becoming experienced in economic analysis of road investments based on the Roads Economic Decision Model and have assumed responsibility for analysis of all road investments. UDP road investments have had economic rates of return averaging 36 percent, well above the opportunity cost of capital at 5 percent, but because the model used considers only time savings and reduction in cost of transport (vehicle maintenance), the actual returns on investments are higher. The roads also contribute to local economic development, better access to health and education services, and the like.

Design studies and economic analysis of an initial program of approximately US\$16 million of investments in 9.7 kilometers of urban road upgrading in the three cities were finalized during appraisal. The ex-ante economic analysis shows average rates of return for these investments of 18 percent. As noted above, the model used underestimates of economic rates of return, which are expected to be higher. Ex-ante benefits associated with the proposed additional financing's physical investments resulting from the performance-based allocation of funds cannot be quantified because the choice of investments will result from the annual local planning process. It is expected that cities will chose to invest in roads, transport, schools, health clinics, commercial infrastructure (markets), and transport facilities based on the experience of the initial UDP. The list of eligible investments will not change substantially, and cities will continue to choose investments from a list of functional responsibilities as defined in law, circumscribed by a negative list of ineligible investments.

There is evidence to support the hypothesis that such investments have substantial benefits (quantifiable and non-quantifiable). It is expected that economic rates of return will be similar to those of previous comparative investments in the DRC (e.g., the Emergency Urban and Social Rehabilitation Project, for which investments in water, education, and roads had economic rates of return ranging from 20 percent to 74 percent). Simple screening tools are available to help cities screen investments for cost-effectiveness in terms of benefits per dollar invested.

Moreover, in terms of cost-benefit analysis, the project seeks to strengthen local institutional systems (e.g., procurement, financial management and resource mobilization, quality oversight, asset management, citizen participation), leading to more resources being available to address service and infrastructure deficits and increase operational efficiencies. It is also likely that greater focus on maintenance as part of the performance criteria will result in greater allocative efficiencies and more-rational and -strategic choices between new investments and maintenance of existing assets, increasing the overall rate of return of city investment

expenditure. Although it is expected that these benefits will be significant, it is difficult to determine their exact magnitude and flow over time. In addition, the project will create employment opportunities for youth. It is estimated that the proposed AF will generate 0.9 million person-days of work in construction activities, almost doubling the total number or person-days of work under the project.

The PS will monitor the cost-effectiveness of local investments by economically analyzing a range of subprojects during implementation of the AF as part of the MTR of the AF after three further years of implementation and as part of end-of-project evaluations.

The PS is staffed with civil servants, supported by two consultants, resulting in substantially lower implementation costs than with the previous practice in the DRC of using large project implementation units. The current ratio of operating cost to disbursements is 5 percent, which is reasonable and fully within generally accepted norms. PS staff receive on-the-job training from the CBT, which provides targeted technical assistance to all project cities. A more-structured strategy for transfer of knowledge from the CBT to the PS, such as joint field activities and training, has been developed during current project implementation. Additional technical assistance will be provided to support implementation of project expansion. Although this will increase implementation costs, it will be more cost-effective than a fully consultant-staffed PIU.

Technical Analysis

Three new cities—Goma, Kisangani, Kolwezi—all of which are provincial capitals, will be added, increasing the total number of cities under the project to nine. These project cities have been included in project preparation through a pre-appraisal workshop and the MTR workshop. Authorities have self-assessed their capacity to meet basic conditions and performance criteria, and the CBT has performed an organizational audit of each municipality, accompanied by a capacity-building plan.

The activities of the proposed AF will be included in the existing components of the UDP as described below, with Component 1 split into two subcomponents, for current and new project cities, respectively. Component 1 of the AF (US\$32 million) is for the three new cities only. Component 2 (US\$58 million) will be used to expand activities to the new cities or fund limited new activities as outlined below and detailed in Annex 3.

Component 1: Primary infrastructure (US\$32 million equivalent)

Subcomponent 1A: Primary infrastructure in six current project cities (no new funding)

The six current cities (Bukavu, Kikwit, Kalemie, Kindu, Matadi, Mbandaka) will continue to receive funding for Component 1 under new Subcomponent 1A. The initial amount of the parent project for these cities (US\$50 million) will not change, and no new funding will be added under the AF. Component funds were approximately 85 percent committed as of February 28, 2017, with engineering studies for the remaining investments ongoing.

Subcomponent 1B: Primary infrastructure in three new project cities (US\$32 million)

The proposed AF will include investments for primary infrastructure in three new UDP cities only (Goma, Kisangani, Kolwezi) under new Subcomponent 1B. The objective of the subcomponent is the same as the parent project's investments in the six initial cities, namely to support structuring of the urban space to strengthen economic growth and catch up on historic underinvestment. Investments of approximately US\$16 million in rehabilitation of 9.7 kilometers of roads in the three new cities (approximately 3 kilometers per city, for which design studies have been completed) will complement the finalized or ongoing rehabilitation of 23.1 kilometers of roads under the parent project. As with the parent UDP, the investments will provide

visibility to the project in the start-up phase in the three new cities. In line with the recommendations of the UR, the investments in each new UDP city will focus on connectivity infrastructure in downtown areas and other infrastructure supporting the role of the cities as drivers of growth. This is the same type of investment as for the six cities in the parent project. The initial infrastructure investments in road-related drainage in the three new cities will help mitigate the risk of flooding due to extreme precipitation. Adding three new cities will result in additional investments of approximately US\$16 per capita in these cities over a period of five years (versus US\$17 per capita for the six original cities). The funds are split, with a base allocation of US\$5 million per city and the remainder of component funds split according to population. Details of funding allocation can be found in Annex 3. This component will include an additional round of funding to cover investment needs in new project cities only, to be drawn from local development plans. These investments are not conditional and will be drawn from participatory local development plans, which are being prepared under the parent project.

Component 2: Urban governance (US\$58 million equivalent)

The proposed AF will enable the expansion of activities (physical investments and capacity building) already being supported in the current UDP cities to the new cities and will include strategic studies to prepare for a future programmatic approach in the sector and fund project operating costs for the life of the project. Component 2 provides a full package of activities to improve urban governance, of which the performance-based investment funds are an entry point or incentive for improved governance, and the other subcomponents provide the accompanying measures to allow cities to improve governance and meet performance criteria and to support better overall sector governance. The activities of the parent project and proposed AF are presented below, with activity details in Annex 3 and details of cost of each activity allocated under the parent project and for the proposed AF in Annex 4.

Sub-component 2A: Performance-based investments (US\$40 million)

The proposed AF will extend performance-based grants to the three new cities, which will be evaluated on the same principle as the original six cities (through application of base conditions and performance criteria). The full list figures in Annex 3 and contains criteria for planning and budgeting, administration and city finance, project implementation and service provision, accounting and audits, participation, transparency, and accountability. The current UDP cities will also benefit from additional funds to extend the performance evaluation and grant cycle for three more years, to correspond to the proposed extended project closing date. Thus, the remaining funds for this subcomponent of the parent project and of the AF will be combined. Performing cities will receive their full provisional amount and compete for any resources that might be reallocated if any cities do not succeed in their annual performance assessment, as detailed in Annex 3.

Inclusion of three new project cities means that AF investments will provide approximately US\$10 per capita of the combined population of the nine cities for the remainder of the project period, or US\$2 capita per year of allocation. Each city will have a provisional envelope for sub-component 2A investment funds shared among project cities based on their share of the total population of the project cities.

Investments are expected to target mainly neighborhood-level social infrastructure, small water and sanitation works (connections, stand posts, public latrines), secondary drainage, neighborhood markets, and small access roads. To be eligible, an investment must meet certain eligibility criteria, such as being included in the local development plan and three-year capital investment plan, and be accompanied by an O&M plan within the technical and financial capacities of the city.

Sub-component 2B: Capacity support at the city level (US\$8.4 million)

The activities of the parent UDP will be extended to the three additional cities. In particular, support of the team of experts (the capacity-building team) will be extended to the new project cities. The way that

technical assistance is provided will be reviewed continuously as the cities gradually grow in capacity to use the tools that the project provides and implement the procedures. Other project activities will be extended to the new project cities, as summarized here and presented in detail in Annex 3 along with cost details, and a new study will be included for Goma: (i) improved financial management in the three new project cities (no new funding under the AF), (ii) strengthened procurement performance; (iii) creation/update of asset registers; (iv) preparation and annual update of an O&M plan linked to the budget; (v) expansion of the establishment of more-efficient management systems for commercial infrastructure; (vi) elaboration of local development plans to set investment priorities for the cities and implementation of participatory budgeting and updating the local development plans for the six original cities; (vii) Support to local civil society to enable better oversight of local government activities (dropped in the project restructuring but reintroduced for the AF to help strengthen demand-side governance in all project cities); (viii) technical assistance: (a) expansion of the reach of the CBT to all project cities and (b) demand-driven capacity support of up to US\$50,000 annually per city for the three new cities; (ix) provision for south-south exchanges; (x) elaboration of urban reference plans for the project cities to guide the spatial development the cities; (xi) a new study on special investment and planning needs for Goma; (xii) a feasibility study on street addressing (no new funding under the AF); and (xiii) training courses/modules targeting city officials and urban management staff.

