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Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 13-Oct-2020 | Report No: PIDC30624

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Eastern Africa	P174814		Great Lakes Trade Facilitation and Integration Project (P174814)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA EAST	Jun 28, 2021	Sep 16, 2021	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministère des Finances, du Budget et de la Privatisation,Ministère des Finances	Cellule Infrastructures-DRC	

Proposed Development Objective(s)

The development objective of the proposed project is to reduce the cost of trade at targeted cross-border locations in the Great Lakes region, including through strengthening selected value chains.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Credit	37.50

IDA Grant	112.50

Environmental and Social Risk Classification	Concept Review Decision
High	Track II-The review did authorize the preparation to continue

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Other Decision (as needed)

B. Introduction and Context

1. **The eastern Democratic Republic of Congo (DRC) and Burundi have a centuries long history of intricate economic and social ties.** The two countries have always had a vibrant trade in all manner of products, as well as close ties between communities on either side of their 236 kilometer long shared border. However, periods of conflicts have intermittently taken a heavy toll on human life and disrupted the regional economy. Consequently, due to frequent shocks, border communities often remain in a state of acute socio-economic vulnerability and suffer disproportionately from poverty and displacement. Empirical evidence suggests that the improving economic opportunities through facilitation of cross-border commerce is an effective way to enhance economic and social welfare and improve regional stability.

2. **There is ample evidence that cross-border trade can impact conflict dynamics through improved social interaction and resilience of adjacent border communities**. Research of small-scale trade and conflict events in the Great Lakes Region (GLR) found that cross-border trade is strongly associated with reduction in conflict involving citizens, and in particular, gender-related violence. For instance, cross-border trade can (i) enable agricultural producers to sell their goods more quickly, leading to more business and increased returns; (ii) improve access to agricultural inputs (seeds and fertilizers) enabling rural communities to cope with shocks and enhancing their greater food security; (iii) save costs and time for traders thus raising incomes and enabling more time to be spent on other daily activities; (iv) create a more competitive business environment resulting in greater choice of product and lower prices for consumers; and (v) help to dispel ethnic and other stereotypes thereby decreasing the possibilities for political or armed mobilization. As many of those who participate in cross-border trade are women, these benefits are more likely to be directly invested in the household, thereby further decreasing vulnerability to shocks.

3. **Women play an important role in regional value chains in the GLR, including in upstream production of goods and in downstream trade and retailing.** For instance, around Lake Tanganyika, women are heavily involved in regional value chains and almost all traders selling fish and agricultural products in the local markets are women. In all the GLR countries, women are extensively involved in market trade at port and border locations and are the main producers of agricultural products and other goods including dried fish, fresh

vegetables, palm oil and other goods traded with the DRC. Many Congolese women from border towns and other locations travel regularly to neighboring countries and sometimes across Lake Tanganyika to buy goods to sell in markets and shops back home. Enhancing agriculture value chains in the border regions has the potential to raise incomes for border communities and boost the welfare of rural households.

4. **Facilitating small scale cross border trade has assumed an even greater importance during the Covid-19 pandemic.** The ongoing global pandemic has had unprecedented economic impacts on all countries, including Burundi and DRC. One of the visible impacts of the pandemic has been the steep decline of international trade. Some studies suggest that COVID-19 is expected to result in a contraction of the DRC economy by 2.2 % in 2020 largely due to lower global demand for commodities, and a widening fiscal gap. Similarly, the Burundi economy is projected to grow by only 1% in 2020. In addition to agricultural production losses, slowdowns in national and international trade due to containment measures and the effects of disruptions in value chains will have major effects on living conditions and food security, especially on the most vulnerable populations. During these uncertain times, reopening the economies to trade, especially at regional level, becomes ever more important.

5. **Reduced cross-border trade has a direct impact on poverty rates and livelihoods in the border areas.** Border areas in the GLR are often areas of high poverty and socio-economic vulnerability; however, evidence in the region suggests there exists linkages between cross-border trade and poverty reduction. For instance, in DRC, poverty rates are generally high in its eastern border areas where physical linkages (road) to the country's central regions is extremely limited. As a result, the DRC population of eastern province looks to its neighbors to the east for external markets, particularly to source goods and export locally produced products. Moreover, local cross-border trade, if properly facilitated, can be an important means for addressing food security issues faced by poor populations in the border areas. This is particularly important for the eastern province of the DRC, bordering the East African Community countries which often face severe food insecurity.

