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Report No: PAD202

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 72.9 MILLION
(US$110 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR A

WESTERN GROWTH POLES PROJECT

May 15, 2013

Finance and Private Sector Development
Country Department AFCC2
Africa Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective April 30, 2013)

Currency Unit	=	Congolese Franc (CGF)
CGF 919.07	=	US$1
US$1.5090	=	SDR 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ANAPI	*Agence Nationale de Promotion des Investissements* (National Agency for Investment Promotion)
APL	Adjustable Program Loan
AZES	*Autorité des Zones Économiques Spéciales* (Special Economic Zones Agency)
BCC	*Banque Centrale du Congo* (Central Bank of Congo)
BDS	Business Development Services
CAADP	Comprehensive Africa Agriculture Development Program
CARG	*Conseil Agricole et Rural de Gestion* (Agriculture and Rural Management Counsel)
CAS	Country Assistance Strategy
CAZES	*Cellule d'Appui aux Zones Économiques Spéciales (*Special Economic Zone Support Unit*)*
CCMHP	*Coopérative des Concessionnaires Moyens d'Huile de Palme* (Medium-Size Palm Oil Concession Holders' Cooperative)
CGF	Congolese Franc
CDSP	*Projet de Competitivité et de Développement du Secteur Privé* (Competitiveness and Private Sector Development)
CEM	Country Economic Memorandum
CLER	*Comité Local d'Entretien Routier* (Local Committee for Road Maintenance)
COD	Congo Oil and Derivatives
CONAPAC	*Confédération Nationale des Paysans du Congo* (National Confederation of Congolese Farmers)
COPEMECO	*Confédération des Petites et Moyennes Entreprises du Congo* (Confederation of Small and Medium-Sized Enterprises)
CPAR	*Country Procurement Assessment Report*
CPI	*Conseil Présidentiel pour l'Investissement* (Presidential Investment Council)
CTB	*Coopération Technique Belge* (Belgian Technical Cooperation)
DfID	Department for International Development
DIME	Development Impact Evaluation
DTIS	Diagnostic Trade Integrated Study
DVDA	*Direction des Voies de Desserte Agricole* (Directorate of Agricultural Access Roads)
EA	Environmental Assessment
EMP	Environmental Management Plan

EPZ	Export Processing Zone
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
EU	European Union
FAO	Food and Agriculture Organization
FEC	*Fédération des Entreprises Congolaises* (Federation of Congolese Enterprises)
FEF	*Facilité en Faveur des États Fragiles* (Fragile States Unit)
FEPROHPAL	*Fédération des Producteurs d'Huile de Palme* (Palm Oil Producers' Federation)
FONER	*Fonds National d'Entretien Routier* (National Road Maintenance Fund)
FOPAKO	*Forces Paysannes du Kongo* (Farmers' Coalition of Congo)
FRER	*Fonds Régional d'Entretien Routier* (Regional Road Maintenance Fund)
FY	Fiscal Year
GAC	Governance and Anti-corruption
GDP	Gross Domestic Product
GIE	*Groupement d'Intérêt Économique* (Economic Interest Group)
GNI	Gross National Income
GPP	Global Partnership Program
HDI	Human Development Index
HIPC	Highly Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
IDA	International Development Association
IEC	Information Education and Communication
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
INERA	*Institut National pour l'Étude et la Recherche Agronomique* (National Institute for Agricultural Studies and Research)
INS	*Institut National de Statistique* (National Statistical Institute)
IPF	Investment Project Financing
ISP	Implementation Support Plan
ITAV	*Institut de Techniques Agricoles et Vétérinaires (Agricultural and Veterinary Techniques Institute)*
JICA	Japan International Cooperation Agency
KfW	*Kreditanstalt für Wiederaufbau* (German Reconstruction Credit Institute)
LIL	Learning and Innovation Loan
M&E	Monitoring and Evaluation
MinFin	*Ministère des Finances* (Ministry of Finance)
MPIP	Multi-Purpose Industrial Park
MSME	Micro, Small, and Medium-Sized Enterprise
NGO	Non-Governmental Organization
NPV	Net Present Value
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (Framework for the Harmonization of Business Laws in Africa)
ORAF	Operational Risk Assessment Framework
PAP	Person Affected by the Project

PARRSA	*Projet d'Appui à la Réhabilitation et à la Relance du Secteur Agricole* (Agriculture Rehabilitation and Recovery Support Project)
PDF	Project Development Fund
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Project Implementation Manual
PMP	Pest Management Plan
PMU	Project Management Unit
PPA	Project Preparation Advance
PPD	Public-Private Dialogue
PPF	Project Preparation Facility
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSDCP	Private Sector Development and Competitiveness Project
RAP	Resettlement Action Plan
REGIDESO	*Régie de Distribution d'Eau* (National Water Corporation)
RPF	Resettlement Policy Framework
SENAQUA	*Service National d'Aquaculture* (National Aquaculture Service)
SENASEM	*Service National de Semences* (National Seed Service)
SME	Small and Medium-Sized Enterprise
SNEL	*Société Nationale d'Électricité* (National Electricity Corporation)
SNV	*Stichting Nederlandse Vrijwilligers (*Netherlands Development Organization*)*
SOFIDE	*Société Financière de Développement (Financial Development Agency)*
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TA	Technical Assistance
ToR	Terms of Reference
TVET	Technical and Vocational Education and Training
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development

Vice President:	Makhtar Diop
Country Director:	Eustache Ouayoro
Sector Director:	Gaiv Tata
Sector Manager:	Paul Noumba / Severin Kodderitzsch
Task Team Leaders:	Amadou Dem / Amadou Oumar Ba

DEMOCRATIC REPUBLIC OF CONGO
Western Growth Poles Project

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PAD DATA SHEET

Democratic Republic of Congo

Western Growth Poles (P124720)

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTFW/AFTA2

Report No.: PAD202

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P124720	Investment Project Financing	A - Full Assessment	Amadou Dem / Amadou Oumar Ba
Project Implementation Start Date		Project Implementation End Date	
11-Jun-2013		28-Feb-2019	
Expected Effectiveness Date		Expected Closing Date	
30-Aug-2013		30-Aug-2019	
Joint IFC			
No			
Sector Manager	Sector Director	Country Director	Regional Vice President
Paul Noumba Um	Gaiv M. Tata	Eustache Ouayoro	Makhtar Diop

Borrower: Democratic Republic of Congo	
Responsible Agency: Ministry of Finance	
Contact:	Title:
Telephone No.: (243-8) 1811-6565	Email: minfinrdc@micronet.cd

Project Financing Data(in USD Million)					
[ ]	Loan	[X]	Grant	[ ]	Other
[ ]	Credit	[ ]	Guarantee		

Total Project Cost:	114.70	Total Bank Financing:	110.00
Total Cofinancing:		Financing Gap:	0.00

Financing Source	**Amount**
BORROWER/RECIPIENT	4.70
IDA Grant	110.00
Total	114.70

Expected Disbursements (in USD Million)							
Fiscal Year	2014	2015	2016	2017	2018	2019	2020
Annual	5.00	15.00	30.00	35.00	15.00	10.00	0.00
Cumulative	5.00	20.00	50.00	85.00	100.00	110.00	110.00

Proposed Development Objective(s)

The proposed Project Development Objective (PDO) is to increase productivity and employment in selected value chains in target zones in the Democratic Republic of Congo.

Components

Component Name	Cost (USD Millions)
Agriculture Value Chains Development in Bas-Congo	48.00
Special Economic Zone of Maluku	27.00
Proactive Business Development	16.00
Coordination, Monitoring, Communication and Impact	8.00

Institutional Data

Sector Board

Competitive Industries Practice

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	30		
Industry and trade	General industry and trade sector	30		
Transportation	General transportation sector	20		
Information and communications	Telecommunications	10		
Finance	General finance sector	10		
Total		100		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%

Financial and private sector development	Infrastructure services for private sector development	60
Financial and private sector development	Micro, Small and Medium Enterprise support	40
Total		100

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ] No [X]
Does the project require any waivers of Bank policies?	Yes [ ] No [X]
Have these been approved by Bank management?	Yes [ ] No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ] No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No [ ]

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

Legal Covenants

Name	Recurrent	Due Date	Frequency
Recruitment of External Auditor		30-Nov-2013	

Description of Covenant

The Recipient shall recruit, no later than three (3) months after the Effective Date, an independent external auditor for the Project in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Name	Recurrent	Due Date	Frequency
Updating of Financial Management Software		30-Nov-2013	

Description of Covenant			
The Recipient shall have updated the existing financial management software, no later than three (3) months after the Effective Date, in form and substance acceptable to the Association and included the procurement system (planning, monitoring and contract management) with thereto.			
Name	**Recurrent**	**Due Date**	**Frequency**
Training to Staff, Filing System for the Project and Procurement Consultant		30-Nov-2013	
Description of Covenant			
The Recipient shall ensure that no later than three (3) months after the Effective Date: (i) training of at least two staff in each relevant line ministry has been provided; (ii) a filing system for the Project has been set up; and (iii) a procurement consultant to support the FEF Unit has been recruited.			

Conditions	
Name	**Type**
Master Plan	Effectiveness
Description of Condition	
The Recipient has adopted the Master Plan, in form and substance acceptable to the Association.	
Name	**Type**
Steering Committee	Effectiveness
Description of Condition	
The Recipient has established the Steering Committee, in form and substance acceptable to the Association.	
Name	**Type**
Project Implementation Manual	Effectiveness
Description of Condition	
The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.	
Name	**Type**
Payments under Category (2)	Disbursement
Description of Condition	
No withdrawal shall be made for payments under Category (2), unless the conditions below have been satisfied in form and substance acceptable to the Association: AZES has been established and is fully operational; a legal and regulatory framework in respect of the SEZ of Maluku has been adopted by the Recipient; and the Recipient has implemented the Maluku RAP.	