Sub-component 2C: Support to central and provincial government agencies (US\$1.6 million)

Most of the activities under this component do not depend on the number of project cities and are already ongoing under the UDP. This subcomponent will cover the additional cost associated with expanding the project to additional cities, deepening studies, and extending the closing date, as presented in detail in Annex 3: (i) strengthening the capacity of central and provincial agencies to support Target Cities in areas of asset management, budgeting, procurement, and monitoring and evaluation (no new funding under the AF); (ii) strengthening the capacity of the *Office de Voirie et Drainage* and the *Bureau d'Études d'Aménagement et d'Urbanisme* (the Urban Planning and Development Agency) in project monitoring and evaluation, economic analysis, programming and maintenance of investments, and asset management (no new funding under the AF); (iii) training construction companies; (iv) improving the system implemented for asset management registries and maintenance plans; (v) covering the cost of the independent consulting firm to undertake annual performance evaluations; (vi) revising urban planning and related legislation; (vii) providing technical assistance to ministerial departments and institutions responsible for monitoring and evaluation (no new funding under the AF); (viii) providing project communication and raising awareness (no new funding under the AF); and (ix) providing logistical support to the audit institution to perform external audits of local government entities.

Sub-component 2D: Support to targeted strategic studies (US\$1.0 million, rounded up)

This sub-component provides support for studies and TA, including a second MTR of the AF (after six years of total implementation of the UDP) and end-of-project impact assessments, a new study, and an expanded study on development of a standard allocation system: (i) assessment of the allocation system to local governments under the project (no new funding under the AF); (ii) a study expanding the scope of the assessment of the performance-based approach to allocating investment funds to local governments to cover investment and capacity building needs; (iii) a second MTR and end-of-project impact assessments including beneficiary satisfaction surveys; and (iv) a new study addressing land tenure and increasing the fluidity of the urban land market.

Subcomponent 2E: Project operating cost, coordination, and monitoring (US\$7.0 million)

This sub-component will finance all incremental operating costs stemming from the extended project implementation period and addition of new cities (e.g., fiduciary staff, auditing, safeguards staff, communication, environmental monitoring, consumables, mission travel to project cities). The subcomponent will also fund limited technical assistance to the PS. The additional project operating costs

will bring the total estimated implementation cost to US\$9.2 million (with US\$1.97 million already spent on operating costs), but it is justified by the extremely high cost for the PS to supervise activities, in particular, travel to most project cities by plane. The total operating cost for the project will remain below 5 percent of the total project cost, which is reasonable under these circumstances.

Social Analysis

The parent project activities triggered OP4.12 Involuntary Resettlement, and a Resettlement Policy Framework (RPF) was prepared and disclosed to guide preparation of investment-specific Resettlement Action Plans (RAPs) during project implementation. Under the parent project, 11 abbreviated RAPs were prepared and implemented or are being implemented. There was no land acquisition under the parent project, and none is foreseen under the proposed AF. No labor influx is foreseen under the parent project or proposed AF.

To ensure compliance with safeguard policies, a safeguards audit was carried out on the Bank's request. It contains an action plan to address some shortcomings related to compensation of a limited number of persons that the project affects and the absence of a functional project-level grievance redress mechanism. Lessons learned from the audit will help improve future activities under the proposed AF. A dedicated social safeguards specialist was recruited to the PS before appraisal of the AF to replace the environmental and social safeguards specialist who left the project in 2016, and a fully functional grievance redress mechanism, including local-level compensation committees, will be put in place before any work is begun under the project.

For the proposed AF, the RPF is being updated for the three new cities and was published in country and in the Bank's InfoShop on March 15, 2017. For known investments that the AF is to fund in the three new project cities for approximately US\$16 million, RAPs/ARAPs were prepared and published in country and in the Bank's InfoShop on March 15, 2017. The actions required under the approved RAPs/ARAPs are to be implemented before the associated civil projects are begun.

Environmental Analysis

Activities under the proposed AF will be similar to those under the parent UDP in terms of types and scale of investments. Hence, AF activities trigger the same environmental safeguard policies: Environmental Assessment (OP/BP 4.01) and Physical Cultural Resources (OP/BP 4.11). It is not envisaged that AF activities will pose additional safeguards risks or effects, require a change in Environmental Assessment Risk Category (currently Category B), or trigger new policies.

Before appraisal of the parent project, an Environmental and Social Management Framework (ESMF) was prepared and published to guide preparation of investment-specific Environmental and Social Management Plans (ESMPs). The ESMF also includes procedures for determining effects on physical cultural resources, to be performed in connection with elaboration of ESIA for all investments, and the safeguard measures will be included in ESMPs.

The ESMF of the parent project was updated to encompass the proposed AF (with inclusion of three additional cities), consulted upon, and published in country and in the Bank's InfoShop on March 2, 2017. For known investments, ESMPs were prepared as required and published on the same date as the ESMF. The Bank's team will ensure regular monitoring of implementation of the safeguards action plan to correct any shortcomings discovered.

The safeguards audit conducted at the Bank's request to ensure compliance with safeguard policies revealed

some environmental problems mainly related to reconstruction of some access ramps and a roadside drain emptying into a parcel of land, which will be corrected through contract additions.

The shortcomings mentioned above have limited the ability of the PS to manage environmental and social risk, with the project safeguards specialist having left the project in 2016. Two safeguards specialists (for environment and social) have been recruited to the PS (to replace the environmental and social safeguards specialist who left) and will be responsible for monitoring implementation of safeguards instruments and improving general communication and awareness of safeguards procedures.

Risk

Risks in the areas of policy and governance and institutional capacity for implementation and sustainability justify the overall high risk rating. The planned presidential, parliamentary, and local elections have been postponed since the appraisal of the parent project, and it is uncertain when they will take place. This poses a project-specific risk in the sense that the lack of elected local officials, who would be more directly accountable to the electorate than the current appointed mayors, who are more accountable to the national government, slows the pace of decentralization. Another element of high risk is related to the capacity of the Permanent Secretariat to implement projects. Building capacity has proven to be a challenge and has led to some implementation delays. Consequently, PS technical assistance will be added in strategic positions to support the PS (staffed by civil servants), and the capacity-building team will be strengthened to allow it to accompany the increased number of project cities. The Bank's task team will also continue to follow up with the PS through regular missions and videoconferences, as is current practice.

The proposed project contains activities to mitigate the high risk that exposure to volcanic eruption in Goma and extreme precipitation and flooding in several project locations presents through the rehabilitation of roads and drainage in the three project cities (similar to the investments under the parent project). Coordination is ongoing with the Bank-funded Hydromet project to set in place early-warning systems for flooding and to implement a system to maintain critical drainage in all project cities. The project also includes a study on the specific needs of Goma to address the multiform development challenges and hazards in this city, which will be coordinated with the existing Volcano Monitoring Center in Goma.

In terms of other risks, the macroeconomic situation is deteriorating, and inflation has been increasing because of shortages of fuel and other important imports. The project has lost approximately 8 percent of resources in dollar amounts due to currency fluctuations. This has been continuously incorporated into project costing and reduction of investment amounts allocated to project cities. If these trends continue, it may increase project costs and reduce available funds; the project will continue to adjust amounts allocated on a regular basis. In addition, the volatile political environment causes risk to implementation of sector strategies and policies, which will be mitigated through ongoing discussion with the counterpart on sector priorities. Technical design risk is rated as substantial because some of the activities are innovative in DRC (e.g., municipal asset maintenance) and also because, historically, the PS has had difficulty finding a qualified consultant to conduct a strategic study to update sector legislation. The PS has reserved additional funds under the proposed AF for supervision activities by the PS in project cities. The overall country environment drives the substantial fiduciary risk, but adequate procedures are in place under the project, and the Bank's fiduciary team will continue to perform regular post procurement and financial reviews. The temporary absence of a safeguards specialist and the shortcomings that the safeguards audit has revealed drive the environmental and social risk. This is being corrected through the hiring of two new safeguards specialists in the PS to ensure implementation of the safeguards action plan

Finally, the lack of a mayor in Kalemie has limited project performance and poses a risk, so Kalemie will not receive any funds until a mayor is nominated and the city staffed.

V. World Bank Grievance Redress

24. 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/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Revised Results Framework and Monitoring Indicators

Project Name:	DRC - Urban Development Project Additional Financing (P157114)	Project Stage:	Additional Financing	Status:	Final
Country:	Democratic Republic of Congo	Approval FY: 2017			
Region:	AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P129713	Parent Project Name:	DRC Urban Development Project FY13 (P129713)		

Project Development Objectives (PDOs)

Original Project Development Objective - Parent:

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

Modified PDO:

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

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Cities qualifying for performance-based investment fund	<input type="checkbox"/>	Number	Value	0.00	2.00	7.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			Number of cities revised upward in line with inclusion of new cities. Target set considering the uncertain situation of Kalemie and potential lack of performance of one other city.
No Change	Performance-based fund allocation system piloted, and recommendations available	<input type="checkbox"/>	Number	Value	0.00	0.50	1.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment		Piloting ongoing, and adjustments made through project restructuring	
New	People provided with improved urban living conditions	<input type="checkbox"/>	Number	Value	76000.00	76,000.00	1,036,000.00
				Date	31-Jan-2017	31-Jan-2017	30-Nov-2022
				Comment	Value corresponds to number of	Value corresponds to number of	Target value corresponds to beneficiaries of all

					beneficiaries of currently finalized road investments.	beneficiaries of currently finalized road investments	typical urban investments (e.g., water supply, sanitation, sewerage, sidewalks, roads, markets), but in line with corporate guidance, does not include other investments (e.g., in education and health infrastructure).
New	Cities with improved livability, sustainability and/or management	<input type="checkbox"/>	Number	Value	6.00	6.00	9.00
				Date	31-Jan-2017	31-Jan-2017	30-Nov-2022
			Comment	The six cities in parent project already benefit from improved livability, and five of the six benefit from improved management.	The six cities in the parent project already benefit from improved livability, and five of the six benefit from improved management.	Project targets improvements in all nine project cities.	
Marked for deletion	Number of people in urban areas provided with access to all-season roads within a 500-meter range under the project	<input checked="" type="checkbox"/>	Number	Value	0.00	76,000.00	123,000.00
				Date	31-Jul-2013	31-Dec-2016	31-Jul-2019
			Comment			Indicator deleted, because beneficiaries	

							included in indicator on improved urban living conditions.
Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	76,000.00	1,358,000.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
			Comment			Target value adjusted upward from 1,073,000, in line with AF investments. Indicator includes beneficiaries of training.	
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage	Value	0.00	51.00	51.00
			Sub Type Supplemental				