6. **Covid-19 together with instability and conflict have compounded DRC's inability to benefit from its rich and diverse endowment of natural resources and vast expanse of arable land**. While the country benefits from a climate, land and water suitable for agricultural development, imports of agricultural products are unfortunately significant. The country is unable to export its production due to violence and conflicts outside the urban area, especially along the border and the critical lack of basic infrastructure for production and export and a business environment that does not facilitate investments in the productive area. Both physical and legal insecurity are a challenge for the private sector and the small scale traders. For instance, the eastern provinces of the DRC are structurally deficient in maize and depend on imports from neighbouring countries (Table 1). Maize together with cassava are the two staple foods in eastern DRC. However, the market supply of imported maize in DRC is constrained by the trade policies of neighbouring countries including Burundi.

Table 1: Eastern DRC maize and cassava commodity balance ('000 metric tonnes), 2017

	Maize	**Cassava**
Production	1,264	4,172
Imports	53	70
Total Supply	1,317	4,242
Domestic requirements	4,353	5,489

Exports	-	1,264
Total Demand	4,353	6,753
Domestic Balance	(3,036)	(2,511)
Self - Sufficiency	29%	76%

Source: FEWSNET, 2018.[1]

Sectoral and Institutional Context

7. **Trade volume between Burundi and DRC is small but growing.** Trade between the two countries increased more than 2500% between 2015 and 2019, most of it comprising Burundi exports to the DRC (Table 2). Eastern DRC, especially South Kivu, is the second largest export market of Burundi[2]. Exports of Burundi to DRC were estimated at US$ 32 million in 2019, representing around 12% of the Burundi total exports (and 35% of export volumes excluding coffee, tea and minerals). Exports of Burundi towards DRC are essentially goods processed in Burundi, mainly agricultural and agribusiness products. Burundi's imports from DRC were in 2019 estimated at US$0.7million (essentially agriculture products). Trade between both countries is essentially performed by small and medium traders.

*Table 2**Error! No text of specified style in document.** Burundi - DRC Trade Volumes*

	Year				
	2015	**2016**	**2017**	**2018**	**2019**
Burundi Exports to DRC (USD)	674,484	5,073,394	18,043,707	22,988,316	32,747,104
Burundi Imports from DRC (USD)	587,519	466,348	485,553	1,107,297	713,677

Source: OBR

8. **Trade across Lake Tanganyika is particularly important between Burundi and DRC.** Lake Tanganyika is a dominant feature of the border between Burundi and DRC. The lake is shared by four countries, Burundi, DRC, Tanzania and Zambia. The Burundi shoreline of the lake is some 159 kilometers long. The lake is the second deepest in the world, with an average depth of 570 meters and 1,470 meters at its deepest point. It is on average 50 kilometers wide extending to 72 kilometers at its widest. The lake holds more than 250 species of fish most of which live along the shoreline. Estimates are that the lake produces about 200,000 tons of fish per year. Fish is a primary source of protein to consumers in the region. The lake provides employment for around 100,000 people operating from approximately 800 fishing villages along the shoreline. The immediate environs of the lake are home to an estimated 10 million people. Most of the trade between the lake communities is in agricultural products and fisheries. A large proportion of fish from Lake Tanganyika, as with other regionally produced agricultural goods, is traded on a small-scale using wooden "dhows" rather than commercial shipping vessels. However, fishing activities are constrained by the isolated location of most landing sites, the steep escarpments surrounding most of the lake and a general lack of port infrastructure.

9. **Cross-lake and cross-border trade has strong backward and forward linkages to local producers and distribution markets.** Recent assessments of trade across Lake Tanganyika found that the majority

[1] FEWSNET, 2018. Supply and Market Outlook: Democratic Republic of Congo. January 2018
[2] https://www.intracen.org/country/Burundi/General-Trade-Performance/

of traded goods originate from and are destined to nearby markets in the border region. Crops including maize, cassava, potatoes and vegetables grown by local farmers around ports and land borders are a large proportion of cross-border trade flows. More sophisticated commodities including processed foodstuffs (e.g. salt, sugar, cooking oil and soft drinks), building materials, manufactured goods, and clothing tend to come from slightly more distant places within the borders of the exporting country. Small-scale traders also report goods coming from countries outside the GLR, such as Zimbabwe and South Africa, and from as far away as China and Dubai. The goods are typically shipped through neighborhood seaports such as Dara es Salaam and delivered to local markets which supply surrounding communities.