Team Composition

Bank Staff

Name	**Title**	**Specialization**	**Unit**
Amadou Dem	Senior Economist	Task Team Leader (TTL)	AFTFW
Amadou Oumar Ba	Senior Agricultural Spec.	Task Team Leader (TTL)	AFTA2

Aissatou Diallo	Senior Finance Officer	Senior Finance Officer	CTRLA
Alexandre K. Dossou	Senior Transport. Spec.	Senior Transport. Spec.	AFTTR
Amadou Konare	Consultant	Environmental Safeguards	AFTEW
Angelo Donou	Financial Management Specialist	Financial Management Specialist	AFTMW
Anne Cecile Souhaid	Consultant	Consultant	CICAF
Anthony Molle	Senior Counsel	Senior Counsel	LEGSO
Antoine Ngoupou Mounmemi	Junior Professional Associate	Junior Professional Associate	AFTFW
Antoine V. Lema	Senior Social Development Specialist	Senior Social Development Specialist	AFTCS
Babakar Sedikh Faye	Operations Officer	Operations Officer	CAFJ6
Bella Lelouma Diallo	Senior Financial Management Specialist	Senior Financial Management Specialist	AFTMW
Bourama Diaite	Senior Procurement Specialist	Senior Procurement Specialist	AFTPW
Chiara Bronchi	Lead Public Sector Specialist	Lead Public Sector Specialist	AFTP5
Delphin Musampa Tshimena	Consultant	Consultant	AFTCS
Gokhan Akinci	Lead Investment Policy Officer	Lead Investment Policy Officer	FCDKP
Hemchand Rai Heeroo	Senior Energy Specialist	Senior Energy Specialist	AFTEG
Irene Chacon	Operations Analyst		
Jacqueline Beatriz Veloz Lockward	Program Assistant	Program Assistant	AFTFW
Johannes Herderschee	Senior Economist	Senior Economist	AFTP4
Julien Emmanuel Galant	Consultant	Consultant	AFTFW
Leonce Kazumba	Team Assistant	Team Assistant	AFCC2
Louise Mekonda Engulu	Senior Communications Officer	Senior Communications Officer	AFRSC
Markus Scheuermaier	Senior Operations Officer	Senior Operations Officer	CAFJ6
Maximilien Onga Nana	Consultant	Consultant	AFTFW
Milaine Rossanaly	Consultant	Consultant	AFCC2
Nicole Kasongo Kazadi	Team Assistant	Team Assistant	AFCC2
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Papa Demba Thiam	Senior Private Sector Development Specialist	Senior Private Sector Development Specialist	AFTFW
Paul Jonathan Martin	Sector Leader	Senior Environmental Specialist	AFTSN
Philippe Mahele Liwoke	Senior Procurement Specialist	Senior Procurement Specialist	AFTPW
Rachidi B. Radji	Country Manager	Sector Lead Specialist, Human	AFMBI

		Development	
Samuel Taffesse	Senior Operations Officer	Senior Operations Officer	AFTFW
Siaka Bakayoko	Country Manager	Country Manager	AFTMW
Steven R. Dimitriyev	Senior Private Sector Development Specialist	Senior Private Sector Development Specialist	AFTFW
Taye Alemu Mengistae	Senior Economist	Senior Economist	AFTFE
Tazeen Hasan	E T Consultant	Legal and Gender	PRMGE
Vincent Palmade	Lead Economist	Lead Economist	SASFP
Zhihua Zeng	Senior Economist	Senior Economist	AFTFE

Non Bank Staff

Name	Title	Office Phone	City
Ibrahima Dione	Consultant		
Djelika Pare	Consultant		

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Congo, Democratic Republic of	Bas-Congo	Tshela	X		
Congo, Democratic Republic of	Bas-Congo	Mbanza-Ngungu	X		
Congo, Democratic Republic of	Kinshasa	Kinshasa City	X		Maluku
Congo, Democratic Republic of	Bas-Congo	Province du Bas-Congo	X		Lukula
Congo, Democratic Republic of	Bas-Congo	Province du Bas-Congo	X		Kimpese
Congo, Democratic Republic of	Bas-Congo	Province du Bas-Congo	X		Boma
Congo, Democratic Republic of	Bas-Congo	Province du Bas-Congo	X		Inkisi

I. STRATEGIC CONTEXT

A. Country Context

1. The Democratic Republic of Congo (DRC) is a resource rich country with considerable potential for development. With a land surface area of 2.3 million km^2, it is the largest country in Sub-Saharan Africa (SSA). The country's mineral resources endowment is huge. DRC has the world's largest diamond reserves, and major reserves of other minerals, including copper, gold, cobalt, rare earths, cassiterite, and columbite-tantalite (coltan). With over 80 million ha of fertile and arable land and 52 percent of all fresh water resources in SSA, the country could potentially feed one billion people if the existing agricultural potential were fully exploited. With 16,000 km of waterways, the country has a potential hydroelectric generation capacity of 100,000 MW that could power most of the continent.

2. Despite its rich endowments, DRC is one of the world's poorest countries with a 2011 per capita gross national income (GNI) of US$190. More than 70 percent of its population, which is estimated at 71 million,[1] lives in poverty (under the US$1.25-a-day poverty line (2006). The country's Human Development Index (HDI) ranks it last among 187 countries. Moreover, poverty in DRC poses gender issues and regional disparities: 28 percent of women have never attended school, compared to 14 percent for men; poverty affects more rural areas (75.7 percent) than urban areas (61.4 percent); and the percentage of people in the poverty trap is 35 percent in rural areas compared to 26 percent in urban areas (World Bank, 2007). Food insecurity affects the majority of the population, while more acute in rural areas.

3. The country is emerging from a long period of conflicts, which have had devastating impacts on the economy and the population. The country suffered two civil wars that claimed more than three million lives and continue to severely affect both economic and social developments. Although recovery has been slow and uneven, the country managed to hold two legislative and presidential elections in 2006 and 2011 respectively. President Kabila was reelected for a second term. Elections at the provincial and local levels have been delayed because of lack of financial resources and need to reform the electoral system. The security situation is stable in most of the country except in few areas of the Eastern provinces which have been affected by recurrent violence for decades. The signing of a peace, security and cooperation agreement for DRC by 11 countries on February 24, 2013 was an important step toward a sustainable and peaceful solution to the conflict in the eastern part of the country.

4. DRC continues to face acute development challenges. Among these are: (i) huge infrastructure deficit; (ii) limited economic diversification; (iii) limited public sector capacity to provide public goods and/or support to private sector-led inclusive growth; (iv) weak governance systems and institutions; (v) predatory culture of rent seeking; and (vi) limited judicial protection of investments that all together dilute prospects for resource-based inclusive growth and sustainable jobs creation.

5. The DRC's economy has been growing rapidly since 2010, but the robust economic growth has not been inclusive enough to deliver sustainable and reasonably well paying jobs.

[1] Estimates from 2012 UN World Population Prospects.

This situation poses significant risks to social cohesion and stability. The country's economic growth was cyclical and relatively weak between 2007 and 2009. However, since 2010, economic growth has exceeded the average for SSA by two percentage points with a growth rate averaging 7 percent (Annex 12). The strong economic growth witnessed in recent years has not benefited the majority of the population. The high unemployment rate (estimated at 58 percent in 2009) is a major concern for the Government.

6. Approximately one-third of the food consumed in the country is imported, and the net trade balance in agriculture is negative. Statistics on agriculture are limited, but data from the Bank's 2012 Country Economic Memorandum (CEM) and the 2010 Diagnostic Trade Integrated Study (DTIS) indicates a production deficit estimated at 800,000 and 50,000 tons respectively for maize and palm oil. For cassava, the production deficit is estimated at 2,000,000 tons. The deficit for rice, fish and meat were estimated at 24,000, 50,000 and 600,000 tons respectively in 2008 (CEM, 2012).

Government Initiatives and the Way forward

7. The Government outlined its vision in the second Poverty Reduction Strategy Paper (PRSP-2), adopted in 2011, which aims to reduce the country's poverty rate from 71 percent to 60 percent by 2015. PRSP-2 rests on four pillars: (i) strengthening governance and consolidating peace; (ii) diversifying the economy to accelerate growth and create employment; (iii) improving access to basic social services and enhancing human capital; and (iv) protecting the environment and combating climate change. The focus of the Government's 2012-2016 Action Plan, which operationalizes the PRSP-2, is on governance, public finance management, modernization of the public administration, private-sector led growth, human development, closing the infrastructure gap and improving security.

8. The Government's targets to accelerate growth and generate employment are ambitious. The objective of the Government's program is to promote resource-based inclusive growth, by unleashing growth potentials of key productive sectors including agriculture and agro-business. Under this Action Plan, eight growth poles corridors have been selected in the country based on a number of criteria[2]. The proposed Growth Poles project emanates from this broader Growth Poles Program, and will pilot this approach in the Bas Congo-Kinshasa corridor, which hosts some of the greatest potentials in agriculture (maize, cassava, rice, palm oil, fruit and vegetables, coffee and cocoa, etc.) with potential access to the big Kinshasa urban and suburban market (more than 10 million inhabitants).