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual (Current)	End Target
Revised	Roads rehabilitated, non-rural	<input checked="" type="checkbox"/>	Kilometers	Value	0.00	12.38	34.50
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
			Comment			Target value adjusted upward from 21.8, in line with known AF investments	
Marked for deletion		<input type="checkbox"/>	Number	Value	0.00	0.00	0.00
				Date	31-Jul-2013	31-Dec-2016	31-Jul-2019

	Additional population provided with access to other services			Comment		Investments other than road works have not been started	Indicator deleted because beneficiaries included in indicators on improved urban living conditions and direct beneficiaries
Revised	Beneficiaries that feel project investments reflected their needs (percentage)	<input checked="" type="checkbox"/>	Percentage	Value	0.00	86.60	80.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			Overall target value adjusted upward to set target closer to current value, and targets for subtypes revised to be in line with targets for total number of beneficiaries
Revised	Beneficiaries that feel project inv. reflected their needs - female (number)	<input checked="" type="checkbox"/>	Number	Value	0.00	33,566.00	554,064.00
			Subtype Supplemental				
Revised	Total beneficiaries - female (number)	<input checked="" type="checkbox"/>	Number	Value	0.00	38,760.00	692,580.00
			Subtype Supplemental				

Revised	Total beneficiaries - male (number)	<input checked="" type="checkbox"/>	Number	Value	0.00	37,240.00	665,420.00
			Subtype Supplemental				
Revised	Beneficiaries that feel project inv. reflected their needs - male (number)	<input checked="" type="checkbox"/>	Number	Value	0.00	32,250.00	532,336.00
			Subtype Supplemental				
Revised	Person-days of employment created (number) of which female (percentage)	<input type="checkbox"/>	Number	Value	0.00	436,000.00	2,185,000.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			Target value adjusted upward from 1,250,000 to include employment generation of AF
No change	Of which Female	<input type="checkbox"/>	Percentage	Value	0.00	3.00	3.00
			Subtype Supplemental				
Marked for deletion	City budgets available before start of fiscal year	<input type="checkbox"/>	Number	Value	1.00	5.00	5.00
				Date	31-Jul-2013	31-Dec-2016	31-Jul-2019
				Comment			Indicator deleted because captured by PDO indicator on city performance
No change	City budget and narrative reports generated, disclosed, and debated timely each semester	<input type="checkbox"/>	Percentage	Value	0.00	50.00	70.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			No change because indicator captures

							percentage of all budget reports, including for three new cities
Marked for deletion	Cities completing and updating asset inventory	<input type="checkbox"/>	Number	Value	0.00	0.00	3.00
				Date	31-Jul-2013	31-Dec-2016	31-Jul-2019
				Comment			Indicator deleted because captured by indicator on maintenance performance
Marked for deletion	Cities assuring key staff has followed basic package of training	<input type="checkbox"/>	Number	Value	0.00	6.00	5.00
				Date	31-Jul-2013	31-Dec-2016	31-Jul-2019
				Comment			To be deleted and replaced with indicator on implementation of overall training plan
New	Annual project training plan implemented	<input type="checkbox"/>	Percentage	Value	0.00	50.00	80.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment		Training plans implemented in all cities, but some awareness-raising activities not completed	Indicator replaces city training because is more indicative of overall project performance in training
Revised	Cities meeting targets for infrastructure maintenance	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022

				Comment			Target value adjusted upward from three to include three new cities
Revised	Markets managed according to clearly defined management system	<input type="checkbox"/>	Number	Value	0.00	0.00	7.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			Target value adjusted upward from six to include three new cities, but considering the possibility of no change in status of Kalemie and one other nonperforming city
No Change	New urban sector legislation and regulation prepared	<input type="checkbox"/>	Number	Value	0.00	0.00	1.00
				Date	31-Jul-2013	31-Dec-2016	30-Nov-2022
				Comment			

Annex 2: Detailed Implementation Progress and MTR Conclusions

1. The Bank's Board of Directors approved the UDP on May 9, 2013, and the Financing Agreement was signed on June 8, 2013. The project was declared effective on September 6, 2013. Three years into implementation, progress has been made under both components. Progress toward achieving the PDO and implementation is rated moderately satisfactory after the MTR. As of February 28, 2017, 40 percent of funds have been disbursed. Procurement is well advanced, and 56 percent of project resources are committed. The Implementation Status and Results Report ratings for overall implementation progress and progress toward achievement of the PDO have consistently been moderately satisfactory or better since the launch of the project. The current moderately satisfactory rating is based on the good results described below and considering some delays to start of construction.

2. Under the primary infrastructure component, the rehabilitation of 12.4 kilometers of roads has given access to all-season roads to more than 76,000 people. *Office de Voirie et Drainage* staff have been trained to conduct economic analyses of the roads, and initial ex-post economic evaluations indicate highly satisfactory economic rates of return averaging approximately 36 percent. Further investments in road upgrading and associated drains are being prepared in all project cities using the remainder of component funds. Contracts for rehabilitation of another 10.7 kilometers of roads have been signed, and work has started at three of five sites. Studies for rehabilitation of a further 1.2 kilometers of roads and a main market in Bukavu are ongoing to use the remaining US\$50 million allocated to Component 1, with some reserves for any future depreciation and cost overruns. For sub-component 2A, the five cities that have qualified for investment grants have selected investments mainly in schools, health centers, access roads, and markets amounting to US\$11 million of the US\$14.3 million of investment grants that has been approved. Inability to select realistic investments (because of problems of landownership and operations and maintenance arrangements) had delayed initiation of sub-component 2A activities, but introduction of the principle of prefeasibility studies has helped ensure that investments are feasible, and design studies for these investments will be initiated soon.

3. Results of the urban governance component are also improving in project cities. Only two cities out of the six met the base conditions in 2014 to trigger part of the provisional annual performance-based grant allocation. Five cities met the base conditions in 2015, and one city met the performance criteria, triggering the full provisionally allocated grant. In 2016, the annual performance evaluation showed that five cities met the base conditions, and two met the performance criteria, triggering the full provisionally allocated grant (against a target of four cities out of six by the MTR). The fact that almost all cities meet the base conditions means that the most-basic foundations of urban management are in place in these cities, such as consultations on and adoption of the budget before the start of the fiscal year, presence of a chief city manager, and external audits of municipal accounts.

4. Progress has been made in several areas. The external audits of project cities have resulted in better accounting practices, and for the first time, urban residents were consulted and included in setting priorities for interventions at the city level through elaboration of local development plans, annual programming of investments and maintenance activities based on an asset registry, and public consultations on budget preparation and implementation. The capacity-building team

is further supporting the cities in developing and implementing realistic procurement plans and own-source revenue enhancement plans and in mobilizing local civil society organizations for enhanced demand-side governance and transparency. This will allow the foundations for the accountability of future elected mayors to be strengthened, especially because local civil society organizations in UDP cities are taking an increasing interest in urban management and helping complete the accountability loop in the absence of local elections. The government would like to expand these experiences to other cities and combine this with investments in primary and neighborhood infrastructure to decrease the substantial investment deficit in cities in the DRC.

5. The emerging lesson is that city-level governance improvements are achievable but require time and enhanced communication. In parallel, the ministry in charge of decentralization is increasingly taking on the responsibility of the annual performance evaluation but also needs time to become fully able to manage this process. The UDP has supported elaboration of local development plans, with involvement of civil society representatives, giving city authorities a better overview of investment needs and helping set priorities. Investments have been delayed because time has been taken to select feasible investments (including due to problems of site availability, land ownership, technical complexity, lack of clarity on O&M arrangements) and procurement processing. The introduction of prefeasibility studies (for Component 1 and 2A investments) has been established and is promising to reduce the time needed to select feasible investments and develop engineering designs. After some delays in construction funded on the proceeds of the performance-based grant allocations, because of the cited concerns, construction of the first investment under sub-component 2A is expected to start in the coming months. Several cities have established dedicated revenue mobilization units to help them collect revenue, and civil society representatives are increasingly involved in decision making through public consultations for the annual budget process.

6. To reflect the lessons that have emerged from the initial implementation experience and formalize minor changes, a level 2 restructuring of the project was approved on June 13, 2016, to revise the results framework and ensure that indicators and their target values are realistic, make minor changes in the performance evaluation instrument for cities (which is already helping push marginal performers above the line in the latest performance evaluation) and in component activities, reallocate funds between disbursement categories, and make minor adjustments to activities based on implementation experience. Specifically, the restructuring took into consideration the volatile political environment, marked by uncertainty on when local elections will take place and how fast the government will be able to make progress on stated decentralization objectives. Hence, expectations were lowered, and the original PDO indicator related to having a performance-based system ready to implement was changed to having recommendations ready for application of the system.