10. **However, traders face various challenges to trading across borders, carrying out their trade-related activities and growing their businesses.** Key issues and constraints for cross border trade, include: (i) poor border management and institutional practices (insecurity, harassment, corruption); (ii) inappropriate or inadequate border markets and port infrastructure, and associated poor transport services; and (iii) lack of clarity on trade regimes especially for agricultural products.

11. Several hurdles are faced with cross border value chains in the Great Lakes Region. Impediments include: (i) weak access to markets due to inadequate post-harvest conservation, transport, and market infrastructure; (ii) limited processing capacity and value-added activities (such as packaging); (iii) lack access to technical and marketing expertise; (iv) non-conformity to SPS Standards to facilitate certification and exports; and (v) Small volume per trader/producer leading to a weak negotiation power and high risk of administrative burdens and harassment in cross-boarding trade.

12. **Complex, opaque and time-consuming procedures at the borders add costs and delays to trade activities.** Complex and heavy customs procedures for small-scale traders, long and expensive visa procedures for the DRC, uncertain or variable fees, and complex agricultural/fisheries trade requirements are among the issues raised by traders as key bottlenecks for them to enhance, expand, and formalize their trade businesses. For instance, getting agriculture trade permits may require extensive documentation and trips to capital cities, and the DRC visa is extremely expensive (50USD) for small-scale traders earning a few dollars a day, hindering trade and the free movement of people.

13. **The governments of the DRC and Burundi have long recognized the importance of intra-regional trade, including small-scale cross-border trade, and have pursued new regional policies and regulations.** However, implementation of practical remedial measures has been slow. As a result, trade continues to suffer from strict regimes for immigration, onerous requirements for trade in goods, non-tariff measures and others. Measures that have shown beneficial impacts elsewhere include the Common Market for East and Southern Africa (COMESA) Simplified Trade Regime (STR). The STR is designed to facilitate small-scale trade. However, while the STR was officially adopted by the DRC and other governments on July 29, 2016 it has not yet been rolled out to all border crossing points. As a result, small scale traders continue to suffer onerous requirements. Other instruments to complement that STR have also been adopted but not yet implemented. The main such instrument are the COMESA regulations defining Minimum Standards for Treatment of Small-Scale Cross-Border Traders. Although Tanzania is not a member of COMESA, it is implementing similar STR arrangements through the East Africa Community (EAC).

14. **In addition, the trade is hampered by several non-tariff barriers.** Some of the major challenges that are faced include the need for testing products, often on a consignment by consignment basis. This can result in considerable time and monetary costs being incurred and lead to significant post-harvest losses for traders. Small scale traders in the GLR then try to circumnavigate regulatory controls and use unimproved/unofficial border crossing points. Such practices are undesirable as they can expose consumers to health and other safety risks.

15. **Weak capacities and a lack of coordination among the institutions and across the countries constrain the border agencies and the port authorities from providing higher quality and faster services to traders and other stakeholders.** The main institutions involved in border and port management are commonly the revenue authorities and/or customs, immigration, health departments, security forces (especially border police), and agencies involved in health and safety. Preparatory work for the proposed project[4] and identified key institutional issues affecting service delivery: (i) staff administrative capacities and knowledge of operations and regulations are generally weak; (ii) there are behavior issues vis-à-vis traders and passengers; and (iii) some border stations and ports are understaffed relative to the volume of trade. Although those issues are generally common in all the prospective project countries, the level of problems appear to be more acute in DRC and Burundi than in Tanzania for instance. They affect not only delivery of services but also seem to lead to mistrust of public services by traders and create tension between traders and officials. In addition, lack of coordination among agencies is another major constraint to providing faster and harmonized services to traders. The customs agency in DRC (DGDA) and the revenue authority in Burundi have therefore introduced performance-based management as a way of improving their services, but the systems and mechanisms seemingly need to be further strengthened.