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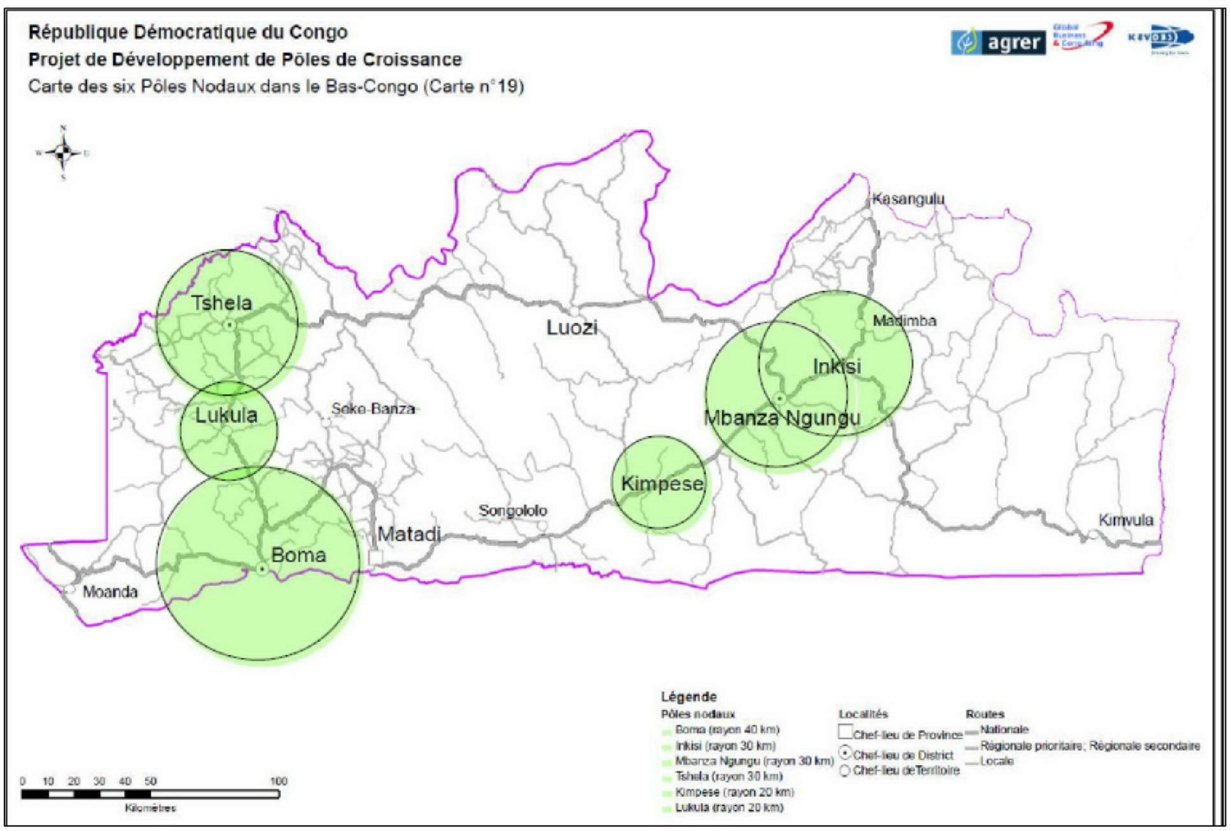
[2] (i) Minimum infrastructure platform (roads, railroads, river transport, electricity); (ii) Significant economic potential - potential can come from underexploited natural resources (agricultural, mining), industrial advantage (clusters), SMEs base, human capital; (iii) Geographic Position (proximity to markets or trade routes or corridors, sources of demand), potential forward or backward linkages; transport terminals; (iv) Political advantage (human needs, regional integration, inclusion, post conflict rebuilding, decline or stagnation zones; areas of high poverty, malnutrition); (v) Ownership- engagement of key players in achieving development goals and implementing reforms, existence of an economic plan and spatial strategy, strong civil society; (vi) existence of lead/anchor investors and potential efficiency gains (existence of a vertically disintegrated industry with an anchor/lead investor; existence of a missing link in a value chain that can be exploited); and (vii) existence of relevant projects or programs supported by Government or development partners.

9. As part of the Action Plan, the Government has also included among its priorities the development of five Special Economic Zones (SEZs).[3] A draft SEZ law has been adopted by the Government and sent to the Parliament (both to the Senate and the National Assembly).

10. Building on the analysis and recommendations of the Diagnostic Trade Integrated Study (DTIS, 2010), the CEM,[4] the Master Plan prepared as part of the Project Preparation Advance (PPA) and field missions, the project's initial focus will be to support the development of three agribusiness value chains (cassava, rice, and palm oil)[5] in six poles in the Bas Congo province (Boma, Lukula, Tshela, Kimpese, Mbanza-Ngungu and Inkinsi) and in the Maluku SEZ. These crops were selected out of thirteen potential crops, based on their impact on poverty reduction, and economic growth. Studies show that increasing agricultural production by 10% could increase revenues of poor households by 16%, compared to 8% for services and 12% for industrial production (CEM 2012). Increasing women's access to agricultural inputs also would improve women's livelihoods and increase food security in households. Annex 10 provides more details on the methodology used for the selection of the crops. Figure 1 below highlights the six poles of interventions in the Bas-Congo.

Figure 1: Targeted poles in the Bas Congo



[3] SEZs are geographical areas, within which investors benefit from a favorable business climate, through access to land, modern infrastructure and clear regulatory and fiscal framework.
[4] The Country Economic Memorandum "Resilience of an African Giant: *Boosting Growth and Development in the Democratic Republic of Congo*", the World Bank, 2011. Report No. 64821.
[5] Palm oil produced is largely consumed locally given the production deficit, but has a huge potential for exports.

B. Sectoral and Institutional Context

11. Reviving the agriculture sector will require stronger private sector participation and better infrastructures. Increased private sector participation is needed to support the development of value chains and commercial agriculture in partnership with small holder farmers. However, this effort is constrained by several factors, which fall into four broad categories: deficient infrastructure (energy and transport); poor governance and business regulations; lack of skilled workers; and high cost of financing.

12. Lack of reliable power supply is recognized as a major constraint to economic recovery in every part of the country. Access to electricity is extremely limited, reaching fewer than 9 percent of households. Of the country's potential production capacity of 100,000 MW,[6] only 2,400 MW (or 2.4 percent) are developed, with only 700 MW of these available.

13. In addition to power supply, the poor development of the transport network seriously impedes productive activities and access to markets.[7] The integration of various provinces to foster trade and economic linkages is difficult at this stage as a result of a deficient and dysfunctional transport system. For example, Kinshasa is only connected to five provincial capitals (Bandundu, Kananga, Matadi, Mbandaka and Mbuji-Mayi) by road, to one provincial capital (Kisangani) by river and air, and to four provincial capitals (Bukavu, Goma, Kindu, and Lubumbashi) by air only. The performance of the railroad and river transport systems is poor in terms of time, cost, quality, safety and reliability and this affects the country's ability to exploit its huge growth potential. Overall, poor infrastructure has locked down productivity, inhibited private investment in inputs and outputs markets. Studies show that a 10 percent reduction in transportation costs could increase agricultural productivity by 6 percent (CEM 2012).

14. Low productivity level of the labor force and shortage of professional skills. In 2010, nine percent of formal enterprises perceived lack of professional skills as a problem, compared to one percent in 2006. As indicated in a 2009 World Bank report[8] on education and training, the "formal secondary education and technical and vocational education and training (TVET) system is characterized by low efficiency, poor quality and irrelevance, and only caters to the formal sector". The TVET system does not provide skills training that are relevant for productive activities in agriculture and the informal sector, despite the fact that the majority of the labor force is employed in the agricultural and informal sectors.

15. The embryonic financial sector in DRC shows potential for growth though hampered by weak policies and infrastructure. Although the number of banks and non-bank financial institutions has almost doubled since 2007 to reach 25, the country's financial sector is one of the

[6] The current total installed capacity in SSA is 68,000 MW.

[7] The weak state of transportation infrastructures raises the cost of marketing agricultural produce. Surface transportation is estimated to cost US$0.16 per ton-kilometer in DRC as against US$0.05 in southern Africa. With a cost of about US$0.05 per ton-kilometer, waterways offer a highly competitive mode of transportation. (Source: *DRC Rehabilitation and Recovery Project*, World Bank, 2010). In addition, a survey conducted by the University of Kinshasa in 2005 showed that transportation costs account for 49 percent of the price of cassava, one of the main agricultural product originating in Bandundu and sold in Kinshasa (Source: *Étude sur les Opportunités de Valorisation Industrielle du Manioc en RDC*, July 2010).

[8] "Changing the trajectory: Education and training for youth in DRC", World Bank Working Paper No. 168, 2009.

weakest in Sub-Saharan Africa in terms of bank penetration rate (around 5.7 percent). Apart from micro-credit, over 80 percent of bank loans are short-term loans to corporate clients and large companies or loans that have cash collateral or offshore guarantees. The development of mobile banking has been slow due to lack of the necessary infrastructure.

16. For large agro-industrial enterprises, which usually have the capacity to directly address critical infrastructure constraints such as rural roads or power, the poor availability of secured land is a major constraint. In practice, the land market is characterized by: (i) a high risk of disputes caused by the dualism of the land regime (written law vs. oral customary law); (ii) slow access to land due to burdensome administrative procedures; and (iii) the lack of a rural land registry.

17. The constraints identified above apply nationwide. However, given the size of the country, each province has its own particularities. In each pole to be supported by the project, the main constraints along the value chains of the targeted products have been identified and presented in Table 1. The project has been designed to contribute to addressing these constraints.