7. Revisions to the results framework included dropping two indicators, rephrasing two others, and adjusting the targets for others.

- (i) The PDO indicator related to benchmarking of cities through establishment of urban sector and local government databases was dropped, because the underlying activity was cancelled because of lack of engagement of the Department of Urban Statistics in the MUPH and limited prospects of future engagement.
- (ii) The PDO indicator related to establishment of and readiness to roll out a performance-based fund allocation system was rephrased to target piloting of the

system and availability of recommendations. This was intended to make the indicator more realistic, in line with delayed local elections and the overall country situation.

- (iii) The intermediate results indicator on city budget and narrative reports was rephrased so that they are required semiannually rather than quarterly, to reflect the capacity of city administrations to generate such reports.
- (iv) The intermediate results indicator on drainage and anti-erosion projects was dropped, because the cities had not chosen investments in these areas during implementation, as had been expected at appraisal.
- (v) The targets for two PDO indicators were revised upward to incorporate the beneficiaries of investments that project cities selected during project implementation (total beneficiaries and beneficiaries from access to roads). The target for one intermediate results indicator related to additional population provided with access to other services was revised upward, and targets for other intermediate results indicators were revised downward to reflect the implementation experience and make it more realistic (person-days of employment created; city budgets available before the start of the fiscal year; city budget and narrative reports generated, disclosed, and debated in a timely manner each semester; cities completing and updating asset inventory; cities ensuring that key staff completed a basic training package; cities meeting targets for infrastructure maintenance).

8. The performance measurement instrument for cities was adjusted to make targets and city performance indicator metrics more realistic. This adjustment was based on the initial implementation experience, which had revealed that, in spite of technical assistance provided through a capacity-building team supporting city administrations and continued advances in city performance, the cities experienced difficulties in meeting all performance criteria. The following revisions were reflected in the Project Implementation Manual.

- (i) Criteria 3 (inclusion in the annual city budget of own-source revenue collection targets established pursuant to the revenue enhancement plan) and 5 (preparation and annual updating of an own-source revenue enhancement plan) were rephrased to better specify the meaning.
- (ii) Criterion 4 (heads of city technical services and financial departments have undergone minimum training as defined in the PIM) was split into existence and implementation of a training plan.
- (iii) Criterion 10 (implementation of at least 30 percent of the city procurement plan) was dropped because it had been difficult to measure in practice and was indirectly covered by Criterion 9 (a minimum level of expenditures planned in budget for capital investments achieved on own source revenues), which is based on the procurement plan.
- (iv) Criterion 11 (implementation of at least 50 percent of external audit recommendations in a timely manner) was clarified to specify that it relates only to recommendations for which the cities have responsibility (because some audit recommendations relate to the interaction between cities and provinces).
- (v) Criterion 13 was adjusted to measure publication of semiannual, rather than quarterly, budget reports.

9. An undisbursed amount of SDR 519,000 was reallocated from Category 3 to Category 1. This reallocation made up part of the financing shortfall that an approximately 7 percent depreciation of the SDR since the time of the appraisal brought on. A 7 percent reduction in funds allocated to all new activities was agreed upon with the client. It was decided that further adjustments, if needed, could be made during the MTR or in connection with approval of the expected AF.

10. Some Component 2 activities were dropped or decreased to streamline the program of activities and free up resources in the PS to focus on improving outcomes of ongoing activities, other activities were replaced with more-targeted support, and one new activity will be added, as follows.

- (i) Technical assistance to strengthen the capacity of selected ministerial departments responsible for sector monitoring and evaluation was provided rather than an urban sector and local government database. These structures face capacity constraints and had not been able to advance the activity.
- (ii) Technical assistance was included for the monitoring and evaluation department in the ministry in charge of decentralization to allow it to better monitor the annual performance evaluation of cities, which falls under its purview. This activity falls under Component 2C (support to central and provincial departments).
- (iii) The activity related to automating financial management in project cities was scaled down to focus on implementing realistic budgeting and financial transaction flow, including development and implementation of a financial management manual. The initial implementation experience had demonstrated lack of basic information technology skills in city administrations and the planned automation of financial management will not be implemented, with more-realistic results being focused on instead. This restructured activity is being implemented using local consultant skills developed as part of the Bank-funded Governance Enhancement Project, supporting selected provinces in financial management.
- (iv) The street addressing activity was scaled down to focus on a feasibility study, and implementation of street addressing was postponed until such time later in the project as the PS has demonstrated ability to finalize other ongoing activities.
- (v) It was decided to continue to support capacity building in cities (through the capacity-building team), in line with initial implementation experience, which had shown need for support to cities beyond the MTR, although at appraisal, it was planned that the capacity-building team would be gradually phased out after the MTR.
- (vi) The specific support to local civil society, included in the parent Project, was essentially being implemented by the CBT and was dropped as a separate activity. In addition, the communication plan was to be expanded to include awareness-raising for civil society. It has been agreed that representatives of local civil society organizations will participate in training activities for city staff and be associated with establishment of more-efficient management systems for commercial infrastructure and with elaboration of own-source revenue enhancement plans.

11. Over the course of the project, and since the restructuring, the Permanent Secretariat has been steadily improving its performance, as the increase in commitment of project resources

demonstrates. To mitigate shortcomings in activity monitoring, it has been agreed that a procurement management system will be implemented in the PS and enlarged to track other aspects of projects, such as safeguards preparation, recruitment of project supervisors, and elaboration and clearance of safeguards documents. An action plan has been agreed upon with the PS to improve project management, and additional mitigation measures have been included in the AF to strengthen the capacity of the PS, notably recruitment of technical assistance. In addition, a long list of feasible investments in the local development plans for each city will be prepared based on light prefeasibility studies, from which cities will chose future investments to minimize delays based on the above-mentioned problems of site suitability and technical designs.

Main Conclusions and Recommendations of the Midterm Review

12. The midterm review of the parent project was performed from January 9 to 27. It included a two-day workshop with all project stakeholders in Kinshasa, including delegations from all nine project cities. The main conclusions and recommendations of the MTR are listed below, with a description of how they have been incorporated into the AF, as appropriate.

- (i) The relevance of the project is substantial, given the good fit of its objectives with government and World Bank priorities, but it was recognized that the project was more complex than the capacity of the to implement it and that there is a need to support the PS, which is staffed with civil servants, through targeted technical assistance. This approach should be seen in light of the project being a pilot in which the government and the World Bank agreed to use civil servants to implement the project instead of large consultant-staffed PIUs. SP staff learn by doing through project activities and field visits with the CBT. A more-structured strategy for transfer of knowledge from the CBT to the PS was agreed upon in connection with the MTR and will be implemented as part of the project as restructured in this proposed AF. This strategy will include more-regular joint visits to project cities by PS staff and the CBT and additional support in Kinshasa.
- (ii) The restructuring helped keep the project relevant by simplifying and incorporating the initial lessons learned. It was agreed that the performance evaluation criteria would be further simplified, which is being done through the proposed AF.
- (iii) The efficacy of the project is modest to substantial, with values for some indicators having been achieved as expected by the MTR but others having been delayed. The results framework will be restructured to make the goals more realistic and focus more on the most-relevant indicators of local government performance and access to services (not just access to roads as before) and to include relevant corporate results indicators.
- (iv) The efficiency of the project is substantial, with all investments having rates of return well above the opportunity cost of capital.
- (v) There are risks that infrastructure will not be maintained. Asset registries are in place, but development and implementation of infrastructure maintenance programs have been delayed. It was agreed that the asset registers and maintenance plans would be refocused on roads constructed under the project and critical drainage, in coordination with the Bank-funded Hydromet project, which will establish a warning system for flooding in project cities.
- (vi) There is a need to improve coordination between the two main ministries involved in project implementation: MUPH and the ministry in charge of decentralization.

Although the ministry in charge of decentralization does not have personnel that can be seconded to the PS, it was agreed that there would be regular coordination meetings and that participation of this ministry's staff in supervising missions would be increased.

- (vii) An effort should be made to improve use of provincial-level resources. Deconcentrated services of line ministries should be more involved in project implementation and oversight, just as the provincial steering committees need to play a more-active role in the project. These aspects were discussed with the counterpart during appraisal, with line ministries engaged to further this goal and make greater use of expertise at the provincial level for elaboration of technical studies and monitoring of project activities. It was also agreed that cities should ensure that staff help monitor implementation of projects.
- (viii) Local development plans need to be more realistic and include a limited list of investments with verified feasibility. The plans for the three new project cities will be prepared based on these principles, and the existing plans for the six original cities will be updated.
- (ix) Likewise, three-year capital investment plans should be more directly implementable and contain investments with a good probability of being funded. It was also agreed that engineering studies would be launched earlier in the process, during the year before investments are expected to be made based on performance-based grant allocations, to allow faster implementation of sub-component 2A.

Annex 3: Detailed Background and Description of Modified and New Project Activities

Sector context

1. The Democratic Republic of the Congo (DRC) is undergoing a rapid, unplanned urbanization process, with the population of the 12 largest cities estimated to be growing at 4.7 percent annually. The country moved from 9.9 percent urbanized in 1956 to 42 percent in 2015. Existing urban planning legislation dates back to 1957, when the country was a Belgian colony, and has not kept pace with reforms in administration and decentralization. Cities have grown haphazardly, with little planning, few standards, and inadequate land management practices, which makes governing cities difficult. The population at risk from disaster is increasing in cities such as Bukavu and Kikwit that are constructed in areas prone to flooding and erosion, and Goma is at risk of volcanic eruption. Basic services provision shows some gains from the economies of scale available in urban areas, but urban poverty remains high (61.7 percent in 2012). It is likely that this is because push factors such as insecurity and lack of economic opportunities in rural areas and lack of employment opportunities in urban areas drive urbanization.