16. **Dilapidated and inadequate infrastructure at the border and lake ports results in a poor environment for handling and processing goods and people.** Throughout the project area, many of the most active border posts for small-scale trade lack basic amenities such as water, sanitation, electricity and warehousing. Pedestrian and vehicle traffic are often unsegregated (no dedicated lanes) and certain services are unavailable at some border locations due to lack of ICT connectivity. In the case of lake borders, this has sometimes resulted in small-scale trade being entirely diverted to small informal beaches. In addition, the lack of a secure and transparent environment with adequate infrastructure, in particular, lighting and surveillance systems appear to be obvious gaps that enable corruption and harassment.

17. **The proposed project aims to improve the environment for cross border trade in the border regions of the GLR, with a focus on Burundi and DRC.** A multi-dimensional approach is proposed, that seeks to improve connectivity to markets across the borders through policy and procedural reforms, infrastructure improvements and capacity building of both border agencies and traders.

Relationship to CPF

18. **The proposed project is fully in line with the Burundi CPF (2019 – 2023)** which makes a compelling case for regional connectivity in energy, trade, and transport as important to expand opportunities for growth and poverty reduction and dismantle binding structural constraints. Specifically, the CPF argues that facilitating

Burundi's integration in the Great Lakes Region through better cross-border regional transport and logistics infrastructure among other dimensions will provide opportunities for Burundi to expand markets, which will both contribute to growth and job creation and have positive impacts on human capital development, poverty, and gender.

19. **The proposed project is aligned with the Country Partnership Framework (CPF) and the Country Assistance Strategy (CAS) for DRC as it aims to contribute significantly to the Government's efforts to alleviate extreme poverty.** The proposed Program is also aligned with the newly published DRC Systematic Country Diagnostics (SCD), which recognizes the DRC's geographic position in Central Africa as strategic to improve cross-border trade and connections to regional markets. In addition, the SCD also identifies transport as key to increasing agricultural and mining production, boosting trade, reconnecting isolated communities, and improving security. Further, the SCD also prioritizes the development of agriculture and agribusiness as important for promoting long-term economic and social development. By supporting the development of selected agricultural value chains with strong economic potential, the proposed project is in line with the national strategy of DRC and the Comprehensive Africa Agriculture Development Program (CAADP).

20. **The Great Lakes Region is one of the three priority FCV regions under the draft World Bank's Regional Integration and Cooperation Assistance Strategy Update for the Period FY21–FY23**. The project is fully in line with Pillar 2 of the strategy "Promoting Trade and Market Integration". Specifically, the development objective of the project gives practical effect to the objective of increasing the value addition of agricultural and allied products and promoting harmonization of standards and regulations that tend to encourage the atomization of markets for agricultural inputs and outputs. In addition, the project also contributes to the strategy objective of helping countries transition out of fragility and to stabilization. The overall project supports regional peace and stability through programs to improve livelihoods in border areas, promote cross-border trade, and strengthen economic interdependence. There is ample evidence that increased trade interactions increase the opportunity cost of conflict and enhance the resilience of vulnerable communities. The project will support the two countries in their endeavors towards bilateral cooperation and more broadly regional cooperation with other neighbors. In addition, by enhancing the capacity of border agencies, the project is aligned with of the priorities of the World Bank's Strategy for Africa, of making institutions more efficient and accountable.

C. Proposed Development Objective(s)

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The development objective of the proposed project is to reduce the cost of trade at targeted cross-border locations in the Great Lakes region, including through strengthening selected value chains.

Key Results (From PCN)

21. The expected results indicators for the project include:
- Value of trade – value of cross border trade in select value chains
- Volume of trade through targeted trade infrastructure
- Quality - volume of certified products
- Time to cross the border for small scale traders
- Beneficiaries - number of beneficiaries in the project area (of whom x% are women)

D. Concept Description

22. **The proposed project will be financed by Investment Project Financing (IPF) credits to the Democratic Republic of Congo and Burundi and a grant to COMESA, totaling $150 million.** The IPF is proposed as the most appropriate and realistic instrument, both countries need significant investment into physical infrastructure and Technical Assistance (TA) to improve border infrastructure and to strengthen border management and capacities for coordination in border administration. A Project Preparatory Advance (PPAs) has been used in Burundi to finance necessary designs and safeguards assessments in advance of planned infrastructure interventions. In the DRC, provisions and resources are included in the GLTFP for the preparation of such assessments.