Table 1: Main Constraints by Pole, Enterprise Type, and Focal Areas

	Bas Congo (food and export crops)		**Kinshasa/Maluku (agro-processing)**	
Large enterprises	- Availability of agriculture land with clear title - Port capacity	- Extension services, research	- Serviced industrial land - Power	- Governance (administrative harassment) - Skilled workers
SMEs and small agriculture producers	- Quality inputs & basic equipment - Rural roads - Processing facilities - Technical training	- Supply chain logistics - Access to credit - Wholesale market - Quality/Certification	- Access to credit - Skilled workers	- Cost and quality of input
Traders and Intermediaries	- Trade finance - Trade logistics (warehouse, forwarding agencies, etc) - Governance		- Access to credit	

Source: Master Plan, March 2013

Main characteristics of selected of poles

18. **Kinshasa**. With an estimated population of more than 10 million inhabitants, Kinshasa is the second largest city in Sub-Saharan Africa after Lagos and will be the largest city in SSA by 2030. It is estimated that about 400,000 new inhabitants join Kinshasa every year. A major challenge is to create jobs to absorb a young labor force which is growing exponentially. Services account for more than two-thirds of Kinshasa's GDP though characterized by low productive jobs in the informal sector. Manufacturing, crop farming, livestock, and fisheries are also quite important within the city itself as well as in surrounding areas. As the national capital, it has a relatively heavy concentration of graduates from high schools (46 percent of all college graduates) and of tertiary education.

19. **Maluku**. Access to secured industrial and commercial land is in short supply in Kinshasa, which makes it difficult for existing businesses to expand and for new businesses to set up their factories. After assessing several possible sites, the Government has selected Maluku as the site for the construction of a pilot SEZ to address shortage of industrial land. Maluku is located in the Kinshasa Province, 70 km northeast from the center of the city itself, and offers the following advantages: (i) location within the industrial area defined by the 1973 Kinshasa Master

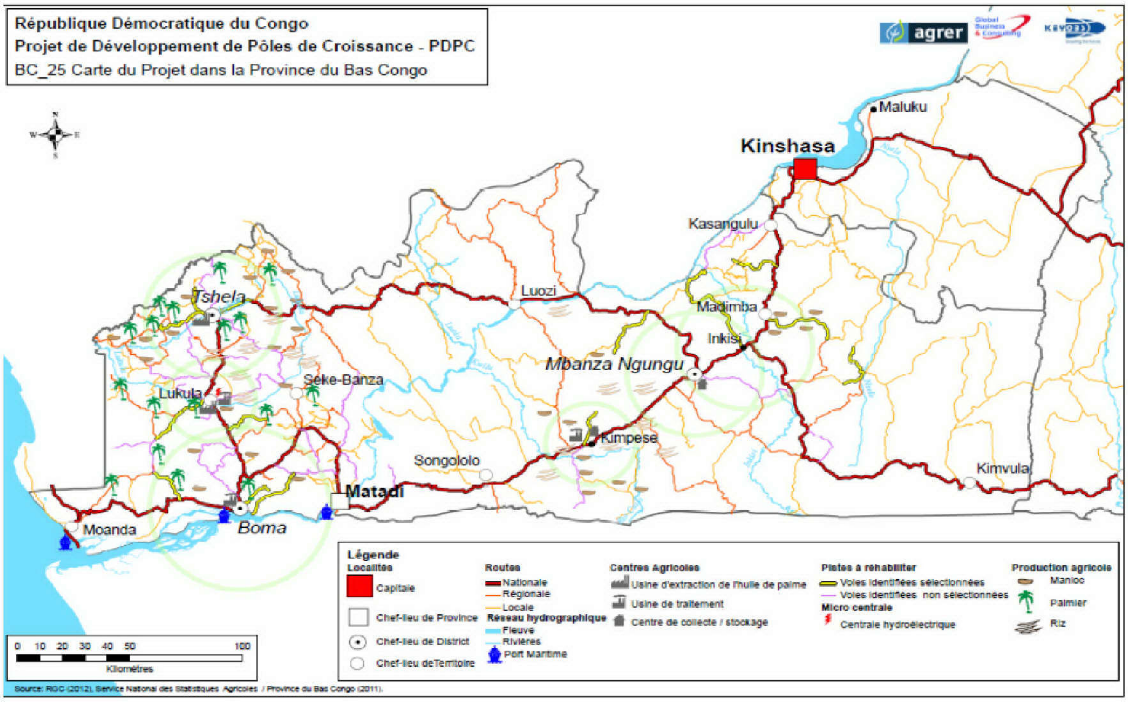
plan; (ii) strategic position on a multimodal transportation node providing access to a river network of 13,450 km (into the agricultural regions of Equateur and Orientale provinces) with road connections to Matadi, Bas-Congo (currently being improved), and Kikwit in Bandundu; and (iii) direct power connection to the Inga hydroelectric facility allowing the SEZ to receive autonomous, reliable and sufficient power.

20. **The Bas-Congo (Boma, Lukula, Tshela, Kimpese, Mbanza-Ngungu and Inkinsi).** Bas Congo province has a population of about 3 million and is the only province of the country with a direct access to the sea. It is one the most agriculturally productive province in the DRC, though only 30 percent of agricultural lands are exploited. Ecological and climatic conditions promote the cultivation of a wide range of tropical crops. The agricultural sector represents 48 percent of the province's GDP whereas mining and hydrocarbons represent 25 percent. Cassava production amounts to around 1.3 million tons, but corresponding to a low level of yield of about 8.5 T/ha. Mining, construction materials, the Inga hydro-electric complex and transportation are all major contributors to the economy of the province. When combined with Kinshasa, poles targeted within the province have the largest market potential[9] of all regions and growth corridors in the country because they enjoy better market access (domestic as well as foreign) as well as better access to suppliers (also both domestic and foreign).[10] Luozi, an important production center located close to Kimpesi where the government is launching an agricultural program, will also benefit from the infrastructure that will be financed by this project. Figure 2 below highlights spatial concentration of the targeted crops along two corridors: Tshela-Lukula-Boma and Kimpese-Mbanza Ngungu-Inkisi.

[9] The market potential of a location is a measure of how easy it is for the typical producer based in the location to find a market for its output and to access supplies to produce the output. It is technically defined as the distance weighted sum of the market capacities (or purchasing power) and supplier capacities (or productive capacity) of surrounding locations (Fujita et al. 1999).

[10] In assessing the market potential of a growth pole or a location it is often useful to make a distinction between the "market access" of the location, which relates to the scale of market outlets it offers to producers and its "supplier access" , which relates the ease of access to inputs that it offers producers.

Figure 2: Map of Proposed Areas of Interventions



C. Higher Level Objectives to which the Project Contributes

21. The project will contribute to the second pillar of Government's PRSP-2, namely the "diversification of the economy to accelerate growth and create employment". It will support the implementation of Government's 2012-2016 Action Plan, more specifically the objective of "macroeconomic stability, growth and job creation", for which the Government has adopted a growth pole development approach. It will also contribute to the achievement of the objective of the new joint World Bank Group FY2013-FY2016 Country Assistance Strategy (CAS, Report No. 66158) discussed by the Board of Directors on May 9, 2013 which is to support DRC in achieving and sustaining a high level of economic growth to create jobs and reduce its vulnerability. The proposed Western Growth Poles project is one of the two growth poles projects proposed in the CAS which focuses on transformational projects in energy, transport, skills development, ICT, and agriculture. Finally, the project is aligned with pillar two of the Bank's Africa Strategy, which is "Competitiveness and Employment".

22. The proposed project is multi-sectoral and complements other Bank's sectoral projects with activities in the targeted project areas, including: (i) the new Urban Development project, which will build urban infrastructure through labor-intensive works and construction in six target cities including Matadi, promoting private sector initiatives and supporting the emergence of SMEs in the construction industry; (ii) the new Financial Infrastructure and Inclusive finance project, which will modernize the DRC's payment system, support the expansion of micro-finance, and improve access to financial services to private sector entrepreneurs and households; (iii) two ongoing Energy projects which are rehabilitating the Inga hydropower facilities to improve availability and access to electricity in DRC; and (iv) the ongoing Skills Development study, which examines competencies and skills needed along the Growth Poles areas. Besides,

this project will build on the fiduciary capacity that was put in place by the ongoing ProRoutes[11] and Agriculture projects.

23. The preparation of this project benefited from IFC inputs and coordination. The Bank and IFC are collaborating closely to support job-creation and private sector development in DRC and have aligned their operations through the new joint CAS. This project also builds on ongoing initiatives supported by other development partners and is expected to foster synergies and create a framework for a more integrated approach. The Belgian Technical Cooperation (CTB) and AfDB are the main partners providing support for rural infrastructure, including rural roads, in the Bas Congo-Kinshasa corridor. Other partners, including UNIDO, EU, IFAD and USAID also support activities at the production, marketing and processing levels that will complement the Growth Poles project. These development partners are supporting projects in the same area targeting also rural infrastructures, value chains development and capacity building of farmers' organizations. The Bank has ensured through regular meetings with development partners that the new interventions as part of the Western Growth Poles project are complementary with donors' supported activities in the area.

24. The private sector has been involved from the early stage of project preparation and was in fact the determinant behind the currently identified scope of activities. The Government launched a request of interest for the development of the Maluku SEZ to which about 20 companies responded. The authorities continue to promote the private sector investment in the country as they did for example during the Government's economic promotion mission to France and Switzerland. In addition, strategic partnerships with private companies are being identified as part of Component 1, starting with the partnership between Congo Oil and Derivatives (COD), a large palm oil processing company based in Boma and small palm oil producers' organizations, with a view to rehabilitate the broken palm oil value chain. During early implementation, the project will build on this momentum to pursue further partnership opportunities. Potential partnerships could be developed with other private firms such as FERONIA, a rice processing mill plant established in Kimpese, and SEMAG, an agricultural services and machinery firm in Bas Congo. Overall, the project will promote private sector participation across the different components building on the capacity and outreach potential of anchor investors.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective (PDO)

25. The proposed Project Development Objective (PDO) is to increase productivity and employment in Selected Value Chains in target zones in the Democratic Republic of Congo.

Project Beneficiaries

26. **Primary target group.** Physical infrastructure will be built in the project areas, with direct support provided to private operators, SMEs, farmers' organizations, NGOs, and public institutions involved in the development of the targeted sectors. The primary target groups of the project are investors and households located in and around project areas.