2. The government has taken a number of initiatives to advance decentralization, such as adoption in 2016 of laws on a national equalization fund and establishment of a provincial and local civil service, although in the present political context, the pace of implementation of these laws through application decrees is uncertain. The unfinished decentralization agenda leaves provinces and local government entities with limited means and capacity to discharge their functional mandate. The country's first local elections have yet to be held, despite decentralization being a basic tenet of the 2006 constitution; in the interim, nominated mayors are managing cities. There is no official election calendar. In general, cities operate with personnel that the provincial governor appoints and places at their disposal or contractual employees. Even larger cities with populations of more than 500,000 typically do not have more than 75 staff. Very limited financial resources, because of irregular fiscal transfers and underexploited generation of own-source revenue, further constrain the ability of cities to deliver services. City budgets typically amount to approximately US\$1 to US\$3 per capita, which is insufficient to run even the most-basic services.

3. To convert DRC's potential into inclusive growth, the government would need to support cities' productivity and livability. The 2009 World Development Report demonstrated that well-managed cities are critical to reducing poverty and increasing prosperity as they harness economies of scale in manufacturing and services, which boost productivity, but the UR demonstrated that the current level of investment in cities would need to at least triple to begin to address the infrastructure deficit and improve connectivity and that cross-cutting measures are required to develop the institutions and tools necessary to govern the urban sector and reap the benefits of urbanization.

4. These scaled-up activities are aligned with the FY13-16 Country Assistance Strategy for the DRC (CAS, Report No. 66158 discussed by the Board of Directors on May 9, 2013), which has been extended to the end of FY17 after the 2015 CAS Performance and Learning Review. In particular, the proposed AF is included in the FY17 financing program of the extended CAS under pillar 2 (Boosting competitiveness to accelerate private-sector-led growth and job creation) to contribute to CAS Outcome 2.2 (Improved connectivity and access to transport infrastructure). As the UR demonstrated, a main barrier to poor people gaining access to jobs is lack of connectivity and transport infrastructure. The project is helping to alleviate this problem while helping to unlock

the economic potential of cities by focusing investments on economic infrastructure and services that benefit poor residents, such as schools and health clinics.

5. The main overarching rationale for the AF is to deepen the results of the UDP, building on lessons learned so far. Extending the project period will allow further strengthening and consolidation of city-level governance improvements and institutionalization of the annual performance evaluation in the ministry in charge of decentralization. This will be done while also responding to changes in context, with the upcoming new administrative organization of the country, and incorporating new knowledge about development priorities flowing from the two recent analytical projects—an urbanization and a land sector review. The somewhat-stalled decentralization process provides significant scope for enhancing transparency and accountability at the local level. Competent and accountable local government structures will deliver better services that residents desire, increasing the resilience and decreasing the vulnerability of local communities. At the same time, effective local governance arrangements can help address overarching challenges to sustained development, such as corruption and mismanagement of public resources.

Rationale for AF and approach

6. In a letter dated February 9, 2016, the government of the DRC requested an additional financing, which will allow the results of the ongoing UDP in the six cities included in the UDP to be consolidated and amplified and project investments to be expanded to additional project cities. The government of the DRC is requesting the AF to help implement a strategy of investing in provincial capitals and to pave the way for a performance-based approach to funding investments in cities in the DRC. The government has a substantial financing shortfall to meet investment needs, and a recent reduction in public finances and public expenditures has widened this. The AF thus serves a quadruple goal of expanding to meet investment needs and enhancing development impact, helping to implement boarder-reaching policies, and countering the budget contraction. There are currently no alternatives to the proposed AF.

7. The proposed AF will deepen the UDP results in terms of better urban governance through performance-based allocation of project resources with links to revenue collection and strengthened financial management. Stronger urban governance will make it easier for targeted cities to provide basic services to their fast-growing populations. This approach underpins decentralization by increasing resources at the city level and supporting inclusive local governance. The project is designed to support urban governance and implement urban management tools in project cities, in part through targeting revenue collection and management of municipal own resources. Although it is likely that such activities would benefit from an overall context favorable to decentralization, activities are not designed to depend on advancement of decentralization (whether interpreted as local elections, fiscal transfers, or other) per se.

8. The AF is prepared at an opportune moment and, in addition to the emerging lessons, can draw on the recommendations from the recent urbanization and land sector reviews, which have identified specific needs to improve urban land management and support cities' role as drivers of economic growth. The AF will lay the foundations for a more-programmatic approach to addressing urban sector problems, prepare the ground for a national urban development program to facilitate integration of other donors in the program, and help address the funding gap in the sector.

9. The proposed AF would specifically help expand and maximize the development effect of the UDP by:

- expanding investments in current project cities (Component 1 of the AF will be in the three new cities only; Component 2 of the AF will benefit all nine project cities) and providing investments in a limited number of additional project cities. This will directly increase the project's impact in terms of access to services and respond to the substantial investment shortfalls in the project cities and start addressing urban management challenges before the problems grow too big, given population growth rates. At the same time, the physical and temporal extension of the project through the AF will reinforce the link between the performance-based approach to funding investments and better municipal management in more cities, allowing a more-programmatic approach that could encompass all provincial capitals. This coincides with the government's objectives and with the conclusions of the UR, which recommended improving the institutions for service delivery. The proposed AF would allow the demand and supply sides of good governance to be enlarged and the perspectives of institutionalizing the performance-based approach through the equalization fund to be enhanced.
- addressing urban investment needs identified in dialogue with the respective populations and strengthening accountability of local governments. This would align with the analysis in the CAS that accelerating the delivery of basic services and bringing the state closer to the population requires effective, accountable local government institutions. The proposed AF is in line with the UR findings that investments are urgently needed in the urban sector and that the need increases proportionally with the level of urbanization in a city or region.
- providing technical assistance to improve urban management, in particular by developing and implementing urban development plans in nine project cities (instead of six presently). Improvements to planning processes will be made in conjunction with addressing land management problems, which the urbanization and land sector reviews highlight as central to improving the management, functioning, and livability of cities. This would allow the project to generate valuable guidance on which processes are functional and feasible in developing urban planning documents in synergy with the ongoing updating of the urban sector legislation.
- assisting the government in implementing the new administrative division of the country with the creation of 14 new provinces and provincial capitals (for a total of 26 provinces, as outlined in the constitution). This subdivision will be made operational after the next provincial elections. These "new" cities (in the administrative sense of the term) have substantial infrastructure deficits and are expected to experience strong demographic growth after establishment of seats of provincial government with corresponding pull factors for migration. This needs to be addressed proactively, before the problems grow too large. The proposed AF would allow the Bank to respond, at least in a limited way (through targeted studies), to the government's wish for the Bank to support the emergence of these cities as provincial capitals worthy of the name and proactively address the increased pace of urbanization that the UR highlighted as a likely effect of establishing new provincial governments.
- starting to address some of the special needs of disaster risk management in specifically exposed cities such as Goma that are subject to risk of a combination of natural disasters,

rapid and prolonged conflict-driven rural–urban migration, and related land management problems.

10. The design of the AF builds on the emerging lessons from the UDP and takes into account the recommendations of other activities completed in the interim, such as the urbanization and land sector reviews, as well as complementarities with other related projects, in particular the AF being prepared for the Bank-funded Profit Congo Project (which will likely include activities to address public-private partnerships at the provincial level) and the recently completed master plan for Kinshasa and support to the capital that the French Development Agency (AFD) has provided. In addition, the recent governance improvements at the provincial level that the Bank-funded Governance Enhancement Project supports, especially regarding financial management and revenue generation, serve as a model for the parent UDP, which is making use of some of the national experts trained under the Governance Enhancement Project. This cross-GP collaboration will continue because the Bank is supporting the client to prepare a new governance project targeting the provincial level.

11. With the proposed approach and activities, the Project Development Objective (PDO) will remain largely unchanged. The addition of the specific mention of access to infrastructure does not reflect a change in approach but instead allows the expected outcomes to be better captured. The PDO reflects the need to invest in structuring urban infrastructure to allow cities to catch up on historic underinvestment, neglect, and lack of maintenance while laying down the foundations for improved sector governance and performance of local governments in the long term. Accordingly, the AF will retain the two original components: primary infrastructure and urban governance. Together, these components aim to invest in primary infrastructure, in continuation of previous projects, and to structure the urban economic space. This will contribute to reaping the currently missed benefits of economies of agglomeration and links with the rural hinterland, and to developing a strong link between service delivery, urban residents' expressed needs, and accountability of local governments while improving management and generation of resources for investment in cities.

12. The program needs to be introduced in a balanced way that takes into account national ambitions and capacity and logistical challenges, with adequate prior planning. The bottom-up approach to developing capacity in project cities will be continued under the AF, which is intended to deliver better services to citizens, irrespective of the pace of decentralization. Given the need for continued dialogue at the strategic level to lay the groundwork for institutional change and that city-level governance improvements are achievable but require time and enhanced communication efforts to achieve results, it is proposed that the project period be extended by three years. This will allow the foundations for the accountability of future elected mayors to be strengthened, especially because local civil society organizations in UDP cities are taking an increasing interest in urban management affairs and helping complete the accountability loop in the absence of local elections. In addition, the extended project implementation period will provide time to lay the groundwork for future interventions in urban areas exposed to risk of natural disasters and develop a more-mature programmatic approach to urban development.