23. **The proposed project would leverage regional IDA and meets the eligibility criteria under IDA 19.** Specifically, the proposed project,

(i) Has two participating countries, both of which are FCV;
(ii) There is clear evidence of country ownership of the project reflected in a desire to implement trade measures under regional communities such as COMESA as well as the DRC's recent application to join the East African Community of which Burundi is a member;
(iii) The proposed project would have cross-boundary spill-over effects, targeting and supporting livelihoods among some of the most vulnerable communities in both countries;
(iv) Based on experience with the GLTFP (P151083) the proposed project is expected to provide a solid platform for high level efforts to harmonise and implement agreed trade policy measures, much as the other project has done between DRC and Rwanda and Uganda, respectively; and
(v) The proposed grant to COMESA also meets all the relevant IDA 19 criteria for grants to regional organizations. COMESA will contribute to achieving high-level policy harmonization with regard the treatment of small-scale traders.

Criteria for Determining Project Intervention Sites

24. **Objective criteria will be applied to determine specific sites for possible project interventions.** Based on assessments and preliminary discussions with client governments, a few principles have been defined for the selection of project sites, consistent with the proposed PDO:

(i) ***Volume of trade, especially small-scale trade:*** Ports and border posts with a high volume of small-scale trade and large number of small-scale traders are the priority. The analysis also seeks to assess the potential for future trade growth.

(ii) ***Complementary investments in connecting infrastructure:*** Such investments can be through other World Bank financed projects or by other development agencies; attention to the potential risk of overlap or crowding out from other Bank or development agency projects is also taken into account.

(iii) ***Interest and complementary investments in the neighboring country:*** To be effective, there should be demand for project support on both sides of the border at any particular site or complementing a road link. The scale and scope of interventions need not be the same on both sides, but they need to be complementary.

(iv) ***Unfunded interventions under the GLTFP***: the GLTFP was meant to finance the construction of three border markets along the border of DRC and Rwanda and Uganda. However, the costs of the markets and one stop border posts were much higher than the available resources. As such, the first project has proceeded with only the border posts but not the markets. The provincial authorities are keen to have the markets financed, as they are critical for small scale trade in the border regions. In addition, there were also some elements that had previously been identified under the GLTFP that were to be included in a follow-up operation. Feasibility studies, engineering designs and safeguards instruments have been prepared for additional one stop border posts in South Kivu, lake ports (Kalemie, Kalundu) and an airport at Kavumu. These elements remain relevant and will be assessed for their fit with the PDO of the new project.

(v) ***Scope to support growth of value chains of potential*:** Preference is given to project sites with the greatest potential for high economic returns through value chain development and improved resilience to fragility, particularly at the local level. Attention will also be paid to candidate sites that help alleviate traffic congestion and bottlenecks at existing hubs.

25. **Based on the above criteria, and in consultation with various project stakeholders, a long list of potential sites have been identified for improvement under the proposed project**. The list has been developed based on potential to maximize project impact while keeping the project design simple and practical to implement. The specific physical infrastructure for improvement will be determined based on further analysis and stakeholder dialogue during preparation including detailed feasibility and assessments of cross-border and cross-lake value chains and conflict dynamics and the possibility to build on positive community market dynamics. The proposed project intervention sites are shown in Annex A.

26. **The proposed project will combine investment in "hard" and "soft" improvements due to their complementary and mutually reinforcing benefits.** While the majority of project costs will go towards hard infrastructure that facilitates trade and, in particular, supports small-scale trade, these investments must be backed by procedural reforms and institutional changes to be effective and maximize socio-economic returns. The project is therefore structured around four operational components: (i) improvements to core trade and commercial infrastructure; (ii) implementation policy and procedural reforms and capacity building; (iii) strengthening selected value chains; and (iv) implementation support and Monitoring and Evaluation (M&E).

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Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

Note to Task Teams: This summary section is downloaded from the PCN data sheet and is editable. It should match the text provided by E&S specialist. If it is revised after the initial download the task team must manually update the summary in this section. ***Please delete this note when finalizing the document.***

Note: To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document**.**
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APPROVAL

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