[11] ProRoutes is the WB financed transport project in DRC.

27. **Direct beneficiaries.** Initial estimates made during project design and confirmed through further discussions with existing agro-industrial companies and farmers organizations shows that 50,000 farmers are expected to directly benefit from the project, out of which 40 percent will be women. In addition, at least ten large enterprises and 30 SMEs will benefit from secured and serviced industrial land in the Maluku SEZ. An estimated of 11,000 jobs could be created according to the economic analysis carried out during project preparation.

28. **Indirect beneficiaries** will include family members of workers employed directly or indirectly by the project. The population of Kinshasa will also benefit through better access to cheaper agricultural products as a result of improved transportation, processing, market logistics, and reduced harassment along the Boma-Kinshasa corridor. Finally, local governments in the targeted poles will also benefit as the result of increased taxes due to increased economic activity.

B. PDO Performance Indicators

29. Key PDO related performance indicators include: (i) Number of jobs created, of which for female (percent); (ii) Direct Project Beneficiaries (number), of which female (percent); and (iii) improved productivity of food crops in selected value chains supported by the project.

III. PROJECT DESCRIPTION AND RATIONALE

30. The proposed project will support the Government's Action plan to reverse years of declining agricultural production in the country by strengthening select agriculture value chains in the targeted poles of the Bas Congo province and the Maluku SEZ. It will support the development of competitive value chains and access to markets, leveraging private anchor investors and supporting out grower schemes, while strengthening critical rural infrastructures. It will also contribute to accelerated jobs creation by removing physical, regulatory and organizational bottlenecks in targeted value chains to stimulate private investments. A critical mass of complementary interventions - both hard and soft – will be provided to increase agriculture outputs in three selected value chains in the Bas Congo and Kinshasa areas.

31. As indicated earlier, the project is an important piece of the Government's 2012-2016 Action Plan in which the Growth Pole approach is a key tenet to help galvanize economic activities in areas with high potential. The Government has requested donors' support for this initiative. The Government also has actively pursued an incentive mechanism to attract private sector investments especially in selected growth pole regions, including through fiscal and regulatory reforms. Regional governors and local authorities also have showed equal interest in pursuing such project and exerted an equivalent effort to facilitate and prepare for the growth poles project. At national and provincial levels, a number of consultations among different stakeholders were conducted and broad ownership and interest have been created around this approach. In the process, the Government has identified and defined the role of each participating institutions in implementing the proposed project. Finally, it is noteworthy to indicate that this project is considered as a pioneer in the country and has triggered much interest from other partners to implement a similar approach (e.g. South Africa and the African Development Bank).

32. The project appears to be complex as it covers a broad array of activities and spans several production poles, but it will build on the ongoing momentum and experience gained during project preparation and will rely on a phased implementation approach. The implementation of the project will be done in stages, to allow the Bank to assess progress made and adjust project activities as needed. The first stage will mostly consist in securing partnerships with key organizations and private companies that are already involved in the targeted value chains and will focus on setting up the basic conditions for the development of the Maluku SEZ. It will also consist in strengthening capacities of farmers' organizations and in completing technical studies for the construction of key rural infrastructure identified to unleash agriculture potential in targeted value chains. The next stage will consist in launching inter-alia civil works for processing centers, rural roads rehabilitation, implementing the palm oil partnership between the existing anchor investors and farmers' cooperatives. The sequencing of key activities is described in Table 4 (Annex 3). The completion of key technical studies to be launched under stage one will determine the key interventions under stage two. The design including scope and pace of implementation of project activities will be adjusted in a flexible manner, depending on progress made under stage one. Depending on implementation pace and difficulties encountered, the team will consider revisiting the scope of the project even before mid-term review to ensure PDO achievement.

33. Three types of infrastructure and services will be financed: (i) common service platforms including technical centers for agro-processing, collection platforms and markets; (ii) rehabilitation of priority rural roads and their maintenance around the targeted poles; and (iii) improvement of local power supply. The last intervention may take the form of rehabilitation of the local electricity network. At this stage, however, design is still unclear and implementation of this intervention will depend on future technical studies. In addition, the project will support capacity building of involved producers' organizations.

34. **Common service platforms and markets.** The platforms will include market plaza, warehouses, and parking areas. They will also include equipment provision to promote standards, quality, measurement, and testing. These platforms will house infrastructures and equipment for common use to enable economies of scale. To reduce revenues losses for farmers due to the remoteness of farms and deficient rural roads, the project will finance the rehabilitation and maintenance of priority rural roads,[12] which are currently not supported by the Bank's ongoing program for road development that is mainly focused on trunk roads.[13]

35. The structure of these platforms and definitive location of resulting infrastructures will be agreed on the basis of ongoing studies to guide the development of the targeted poles. On transport and electricity, the proposed project will only focus on smaller but critical investments for the targeted value chains, which are not supported under other Bank projects in line with the sectoral strategies.

[12] The estimated cost of rehabilitating tracks is between US$10,000 and US$15,000 per kilometer. The estimated cost of maintenance is between US$800 and US$1,000 per kilometer.

[13] The Bank has financed in the past the Matadi-Kinshasa paved road which is now contributing to unlocking the growth potential of the Bas Congo. However, the feeder roads system remains to be supported.

36. The paragraphs below summarize the activities by component. Annex 2 presents a more detailed presentation of these components.

A. Project Components

Component 1: Agriculture Value Chains Development in Bas-Congo (US$48 million)

37. This component will increase the agricultural supply capabilities of farmers' organizations and provide basic rural infrastructure in order to strengthen the targeted value chains and better supply markets, including Kinshasa. This component will be implemented through two sub-components in two main growth centers, as identified by the Master Plan: the Boma-Lukula-Tshela poles, and the poles of Kimpese-MbanzaNgungu-Inkisi. This component will finance consultant services to provide technical assistance and support services to farmers organizations and benefiting institutions; works (the construction of technical and collection platforms, rural roads and upgrading of electricity network); and goods and equipment.

Subcomponent 1.1: Enhancing Agricultural Supply Capabilities (US$30 million)

38. This sub-component will initially focus on three value chains: palm oil, cassava, and rice.[14] Interventions funded under this sub-component will: (i) strengthen producers' organizations and provide them with certified planting materials (except for palm oil trees), other relevant inputs, and agricultural extension services; (ii) support the development of partnerships between agro-industrial partners and farmers' cooperatives; and (iii) establish technical centers for agro-processing.

39. **Capacity building of producers' organizations**. The project will build the capacity of about 50,000 farmers through existing farmers' organizations (e.g. Farmers' Coalition of Kongo (FOPAKO)), including women's associations. In partnership with local institutions including the National Institute for Agricultural Research (INERA) and the National Seed Service (SENASEM), the project will provide technical skills, and facilitate the introduction of innovative practices and technologies. The Bank has experience working with these two research institutes, as similar partnerships were signed with them as part of the ongoing Bank-financed PARRSA project. SENASEM has laboratories already in place in Boma and Mbanza Ngungu that are staffed and with basic equipment. INERA also has two stations available within the project area. The project will strengthen the capacities of these two centers (training, equipment, office space and transportation), to enable them to work with farmers' organizations and NGOs to promote access to quality inputs (seeds, cuttings), agricultural extension services and other relevant inputs required to improve the supply of agricultural products in the Bas Congo.

40. **Development of partnerships between strategic agro-industrial investors and producers' organizations**. In the palm oil sector, the project will support the development of a partnership between a large palm oil processing company based in Boma and groups of small farmers with the aim of structuring, integrating and developing supply chains in this sector. Discussions are ongoing with this palm oil processing company and an arrangement is also being negotiated with existing palm oil farmers' organizations, which were created recently with support from the Netherlands Development Organization (SNV), and an international NGO

[14] Additional commodities may be considered following Mid-Term Review.

based in Matadi. This NGO is working with the company processing palm oil products and the farmers' organizations on the development of a sustainable palm oil industry around two main components: (i) support for the organization of the value chain; and (ii) the rejuvenation of existing village plantations. The project will support the implementation of this arrangement. Similar partnerships with private companies are sought for the other value chains (inter-alia rice and cassava).

41. **Construction of primary palm oil processing and extraction facilities**. Such facilities will be built in Lukula and Tshela in production areas in order to supply higher value intermediary products to strategic agro-industries. These facilities will be transferred to existing farmers' organizations that will administer them with support from UNIDO and SNV. At the beginning, the management of these facilities will be contracted out to a private sector with technical knowledge on Operations and Maintenance (O&M). The project will also ensure that a critical mass of farmers are trained to take over the O&M responsibilities, at least by the end of the fourth year. That does not preclude the occasional monitoring of the facility by a firm with O&M capability, and the project will contract such a firm during its execution. By the fifth year, all O&M cost will be borne by the beneficiary farm organizations.

42. In 2011 the World Bank Group completed a review of the palm oil sector, catalyzed by stakeholder concerns regarding negative environmental and social impacts of the sector together with the recognition of recent expansion and potential for developmental benefits, particularly for the rural poor. As a result, and responding to requests from counterparts, a Good Practice Note [15] prepared by the World Bank Group has determined that a qualified reengagement that will allow support to palm cultivation, which is sustainable (including that does not degrade the environment) and benefits the poor can be pursued. Consistent with this approach, during project preparation, Bank Staff has relied on the Good Practice Note that was adopted for engagement in the sector and the project will not provide support for new plantations that could encourage deforestation, but will only finance the rehabilitation of existing over-aged village plantations.