Project components and activities

13. The number of targeted cities will increase from six to nine with the addition of three cities. The selection of the three new cities—Goma, Kisangani, Kolwezi—is based on a number of

considerations, including the findings of the UR. The main criterion is population size. Based on the priorities for sector intervention in the UR, these cities were chosen because they are in the incipient to medium stages of urbanization, because a multisector project has less chance of success and risks spreading resources too thin if used in cities in an advanced stage of urbanization, with their need for more-targeted interventions. Although the selection criterion in the parent project was a population range from 100,000 to 1 million, this has been narrowed to 500,000 to 1 million so as to have a significant impact in terms of combined population size of the additional cities while still intervening in a limited number of cities where the magnitude of problems has not yet exploded. The other criteria from the parent project have been maintained, namely that cities should be accessible to establish work sites and allow supervision, have economic potential (in connection with growth corridors), and align with previous and ongoing investments. Also, the nine cities will allow for a relatively even spread of investments across the country.

14. The idea underpinning the parent project is to have Component 1 fund unconditional investments (to directly address some of the infrastructure deficit in project cities). Component 2 then funds an array of activities to improve urban governance, of which the performance-based investment funds (sub-component 2A) are an entry point or incentive for improved governance; the other subcomponents provide accompanying measures to help cities improve governance and meet performance criteria; support better sector governance through revision of urban planning legislation; and provide initial inputs, through a study, on better land management. The project management sub-component 2D should be seen as integral part of better governance, because the project relies on civil servants to implement the project and thus increases capacity in the sector. Based on this support to project cities, and combined with the performance incentives provided under sub-component 2A to implement better management practices, the project is expected to ensure that participating cities have basic capabilities at the end of the project, including administrative organization, urban planning, investment planning, and municipal finance. This is fully in line with the UR recommendation to build institutions for service delivery.

15. The activities of the proposed AF will be included in the existing components of the UDP, with Component 1 split into two subcomponents, one each for current and new project cities. Component 2 (US\$58 million) will be repartitioned across the nine cities. Subcomponent 2A will receive the majority of the funds (US\$40 million), which will cover the three new cities and extend the annual performance evaluation and resulting allocations for three years for the six current project cities. The remainder of Component 2 funds will extend activities of the parent Project to the new cities and fund two new studies. The proposed AF will include the components and activities as described below. The full costing of the parent project and proposed AF is included in Annex 4.

Component 1: Primary infrastructure (US\$32 million)

Subcomponent 1A: Primary infrastructure in six current project cities (no new funding)

16. The six current cities (Bukavu, Kikwit, Kalemie, Kindu, Matadi, Mbandaka) will continue to receive funding for Component 1 under new Subcomponent 1A. The initial amount of the parent project for these cities (US\$50 million) will not change, and there will be no new funding under the AF. Component funds were approximately 85 percent committed as of February 28, 2017, with engineering studies for the remaining investments ongoing.

Subcomponent 1B: Primary infrastructure in three new project cities (US\$32 million)

17. Subcomponent 1B of the AF is for the three new cities only (Goma, Kisangani, Kolwezi). The proposed AF would provide investments for primary infrastructure in these cities to support structuring of the urban space, with a view to supporting economic growth and making up for historic underinvestment. This complements the 23 kilometers of road rehabilitation completed or ongoing under the parent project. As in the parent UDP, the investments will also provide visibility to the project in the start-up phase while the new cities are waiting for their first performance evaluation. In line with the recommendations of the UR, investments in the new UDP cities will focus on connectivity infrastructure in the downtown areas and other infrastructure to support economic function of the cities. Initial infrastructure investments in the three new cities will also be in roads and drainage channels, which will help mitigate the risk of flooding from extreme precipitation.

18. The repartition formula of the parent UDP to allocate investment funds to the three new cities has been maintained from the parent project; each of the three new cities will receive US\$5 million, and the remainder of component funds will be split among the three cities according to population. This formula was determined to ensure that each city would receive sufficient funds to meet the basic need for structuring investments while recognizing that larger cities need more funds. Adding three new cities will result in additional investments of approximately US\$16 per capita in these cities over five years (versus US\$26 per capita for the six original cities as estimated at appraisal in 2013 but US\$17 per capita based on the updated method presented in table A3.1). Engineering designs for the first phase of Component 1 investments in the three new project cities have been completed, and the project will fund investments in rehabilitating 9.7 kilometers of roads for an estimated US\$16 million. The component will include an additional round of funding to cover investment needs resulting from the local planning and priority-setting process based on local development plans, supported by the AF.

Table A3.1 Additional Financing Component 1 Allocation for Cities

City	Population	Share of project city population, %	Allocation (US\$M)	Allocation per capita (US\$)
Goma	542,882	27	9.59	17.66
Kisangani	1,028,386	51	13.69	13.31
Kolwezi	440,307	22	8.72	19.81
Total	2,011,576	100	32.00	15.91

Source: Population size calculated based on average of four sources: the 2002–03 1-2-3 survey (which also estimated the population size of the original six project cities); the 2014 revision of the World Urbanization Prospects; administrative census numbers reported by each city mayor; and data used for the UR, which are based on projections of the Congolese demographer Leon de Saint Moulin. Official statistics are not available from the National Institute of Statistics at the city level.

Component 2: Urban governance (US\$58 million)

19. The proposed AF will enable expansion of activities (physical investments and capacity building) being supported in the six UDP cities to three additional cities. The original sub-component 2D is cancelled and the activities included in sub-components 2C and new 2D (previously 2E) as described below. The proposed AF will also include additional strategic studies

to prepare for a future programmatic approach in the sector and fund project operating costs for an additional three years.³

Subcomponent 2A: Performance-based investments (US\$40 million).

20. The proposed AF will extend the performance-based grants to the three new cities. The current UDP cities will also benefit from AF to extend the performance evaluation and grant cycle for three additional years, to correspond to the proposed extended project closing date. Investments are expected to target mainly neighborhood-level socioeconomic infrastructure (e.g., health centers, schools), small water and sanitation projects (connections, stand posts, public latrines), secondary drainage, neighborhood markets, and small access roads. To be eligible, a subproject must, among other things, be part of the local development plan and three-year capital investment plan and be accompanied by an O&M plan within the technical and financial capacities of the city. The full list of eligibility criteria is given in the Project Implementation Manual.

21. The new cities will be evaluated based on the same principle as the parent UDP cities through sequential application of base conditions and performance criteria, as presented in table A3.2. Details of the evaluation methodology and weighing of criteria will be provided in the updated Project Implementation Manual. During the Level 2 project restructuring, completed on June 9, 2016, the performance criteria were adjusted slightly to incorporate operational lessons learned in the initial implementation experience, and the midterm review provided a deeper analysis of the functioning of the performance evaluation instrument and made recommendations for further fine-tuning that are incorporated using the AF. This is in line with what was planned at appraisal of the parent project—that the performance evaluation mechanism would be a “living tool”—and means that the number of criteria has been reduced to 11 from the original 13 in the parent project as appraised. Criteria on elaboration and implementation of a training plan and implementation of a city procurement plan have been dropped. The training plan was dropped because the cities were not responsible for implementing it under the project (which the PS is responsible for) and so should not be evaluated on it. Implementation of the procurement plan was dropped as a criterion; its elaboration is still a criterion, and effective implementation is captured through the criteria on investment expenditure. This process of simplification and incorporation of lessons learned will continue under the proposed AF. The process of learning and adjustment of the evaluation criteria and process will continue over the course of the project.

³ Activity numbering within subcomponents has changed from the 2013 PAD, because the present PP aligns with the new Financing Agreement, which is in turn aligned with the 2013 Financing Agreement. Table A4.1 provides the old and new activity numbering to facilitate comparison.

Table A3.2 Base Conditions and Performance Criteria

Base conditions	Performance criteria
A. Planning and budgeting	
1. Annual budget of the city adopted within the time prescribed by law*	1. Preparation and thereafter annual updating of three-year capital investment programs*
	2. Adoption of an annual procurement plan by the mayor, including all procurement phases*
	3. Inclusion in the annual city budget of own-source revenue collection targets established pursuant to the revenue enhancement plan**
B. Administration and city finance	
2. Continued presence of a qualified Head of Urban Department (Chief Administrative Officer) of the city**	4. Preparation and annual updating of own-source revenue enhancement strategy*
	5. Variation of not more than 30 percent between actual own-source revenue collected and own-source revenue amount targeted in budget***
	6. Preparation and annual update of an asset inventory**
	7. Variance between asset management plan or budget and actual implementation of not more than 50 percent****a
C. Project implementation and service provision	
3. Investments undertaken consistent with eligible expenditures and also appear in local development plans and the budget**	8. Minimum of 30 percent of expenditures planned in budget for capital investments achieved using own-source revenues**
D. Accounting and audits	
4. External audit performed*)	9. Implementation, in a timely manner, of at least 50 percent of external audit recommendations within responsibility of the city**
E. Participation, transparency, and accountability	
5. Budgetary procedures concerning public consultation in preparation of city's annual budget in accordance with recipient's legal requirements**	10. Public consultations for preparing three-year capital investment plans*
	11. Mayor prepares semi-annual financial and narrative progress reports, discloses them to the public, and discusses them in local consultative forums**
<p>*Applicable starting first year of performance evaluation for three new cities. **Applicable starting second year of performance evaluation for three new cities. ***Applicable starting third year of performance evaluation for three new cities. ^a Suspended in 2017 for all cities because development of the asset inventory by the Permanent Secretariat took longer than expected, and cities should not be penalized for lack of performance through no fault of their own.</p>	

22. The share of the sub-component 2A funds per city is presented in Table A3.3. Inclusion of three new project cities means that AF investments will be approximately US\$10 per capita of the combined population of the nine cities for the remainder of the project period, or US\$2 capita per year of allocation. (During the last year of project implementation, i.e. FY22, no grants will be allocated, but investments will be made based on the previous year's grant.) This compares with approximately US\$10 per capita for the six cities in the parent project, with updated population

estimates. The principles for allocation of funds of the AF are as follows: unallocated funds of the parent project will be pooled and then split between the nine cities; updated population numbers will be used, based on an aggregation of available data to account for the fact that there are no reliable demographic statistics in the DRC (the last census took place in 1984); and all six cities in the parent project will receive at minimum the same total provisional allocation as in the parent project (for Component 1 and Subcomponent 2A combined; no city will lose out because of the AF), notwithstanding any changed share of such city in the total combined population of project cities.