43. **Establishing technical platforms for agro-processing and training**. The project will support the establishment of a technical center for the processing of food products in Lukula, a major production center located between Boma and Tshela. The center will provide processing equipment jointly used by producers' organizations in the surrounding areas. The center will also offer technical assistance in order to improve quality as well as technical training services and coaching for SMEs and micro enterprises. The existing technical center in Kimpese was sought as a demonstration center coupled with an existing training institute run by a church organization. This center had a very limited capacity to face the region's abundant production, and was recently upgraded by UNIDO with Japanese funding. The extension has been operational since 2012 and already provided training to more than 1,500 persons (of which 92% are women). It only processes around 5 tons of cassava per day, which is very limited, compared to the region's potential and the increasing demand from farmers for its services. It will therefore be developed and expanded to serve as a reference processing center and capacity building entity for the Kisantu, Mbanza Ngungu, and Kimpese poles. Such centers have become the preferred choice to add value to agro-business and agro-processing initiatives that aim to support small

[15] Cf. The Good Practice Note for WBG staff for applying WB Safeguards and IFC Performance Standards (annex VII to the World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector), March 2011.

farmers. In addition, the existing small laboratory in Kimpese aimed at ensuring quality, certification, and measurement will be expanded for the entire region. A contract, which will include provisions to ensure compliance with the safeguard documents, will be negotiated with UNIDO for the setting up and management of the technical centers for food processing in Lukula[16] jointly with local and well established NGOs or GIEs (*Groupements d'Intérêt Economique*), to build their capacity and ensure sustainability after the project closes. Overall, the project will work with strategic private investors active in the agribusiness/agro processing sector, and build on already organized farmers' organizations to make the partnerships along the value chains effective.

Subcomponent 1.2: Support to Rural Infrastructures (US$18 million)

44. The aim of this sub-component is to build a minimum integrated infrastructure network linking areas of production to collection platforms, technical food processing centers and markets and providing energy and water supplies to these centers.

45. **Rehabilitation and maintenance of rural roads networks**. About 1,500 km of rural roads that need rehabilitation were identified in the Master Plan, within the targeted areas and nodal poles (Bas Fleuve area along the Boma-Tshela axis), as well as within the growth center of Inkisi and Mbanza Ngungu-Kimpese. Particular emphasis will be placed on the roads linking production areas with a high concentration of small producers organized in cooperatives, which, unlike the large plantations and agri-businesses, do not have the resources to rehabilitate and maintain earth tracks. The project will finance the rehabilitation of about 500 km of rural roads recognized as a priority network in order to ease access and the transportation of inputs and products. Although the Master Plan has already identified all the rural roads to be rehabilitated based on concentration of production, the final list of roads to be supported will be validated following more detailed technical studies, including environmental and social studies.

46. **Sustainable management of road maintenance along the corridor**. Road maintenance in DRC is the responsibility of the National Road Maintenance Fund (FONER), which is undergoing a structural reform. The project will use the Local Committee for Rural Road Maintenance (*Comité Local d'Entretien Routier—CLER*) system of Bas Congo, where a Regional Road Maintenance Fund (FRER) is being established with Belgium assistance. A MoU is currently being discussed with the *Direction des Voies de Desserte Agricole* (DVDA[17]) for the organization and training of the CLER. A similar agreement was signed as part of the ongoing PARRSA project and it yielded positive results, which this project could build on. The rehabilitation of these rural roads will be coordinated with other partners active in this area, including Belgian Technical Cooperation, IFAD, AfDB and USAID.

47. **Delivering electricity and water for agro-processing**. The project will ensure the availability of power and water needed to operate the technical center and primary palm oil processing and extraction facilities in Lukula and Tshela. The National Electricity Company's (SNEL) power supply in Lukula and Tshela is unreliable and would need to be upgraded with

[16] UNIDO is already providing technical assistance to the processing center in Kimpese which is now contributing to development of the cassava industry.

[17] DVDA: *Direction des Voies de Desserte Agricole*, a technical body within the Ministry of Agriculture and Rural Development, in charge of rural roads rehabilitation and maintenance

additional investments. Both SNEL and the local communities will be involved in the sustainable management of these infrastructures.

48. **Strengthening collection centers.** The project will also finance basic infrastructure for handling post-harvest through small warehouses, and collection platforms at locations next to the production sites. More specifically, to facilitate the supply of the Kinshasa market, the project will reinforce infrastructure platforms and collection centers (mainly parking and warehouses) at Mbanza Ngungu and Kimpese which already represent function as collection sites for products destined to Kinshasa. These collection platforms will be managed by user's organizations under an arrangement made with municipalities. Users' organizations will be strengthened by the project to ensure costs recovery for O&M and sustainability. The project will also finance capacity building and technical assistance needed for the management and maintenance of these infrastructures.

Component 2: Special Economic Zone of Maluku (US$30.7 million out of which IDA financing US$27 million)

49. The development of the Maluku SEZ will provide access to much needed industrial land equipped with critical infrastructure and a more friendly business environment for investors and private sector operators, all of which have been identified as binding constraints in the 2006 *Investment Climate Assessment*. Lack of appropriate infrastructure-equipped industries with clear land tenure conditions has been considered by many operators to be critical to their competitiveness and to scale up industrial production. Large scale transportation of agricultural products from the Bas-Congo, Bandundu and Equateur provinces is affected by lack of access roads and infrastructure. The Agricultural Support project in Equateur and in the Pool Malebo region (where Maluku is located) could be tied to the SEZ.

50. As mentioned earlier, the Government has made the development of SEZs as one of its main economic policy objectives in its 2012-2016 program. Building on preparatory studies undertaken since 2008 by IFC (summarized in Annex 9), the proposed component will contribute to the establishment of a privately-managed SEZ at Maluku. Demand assessments have forecasted that between 180 and 190 hectares of net land would be required to accommodate 120 to 180 firms over a ten-year period, and have been echoed by the call for investors issued by the Government in September 2012.

51. The Maluku site has been designated by the Government as an SEZ, and demarcated to maximize economic impact with minimum disruptions on existing settlements. Based on the Resettlement Action Plan (RAP) developed for Maluku, which has been publicly disclosed on August 27, 2012 in the country and through the World Bank Infoshop, 58 households (545 people) will be resettled, and land concession holders will be compensated. The total cost, using accepted benchmarks and market prices, is estimated in the RAP to be at about US$3.7 million, which will need to be borne by the Government, prior to the disbursement of Bank financing for the sub-component 2.3 related to the physical infrastructure. This component will finance consultant services to provide technical assistance for the selection of an international SEZ developer, training and equipment to Ministry of Industry for the establishment of AZES, the national agency for the development of SEZs; and basic infrastructure works for the SEZ once the developer is selected, investors identified and resettlement compensations paid.

Sub-component 2.1: Facilitation of PPP (US$1.5 million)

52. This sub-component is expected to be implemented upon project effectiveness. The objective of this sub-component is to ensure the selection of a competent and internationally experienced zone developer. The project will fund a transaction adviser to assist the government in competitively selecting a private developer for the SEZ.

Sub-component 2.2: Strengthening the Capacity of relevant Ministries in SEZ development (US$3.5 million)

53. This component will start once (i) the SEZ law, which provides a legal and regulatory framework in respect of the Maluku SEZ, is adopted by Parliament; and (ii) AZES, the agency that will regulate all SEZs to be developed in DRC, is established and fully operational. The project will provide multi-year support and capacity building to the agency for the design and implementation of regulations, procedures and operational manuals, facilitating linkages with the local economy, as well as in investment promotion and facilitation under this activity. The SEZ law has already been adopted by the Senate and is now being reviewed by the National Assembly.

Sub-component 2.3: Physical Infrastructure (US$22 million)

54. This sub-component will start once a PPP arrangement has been concluded for the SEZ and after the RAP is implemented. Based on the land use and infrastructure master plan that has already been prepared, the project will contribute to the financing of basic infrastructures, for an initial area of 50 ha. It is expected that subsequent infrastructure developments will be financed by private developers.

Component 3: Proactive Business Development (US$16 million)

55. This component will improve the business environment with a view to promoting investments and support productive activities in the targeted value chains and poles. It aims at supporting and operationalizing the Government approach to Strategic Partnerships Along Value Chains (SPAVC) that was presented to and well received by development partners at the end of 2012 in Kinshasa. In order to implement the SPAVC, the Government and the Bank have agreed to focus on setting up three instruments which will promote investments and support productive activities: (i) a Project Development Fund (PDF); (ii) a Proactive Investment Promotion Platform[18] (PIPP) and; (iii) a Permanent Investor's Conference[19] (PIC). This component will finance consultant services and equipment to provide technical assistance and support services to

[18] The PIPP is an instance where partnership agreements between Government and private investors will be developed and structured based on risk sharing, risk diversification and risk mitigation. PIPP will be equipped with technical capacity and equipment for the identification of investment prospects and constraints associated, and the development of constraints management tools. As such the establishment of PIPP will help mainstream risk mitigation in investment promotion frameworks and structure public-private deals.

[19] The PIC will be composed of a Secretariat and all constituencies involved in investment promotion in DRC, across all productive sectors. It will be periodically called in sessions to deliberate on clusters of issues that are generated by specific interests expressed by investors themselves in select sectors and/or from investment promotions missions.

the PDF managing agencies and to public institutions in crafting of policy and regulatory reforms and goods necessary to improve capacity of beneficiary institutions.

Sub-Component 3.1: Project Development Fund for Investment Promotion (US$10 million)

56. The project will establish a Project Development Fund (PDF) to support Government's current approach to SPAVC and targeting demand driven initiatives aimed at creating jobs while restoring selected broken value chains and formulating direct investment opportunities for private sector. To respond to the Government and the private sector's priorities, other strategic projects, which could contribute to building clusters and create jobs outside the agriculture and agribusiness sectors, will also be supported.

57. The PDF will support the preparation of business plans, following international standards, to bring projects development to levels (of risk perception and mitigation) that are acceptable for private sector. It will not finance the operations. These business plans will be presented to potential private investors through a PIPP which is being established.

58. The PDF interventions will focus on the following Government priorities: (i) creative industries (KINTECH); (ii) furniture (KINMEUBLES); (iii) mechanics (KINMECANICS); (iv) conditioning and packaging (KINPACK); and (v) Goods Distribution Zones and Logistics Platforms (Congo International Market at Kinkole- KINMIC). For these initiatives, as illustrated in the detailed project description (Annex 2), the approach is to build economic clusters. In addition, activities supported by the Fund may subsequently include Technical Assistance (TA) to SMEs for the preparation of feasibility studies, business plans and loan applications for financing by the private banks for activities that are expected to contribute to the development of the targeted value chains.

59. The operational manual for PDF has been prepared to guide the organization, governance, management and procedures of the Fund. The manual includes eligibility criteria and measures to ensure that social and environmental due diligence will be done for the proposals supported by the Fund. This fund will be anchored within SOFIDE,[20] a national development agency under the Ministry of Finance that receives substantial financial resources from the government to fund private investments (US$21.4 million in 2012-2013). Discussions are ongoing and a Memorandum of Understanding (MOU) will be signed with the Ministry of Finance. SOFIDE will work closely with ANAPI,[21] the national agency for investment promotion, on the design of investments projects.

Subcomponent 3.2: Targeted Regulatory reforms (US$2 million)

60. The project will strengthen Public Private Dialogue (PPD) for demand-driven regulatory reforms at both national and provincial level to improve the value chains supported by the project. The capacity of the *Comité de Pilotage du Climat des Affaires et des Investissements* (CPCAI) and of the *Comite Technique de Réformes* (CTR) will be strengthened to enable them to continue to play their role and consolidate the results already achieved with the support of the Competitiveness and Private Sector Development (CDSP) funded by the World Bank.

[20] SOFIDE: *Société Financière de Développement.*
[21] ANAPI: *Agence Nationale pour la Promotion de l'Investissement.*

61. A better PPD platform will help identify and solve the main regulatory constraints and alleviate governance issues faced by the private sector as they operate in the value chains. At the national level, a stronger PPD will facilitate the review and improvement of major laws, including the transportation and the agricultural codes which both contains provisions that are not conducive to private sector development (Article 16 of the Agriculture Code for example). In the same vein, the dialogue will also help overcome tariff and non-tariff barriers to import for essential inputs and equipment for the agriculture value chains. It will also provide TA to alleviate harassment along the Boma-Kinshasa road by reducing the number of roadblocks which increase the time and cost of transportation.

Subcomponent 3.3. Trade Facilitation at the Port of Matadi in the Bas Congo (US$4 million)

62. The project will support the streamlining and simplification of customs procedures at the Port of Matadi which is expected to contribute to the development of value chains and productive activities by reducing the cost and time required to import critical equipment and inputs, as mentioned above. DRC has made significant steps towards creating One-stop Shop for customs. An important step to be funded by the project is the extension of this window, by strengthening the information technology system linking all related services and administrations, to all trade related procedures in order to reduce time and cost required for processing import/export. In addition, to facilitate the tracking of containers (which currently takes up to three days), the project will finance a computerized tracking system that would improve the efficiency of the port. Lastly, the project will provide TA and equipment to the Congolese Quality Control Agency *(Office Congolais de Contrôle—OCC)* in the port of Matadi to enable it to better carry out its mission of quality control of products and enforce regulations.

Component 4: Coordination, Monitoring, Communication & Impact (US$8 million)

63. This component will strengthen the ability of Government to implement the project in a coordinated and integrated manner based on existing structures, which will be strengthened through TA. A multi-sectoral Steering Committee will be established to provide strategic guidance to the project and ensure achievement of intended objectives. It will also ensure coordination of the involved ministries. A formal decree establishing the Steering Committee signed by the Prime Minister needs to be published prior to project effectiveness. The Fragile States Unit (*Facilité en Faveur des Etats Fragiles*, FEF), which operates within the Ministry of Finance, will ensure overall project coordination, financial management, procurement and M&E. It will also be in charge of communication in collaboration with civil society organizations, whose capacity will be strengthened to contribute to good governance. FEF was established with support from the AfDB and has experience with Bank procedures. The FEF team will be strengthened with additional staff. The Ministry of Agriculture and the Ministry of Industry will also be strengthened as needed to implement components 1 and 2 respectively. The need for TA and dedicated experts for these ministries has been identified and reflected in the procurement plan.

64. The project will establish an M&E and Impact Evaluation system that will collect data in a timely manner in order to enable the adoption of corrective measures as described in the M&E section below. In addition to support rigorous impact evaluations throughout project implementation, the project will have two major evaluations – during the Mid-Term Review

(MTR) and project closing. This component will finance goods, the hiring of staff, consultant services, workshops, training and office equipment.

Lending Instrument

65. The lending instrument is an Investment Project Financing (IPF), which gives the flexibility required for this project to finance physical infrastructures (roads, technical agro-processing centers, markets, warehouses, etc.), equipment, and technical assistance aiming to improve productivity as well as policies aiming to unleash the growth potential of targeted poles and value chains.

66. Project cost will be US$110 million equivalent and will be financed by an International Development Association (IDA) grant. In addition, the Government is expected to contribute US$4.7 million for compensation of displaced population and incentives payment for efficient project implementation. The project will be implemented over a six-year period. The closing date will be August 30, 2019. The table below summarizes project costs by component. A detailed cost table is presented in Annex 11.

B. Project Cost and Financing (US$ million)

Table 2: Cost Table

Project Components	Project cost	IDA Financing	Government
1. **Agriculture** Value Chains Development in Bas-Congo	48	48	0
2. Special Economic Zone of Maluku	27	27	0
3. Proactive Business Development	16	16	0
4. Project Coordination, Monitoring, Communication & Impact	9[22]	8	1
Total Baseline Costs	**100**	**99**	**0**
Resettlement costs	3.7[23]	0	3.7
Physical Contingencies	7	7	
Price Contingencies	4	4	
Total Project Costs	**114.7**	**110**	**4.7**
Total Financing Required	114.7	110	4.7

C. Lessons Learned and Reflected in the Project Design

67. Examples of countries that have to some extent implemented a Growth Poles approach include Madagascar (mining and tourism), Jordan (the Aqaba SEZ), Ghana (manufacturing), Malaysia (palm oil), and Mozambique (a transport corridor). Overall, main lessons learned from these experiences are: (i) development of growth sectors or poles require strong Government commitment, a clear strategy, and a Master Plan; (ii) strategy should focus on improving competitiveness of all critical segments of the value chains for a limited number of products with high potential for development; (iii) Government should implement the strategy in partnership with an organized private sector that should work collaboratively and play a key role in the

[22] Include US$1 million for financial incentives.
[23] This amount is the cost for resettlement which the Government needs to support.

process; (iv) a high level of formal public institutions and private sectors dialogue is essential to pragmatically identify and address bottlenecks; (v) Government should focus on providing the required public goods (roads, electricity, markets, research, etc.); (vi) the institutional framework should be organized and should involve all relevant institutions to prevent coordination failures; and (vii) the policy framework should be supportive and provide required incentives for the development of each level of the value and supply chains.

68. The project also builds on lessons from the 2011 World Development Report on *"Conflict, Security and Development"*. The report highlights that in fragile and post-conflict countries such as DRC, projects that can show quick tangible results, projects that foster private sector participation to create employment, and integrated and coordinated interventions, are critical. Lessons from the 2009 World Development report, "*Reshaping Economic Geography"*, highlighted that spatial integration (along a corridor for instance) could be facilitated with institutions that unite, infrastructure that connect, and interventions that target, such as incentives for firms to locate in certain areas.

69. Other lessons learned from project implementation in DRC that were taken into account includes: (i) champions within Government are essential to keep the reform momentum; ; (ii) implementation readiness is critical to show results quickly and build broad support for programs; (iii) greater synergies with other development partners should be built up; (iv) given the country context, the approach in DRC should remain flexible to take into account changes in the environment; and (v) increasing beneficiary participation to secure their buy-in.

D. Alternatives Considered

70. **Choice of corridors.** Several alternatives were considered for the choice of the growth poles to be supported by the project. A total of eight growth poles and corridors were initially identified jointly with the Government based on several key criteria (as detailed in footnote 1): The identified growth poles and corridors are:

a) Matadi/Boma-Kinshasa-Kikwit corridor (industry, agriculture and markets) including an SEZ in Maluku (industry, agro-industry, and construction materials);[24]
b) Kinshasa-Equateur/Mbandaka corridor (agriculture);
c) Lubumbashi-Likasi-Kolwezi corridor (mining and agriculture);
d) Lubumbashi-Kindu-Kisangani corridor (mining, fisheries, timber and agriculture);
e) Kinshasa-Kisangani river corridor (transport, fisheries, timber and agriculture);
f) Kisangani-Bukavu-Goma-Beni corridor (agriculture, tourism in the Virunga mountains);
g) Bukavu-Kalemi corridor (agriculture, fisheries, tourism along lake Tanganyika);
h) Kasais-Bukavu-Kasongo-Mbuji Mayi corridor (mining, agriculture, fisheries).

71. The Matadi-Boma-Kinshasa corridor was selected as the corridor that meets most of the criteria. One alternative was to select Lubumbashi as the second identified growth pole (as part of the Lubumbashi-Likasi-Kolwezi corridor) with the minimum required conditions. However, with a population of 1.3 million, its potential to quickly create jobs is lower than in Kinshasa. Moreover, the paved road network connecting the city to other potential growth centers in other provinces is not as developed as in Kinshasa. The third alternative was the Kisangani-Bukavu-

[24] Given that the Maluku SEZ is the pilot project.