Table A3.3 Indicative Subcomponent 2A Fund Allocation for Cities.

City	Population	Share of project city population, %	Already notified grant amounts (US\$M)	Grant amount recoverable from previous year (USM\$) ^c	Indicative grant allocation for remainder of project (US\$M)
Matadi	299,915	6	0.998	0.382	3.057
Kikwit	544,149	11	3.727	0.000	5.546
Mbandaka	655,492	13	6.581	0.000	6.681
Kindu	552,846	11	1.730	0.671	5.635
Bukavu	735,678	15	1.316	0.509	7.498
Kalemie ^a	212,000	4	0.000	0.787	2.161
Goma	542,882	11	Not applicable	Not applicable	5.533
Kisangani	1,028,386	21	Not applicable	Not applicable	10.481
Kolwezi	440,307	9	Not applicable	Not applicable	4.488
Total ^b	5,011,655	100	14.352	2.350	51.078

Source: Same methodology to derive population estimates as in Table A3.1.

^a Kalemie will not receive investment funds until the city has a mayor.

^b Totals notified, recoverable, and provisional allocation (US\$67.8 million total) do not add up to the total of subcomponent amounts for the parent project (US\$30 million) and AF (US\$40 million) because amounts for the parent project have been adjusted for exchange rate losses.

^c A city not performing in a given year will be able to recover the part of the provisional grant not triggered in the previous year.

23. Each city will have a provisional envelope for sub-component 2A investment funds, shared among project cities based on their population share of the total population of project cities. The base allocation will be 50 percent of the provisional annual allocation and will be subject to meeting a set of base conditions, most of which are essential legal requirements (table A3.2). Failure to meet any of the base conditions will disqualify the city from receiving any part of the allocation for the forthcoming year. The performance allocation will be the remaining 50 percent of the allocation and will be subject to the performance evaluation, which a team of independent evaluators financed under sub-component 2C and recruited by the PS (but responding to the ministry in charge of decentralization) will undertake annually for each city participating in the project.

24. A city that is ineligible in a given year in the program because it is unable to satisfy the base conditions (and so receives none of the allocation) or to achieve the requisite performance evaluation score (receiving only 50 percent of the provisional total annual allocation) may be eligible the following year, subject to meeting the base conditions and minimum score on the

relevant performance evaluation. The findings of the independent evaluators will be final but subject to quality control by the ministry in charge of decentralization, and the results of their assessment will be submitted to the Project Steering Committee to determine the forthcoming year's allocations. The Project Steering Committee will perform a review to determine allocations based on the independent performance evaluation reports, and the final allocation will be made if the World Bank has no objection. Should a city fail to meet the base conditions or pass the performance evaluation in any given year, the funds will be assigned to the same city's provisional envelope for the remaining years of the project. If a city does not meet the base conditions for two successive years, 100 percent of its allocation for the first of those two years will be reallocated among the other cities according to the same allocation criteria (population). The same principle will apply to the performance evaluation, but in this case, the reallocation would affect only 50 percent of the allocation for that year. This creates a strong performance incentive, because performing cities may potentially share among them the funds provisionally allocated to other cities. It also ensures that funds will be allocated according to the overall disbursement plan and safeguards against disbursement delays if one or more cities do not perform.

Sub-component 2B: Capacity support at the city level (US\$8.4 million)

25. The activities of the parent UDP will be extended to the three additional cities. In particular, the support of the team of experts (the CBT) will be extended to the new project cities. The composition of the team, number of team members, and the operational set-up will be reviewed to ensure that the CBT can cover all nine cities. The way technical assistance is provided will be reviewed continuously as the cities gradually grow in capacity to implement the tools and procedures that the project provides. Other project activities will be extended to the new project cities, and a new study is included for Goma. The full list is provided here, along with the additional cost that the proposed AF is to fund.

- (i) Better financial management in three new project cities (no additional cost because the parent project allocation is sufficient to cover this activity, which was reduced from full automation of accounting to focus on implementing realistic budgeting and financial transaction flow, based on a financial management manual).
- (ii) Stronger procurement performance, including logistical support for participation of city officials from the three new cities in bid opening and evaluation in Kinshasa (US\$100,000).
- (iii) Creation of asset registers in the three new cities based on a common framework developed by the PS and in collaboration with the Bank-funded Hydromet project to implement early flood-warning systems in the nine project cities. At the city level, support will be given to creation and annual update of asset registries and condition analyses of these city assets (US\$75,000).
- (iv) Preparation and annual update of an O&M plan linked to the budget (US\$50,000).
- (v) Expanding establishment more-efficient management systems for commercial infrastructure (markets, transport) in the three new cities (US\$50,000).
- (vi) Elaboration of local development plans to set investment priorities for the cities and implement participatory budgeting; updating of the local development plans for the six original cities (US\$600,000).
- (vii) Support of local civil society (through nongovernmental organizations or consultants) to enable better oversight of local government activities. This activity was dropped in the project restructuring because the capacity-building team supports local civil society but

was reintroduced with the AF to help strengthen demand-side governance in all project cities (US\$100,000).

- (viii) Technical assistance: (a) Expansion of the reach of the CBT to all project cities but with focus on the three new cities and extension of the intervention period by four years (in addition to the three-year period planned under the parent project). The CBT has made an initial analysis of the capacity profiles of these cities that will help develop targeted capacity-support measures to allow the cities to meet performance criteria relatively quickly (US\$5.2 million). (b) Demand-driven capacity support of up to US\$50,000 annually per city for the three new cities, based on each city's needs, to help them enhance their ability to meet the requirements of the performance evaluation. After the MTR of the AF, the annual amount will be reduced based on an expected decrease in need for support (US\$600,000).
- (ix) Provision for south-south exchanges on urban development challenges, including regional interaction through exchange with countries that are more advanced in decentralization (US\$50,000).
- (x) Elaboration of urban reference plans for the three new cities to guide spatial development. This will include support to the Institute of Architecture and Urban Planning to enhance its ability to contribute to the development of the plans (US\$1.1 million).
- (xi) Study on special investment and planning needs for Goma, given the multiple land management and service delivery challenges of rapid urbanization, conflict, and exposure to natural hazards (US\$150,000).
- (xii) Feasibility study on street addressing (no new funding under the AF).
- (xiii) Training courses and modules targeting city officials and staff in urban management (US\$250,000).

Sub-component 2C: Support to central and provincial government agencies (US\$1.6 million, rounded up)

26. Most of the activities under this component do not depend on the number of project cities and are already ongoing under the UDP. This subcomponent will cover the additional cost associated with expanding the project to additional cities, deepening studies, and extending the closing date, as described below.

- (i) Strengthening the capacity of central and provincial agencies to support target cities with asset management, budgeting, procurement, and monitoring and evaluation (no new funding under the AF).
- (ii) Strengthening the capacity of the *Office de Voirie et Drainage* and *Bureau d'Études d'Aménagement et d'Urbanisme* in project monitoring and evaluation, economic analysis, programming and maintenance of investments, and asset management (no new funding under the AF).
- (iii) Training of select construction companies and work-supervision consultants on use of labor-intensive construction techniques and local construction materials (no new funding under the AF).
- (iv) Improvement of the system implemented for asset management registries and maintenance plans (US\$125,000).
- (v) Expansion of geographic reach of independent consulting firm to evaluate performance annually and extension to cover the extended project period (US\$900,000).
- (vi) Revision of urban planning and related legislation (US\$250,000).

- (vii) Technical assistance to increase the capacity of selected ministerial departments and institutions responsible for monitoring and evaluation (no new funding under the AF).
- (viii) Project communication and awareness-raising (no new funding under the AF).
- (ix) Logistical support to the audit institution to undertake external audits of local government entities (US\$250,000).

Sub-component 2D: Support to targeted strategic studies (US\$1.0 million)

27. This subcomponent provides support for the following studies and technical assistance, including a second MTR of the AF (after six years of total implementation of the UDP), end-of-project impact assessments, a new study, and an expanded study on development of a standard allocation system.

- (i) Assessment of the allocation system to local governments as experienced under the project (no new funding under the AF).
- (ii) A study expanding the scope of the assessment of the performance-based approach to allocating investment funds to local governments to cover investment and capacity-building needs, updating a 2010 study on the new administrative organization and adding a specific urban dimension. This study will deepen the programmatic approach of the project and cover planning and investment needs in provincial capitals in the context of decentralization and potentially simple investment plans for these cities to enable a programmatic approach to investing in the administrative centers of the country and support the main cities' role as drivers of economic growth. These new provincial capitals will initially have very limited administrative and urban management capacity, and it is likely that some of them will see substantial population growth with installation of new provincial governments. The study will: (a) evaluate investments needs; (b) elaborate a plan to help provincial capitals develop their own source revenue; and (c) analyze the feasibility of expanding the performance-based approach to infrastructure funding for provincial capitals in the context of operationalization of the national equalization fund or other funding modality, including whether a tiered system of cities would be feasible. The study will thus also facilitate the integration of other sources of funding (government or donors) into the programmatic approach (US\$250,000).
- (iii) A second Mid-Term Review and end-of-project impact assessments including beneficiary satisfaction surveys (US\$450,000).
- (iv) A study of land tenure challenges and the increasing fluidity of the urban land market, in line with the urbanization and land sector review recommendations that these challenges need to be addressed horizontally, in the different types of cities. This study will analyze the feasibility of implementing land management tools, such as a simple cadaster and the potential for formalizing some of the land management practices that are currently not recognized in legislation (e.g., issuance of *fiches parcellaires*, or plot records) but could help increase the fluidity of the land market (US\$250,000).

Sub-component 2E: Project operating cost, coordination and monitoring (US\$7.0 million)

28. This subcomponent will finance all incremental operating costs stemming from the extended project implementation period and addition of new cities (e.g., fiduciary staff, auditing, safeguards staff, communication, environmental monitoring, consumables, mission travel to project cities) and will fund limited technical assistance to the PS, to train the PS staff and help

advance project activities given the current performance of the PS and additional workload that the AF has created. The additional project operating costs will bring the total estimated implementation cost to US\$9.2 million (with US\$1.97 million already spent on operating costs); the extremely high cost for the PS to supervise activities, traveling to most project cities by plane, justifies this. The total operating cost for the project will be less than 5 percent of the total project cost, which is reasonable in these circumstances.

29. The detailed cost breakdown is as follows.

- (i) Fiduciary staff to support the PS (US\$600,000).
- (ii) Internal auditor (US\$150,000).
- (iii) Environmental monitoring by the Congolese Environmental Agency (US\$100,000).
- (iv) Mission travel to project cities, including monitoring and evaluation (US\$2,800,000).
- (v) External audits (US\$180,000).
- (vi) Technical audits (US\$175,000).
- (vii) Workshops, communication, consumables, equipment, office rental (the PS moved to rented offices during implementation), and transport (US\$1,600,000).
- (viii) Safeguards consultants (US\$400,000).
- (ix) Technical assistance: project management and engineer (US\$600,000).
- (x) Communication expert (US\$200,000).

Annex 4: Cost of Activities of Parent Project and Modified or New Project Activities

1. Table A4.1 contains the initial estimate of cost per component and activity for the parent project and for the proposed AF.

Table A4.1 Component and Activity Allocations for Parent Project and Proposed Additional Financing

Component or activity			Allocation— parent project (US\$)	Allocation— proposed AF (US\$)	Total (US\$)
(A)	(B)				
Component 1			50,000,000	32,000,000	82,000,000
Component 2			48,000,000	58,000,000	106,000,000
2A			30,000,000	40,000,000	70,000,000
2B (totals rounded up)			12,800,000	8,400,000	21,200,000
i	viii(a)	Capacity-Building Team	3,460,000	5,200,000	8,660,000
ii	i	Financial management	1,550,000	0	1,550,000
iii	ii	Strengthened procurement performance	200,000	100,000	300,000
iv(a)	iii	Asset registers—establishment	350,000	75,000	425,000
iv(b)	iv	Asset registers—update	0	50,000	50,000
v	v	Commercial infrastructure management	175,000	50,000	225,000
vi	vi	Local development plans—elaboration or update	250,000	600,000	850,000
vii	x	Urban reference plans	2,000,000	1,100,000	3,100,000
viii	xii	Street addressing	1,400,000	0	1,400,000
ix	viii(b)	Demand-driven capacity support	2,400,000	600,000	3,000,000
x	xiii	Training for local governments	600,000	250,000	850,000
xi	ix	South-south exchanges	100,000	50,000	150,000
xii	vii	Support to local civil society	325,000	100,000	425,000
	xi	Goma study	0	150,000	150,000
2C (AF total rounded up)			2,500,000	1,600,000	4,100,000
i	i	Support to central and provincial departments	250,000	0	250,000
ii	ii	Capacity building— <i>Office de Voirie et Drainage, Bureau d'Études d'Aménagement et d'Urbanisme</i>	100,000	0	100,000
ii	iii	Capacity building—construction companies	50,000	0	50,000
iii	iv	Asset management framework	100,000	125,000	225,000
iv	vi	Revision of urban legislation	350,000	250,000	600,000
v	v	Independent performance evaluation	1,100,000	900,000	2,000,000
vi	vii	Sector database	100,000	0	100,000
vii	ix	Support to audit institution	250,000	250,000	500,000
viii	viii	Communication	200,000	0	200,000
2D (AF total rounded up)			500,000	1,000,000	1,500,000
i	iii	MTR and end-of project evaluations	250,000	450,000	700,000
ii	i	Assessment of allocation system	125,000	125,000	250,000
ii	ii	Options for development of a standard allocation system	125,000	125,000	250,000
	iv	Land management study	0	250,000	250,000

2E (AF total rounded up)			2,200,000	7,000,000	9,200,000
i	i	Fiduciary staff to support the PS	360,000	600,000	960,000
ii	ii	Internal auditor	360,000	150,000	510,000
iii	iii	Environmental monitoring	125,000	100,000	225,000
iv	iv	Mission travel to project cities	520,000	2,800,000	3,320,000
v	v	External audits	210,000	175,000	385,000
vi	vi	Technical audits	100,000	175,000	275,000
vii	vii	Workshops, consumables, equipment	525,000	1,600,000	2,125,000
	viii	Safeguards consultants	0	400,000	400,000
	ix	Technical assistance	0	600,000	600,000
	x	Communication expert	0	200,000	200,000
Project Preparation Advance			2,000,000	0	2,000,000
Total			100,000,000	90,000,000	190,000,000

(A) Numbering in 2013 PAD.

(B) Numbering in 2017 PP.

Annex 5: Revised Procurement arrangements

1. Revised guidelines to be applied: Procurement will be carried out in accordance with the Procurement Guidelines dated January 2011 and revised July 2014 and Consultant Guidelines dated January 2011 and revised July 2014.

Revised requirements for national competitive bidding

2. National competitive bidding may be used subject to using the open procedure (*appel d'offres ouvert*) set forth in recipient's Public Procurement Law No 10/010 dated April 27, 2010 (PPL) and the Manual of Procedures of the PPL as per recipient's Decree No 10/22 dated June 2, 2010 (Manual of Procedures), provided that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III of the Procurement Guidelines and the additional following modifications.

- (a) **Standard Bidding Documents:** All standard bidding documents to be used for the project under NCB shall be found acceptable to the World Bank before their use during implementation of project.
- (b) **Eligibility:** Eligibility of bidders and acceptability of their goods and services shall not be based on their nationality or origin, and association with a national firm shall not be a condition for participation in a bidding process. Therefore, except for the ineligibility situations referred to in paragraphs 1.10(a) (i) and 1.10(a) (ii) of the Procurement Guidelines, the eligibility of bidders must be based solely on their qualifications, experience, and capacity to perform under the contract related to the specific bidding process.
- (c) **Advertising and Bid Preparation Time:** Bidding opportunities shall be advertised at least in a national newspaper of wide circulation and on the website of the recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics*), and bidders should be given at least 30 days from the date of invitation to bid or the date of availability of the bidding documents, whichever is later.
- (d) **Criteria for Qualification of Bidders:** Qualification criteria shall concern only the bidder's capability and resources to perform the contract, taking into account objective and measurable factors. Such criteria for qualification of bidders shall be clearly specified in the bidding documents.
- (e) **Bid Evaluation and Contract Award:** A contract shall be awarded to the substantially responsive and lowest evaluated bidder provided that such bidder meets the qualification criteria specified in the bidding documents. No scoring system shall be allowed for the evaluation of bids, and no "blanket" limitation to the number of lots that can be awarded to a bidder shall apply. The criteria for bid evaluation and the contract award conditions shall be clearly specified in the bidding documents.
- (f) **Preferences:** No preference shall be given to domestic or regional bidders; to domestically or regionally manufactured goods; or to bidders forming a joint venture with a national

firm, proposing national subcontractors, or carrying out economic activities in the territory of the recipient.

- (g) **Publication of Contract Award:** Information on all contract awards shall be published in at least a national newspaper of wide circulation or on the recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics*) web-site.
- (h) **Fraud and Corruption:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.
- (i) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy with respect to inspection and audit of accounts, records, and other documents relating to the bid submission and contract performance.
- (j) **Requirement for Administrative Documents and Tax Clearance Certificate:** The bidding documents shall not require foreign bidders to produce any administrative or tax related certificates before confirmation of awarding a contract.
- (k) **Modifications of a Signed Contract:** Any change in the contract amount that, singly or combined with all previous changes, increases the original contract amount by 15 percent or more must be made through an amendment to the signed contract rather than signing a new contract.