Goma-Beni corridor, with Kisangani, the country's third largest city, as the main nodal pole. However, stability and security remain major constraints for the corridor if it is to provide a better platform to support its integrated growth.

72. The project was selective in the choice of sectors. Although construction, land and finance sectors were also considered as potential growth sectors, it was agreed that the focus should be limited to one sector, namely agriculture (and targeted agricultural products), with strong potential to quickly create jobs, generate incomes for the poor and improve access to food products.

73. Comprehensive support and interventions along the supply chains. The team discussed how to limit project interventions and focus on strategic investments that would support upstream agriculture activities such as roads, electricity and markets. It opted to provide support for downstream activities in order to assist production in terms of input and equipment, as in most agricultural projects and in line with the integrated growth pole approach needed for supply and value chain development.

74. No support for access to credit for farmers and Land formalization. To limit its scope and complexity, the project will not directly support access to credit for farmers which other development partners such as USAID do. The new Bank-financed Financial Sector Infrastructure and Inclusive Access project currently under preparation, is expected to provide support to microfinance. In addition, this project will not support land formalization for farmers given the complexity of land issues in the DRC and the strategic decision to focus project support mainly on well-established farmers associations with current access to land without risk of disputes.

75. Choosing a lending instrument. An Investment Project Financing (IPF) was adopted as a lending instrument. Although Adjustable Program Lending (APL) was considered, there are no major politically or economically difficult reforms requiring a long-term span during which to build consensus among the various stakeholders before proceeding to the next phase of the program.

IV. IMPLEMENTATION

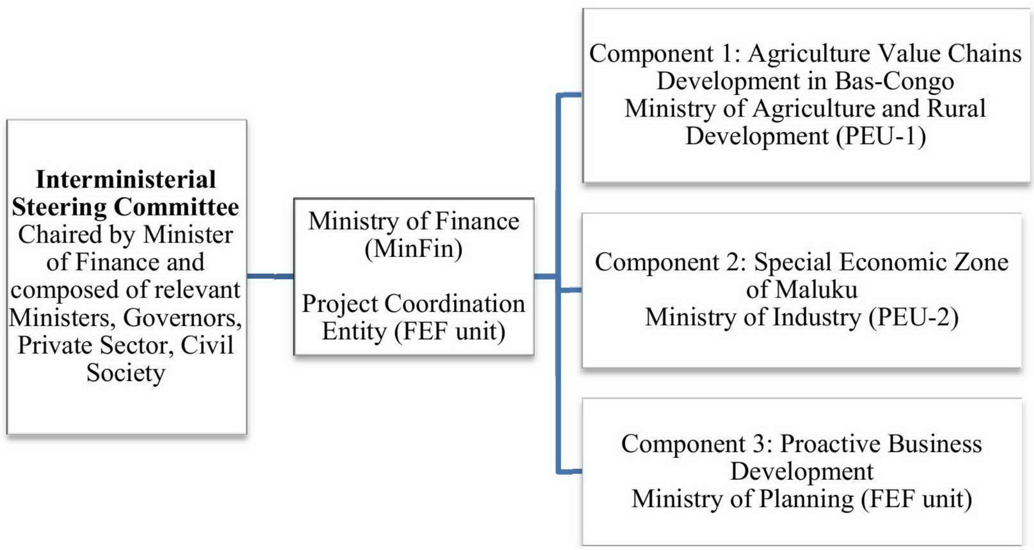
A. Institutional and Implementation Arrangements

76. The design of the institutional and implementation arrangements takes into account lessons learned presented above, the weak capacity as well as coordination failures within the Congolese public sector needs to be addressed for the project to achieve its development impact. All the relevant institutions of the public and private sectors as well as the civil society, which have contributed to the project preparation, continue to support project implementation. Their capacity will be strengthened through the recruitment of consultants, training and workshops. The implementation design of the project was defined during the preparation of the Master Plan and is summarized in Annex 3. Each entity involved in project implementation will report to the FEF Unit.

77. Given the multi-sectoral nature of this project, coordination among the various ministries would be critical. This will require the involvement of the Prime Minister's Office. Overall, the arrangements will include a high-level steering committee, the Ministry of Finance (MinFin) as

the coordinating ministry, the Office of the Governors of targeted provinces, relevant national ministries, representatives of the private sector and civil society. The main responsibilities of the core structures of the implementation arrangement are briefly summarized below. A more detailed presentation of the arrangement and responsibilities is presented in Annex 3 on implementation arrangements.

Figure 3: Organizational Chart of the Implementation Arrangements



(a) The project will be anchored within the Ministry of Finance that led its preparation from the government side.

(b) **Steering committee.** A high level steering committee will be officially established with a Decree signed by the Prime Minister before effectiveness. It will be chaired by the Minister of Finance or his representative and composed of representatives from relevant ministries, Governors of targeted provinces, the private sector and civil society to voice their concerns to contribute to good governance. A draft decree from the Prime Minister has been prepared and will be signed by the Prime Minister to establish the Steering committee.

(c) **Coordination of the Project**. The FEF unit under the Ministry of Finance will be responsible for the overall coordination and of the administrative and fiduciary aspects of the project, mainly procurement and financial management. The project components will be executed by technical services of sectoral ministries, such as Ministry of Agriculture and Rural Development, Ministry of Industry, Ministry of Planning, Ministry of Economy and Commerce.

(d) **Project Executing Unit for component 1 (PEU-1).** PEU-1 will be based within the ministry in charge of Agriculture and Rural Development. Given its lack of capacity, TA will be provided through individual consultants to support this Ministry in implementing the project activities under component 1. The composition and mode of operation of PEU-1 will be described in the Manuel of Procedures. The different actors involved in the implementation of Component 1 and key staff from the FEF Unit (e.g. M&E

specialist) will meet around a platform on a regular basis to take stock on progress made on the implementation of each activity, discuss bottlenecks and propose solutions. A report will be prepared at the end of such meetings, which will be transmitted to the FEF.

(e) **Project Executing Unit for component 2 (PEU-2).** PEU-2 will be based within the ministry in charge of Industry. The implementation of activities under this component will be done through the existing SEZ Support Unit (CAZES), which was put in place by the Bank and IFC, and which is being further strengthened. CAZES will form the nucleus of AZES, the national agency that will regulate and promote the development of SEZs in the country that is to be set up by the authorities.

(f) **Execution of Component 3.** This **c**omponent will be executed by the FEF unit which will provide the needed resources to government agencies in charge of business environment reforms inside the ministries of Finance, Planning and Trade. The Project Development Fund (PDF) will be under the management of SOFIDE working in collaboration of ANAPI who will continue to be in charge of investment promotion. ANAPI will as well as SOFIDE will have their capacities strengthened with the recruitment of relevant technical experts and improvement of their management practices.

(g) **Provincial Technical Committee.** According to the government's decentralization strategy, the governor's office and the ministries of Bas Congo will play an important role. A provincial Technical Committee will be set up to monitor execution of project activities and provide strategic advice in compliance with provincial development strategy.

B. Partnership Arrangements

78. As indicated earlier, this project was prepared with important inputs and in close coordination with the IFC and will benefit from IFC's technical support in its implementation. In addition, it was prepared in close collaboration with other development partners including the AfDB, Belgian Technical Cooperation, EU, FAO, IFAD, JICA, KOICA, UNIDO and USAID. Annex 3 includes a matrix of relevant interventions by all the main development partners along the Bas Congo-Kinshasa-Bandundu corridor. Belgium and AfDB are the main partners providing support for rural infrastructures, including rural roads. Indeed, to ensure sustainable management of road maintenance along the corridor, the project will build on the system being developed with support from Belgium in Bas Congo, which consists in putting in place a Regional Road Maintenance Fund (FRER), for greater effectiveness and supervision of works. The EU provides support at the production level. IFAD is planning to focus on supporting the provision of food products to Kinshasa. USAID is active in food processing and marketing. UNIDO is providing support to a small food processing center in Kimpese financed by the EU and JICA and has agreed in principle to help set up a more structured processing center in the Boma pole.

79. The project will build on ongoing initiatives supported by the partners and is expected to foster synergies and create a framework for a more integrated approach, in line with the growth poles approach. Although the project will be implemented in parallel with projects undertaken by other development partners, the FEF Unit within the Ministry of Finance will ensure that

collaboration and information sharing take place systematically during project implementation. A task force consisting of development partners involved in the targeted areas will be set up and will meet on at least quarterly basis to monitor the interventions matrix and the Action Plan.

C. Monitoring and Evaluation of Outcomes/Results

80. The Project's M&E system will provide in a timely manner data needed for assessing project performance and guide the timely adoption of corrective measures. The system is based on the results framework presented in Annex 1, and is described in the PIM. Under this system, the directorate of agricultural statistics will be strengthened in addition to the national statistical institute. More specifically, to ensure that productivity and production improvements are measured, a baseline survey at the project onset will be financed. In addition, a rigorous impact evaluation will be made into an integral part of the project with the support of DIME. The primary aim of this analysis will be to measure, investigate, and explain intended and unintended benefits of the interventions carried out within the scope of the project. For this purpose, the evaluation will be based to a large extent on the quantitative comparison of a treatment group with an adequate control group.

81. In the first two years, the project will benefit from an intensive implementation support, and if evidence emerges for adjusting the scope of project before the MTR, such action will be pursued in consultation with the government. In addition, if the activities stated in the first phase of the project (Table 4, Annex 3) fail to be executed by the first year of implementation, a restructuring would be considered. Two major evaluations will be undertaken – during the Mid-term review and before project closing. In both cases, independent external consultants will be contracted to conduct a review of progress made. The MTR will be conducted by the end of the third year of project implementation and will guide project restructuring or adjustments based on evolving context and lessons learned both from this operation and similar interventions in other parts of the world.

D. Sustainability

82. The project was designed based on the Government's commitment and focuses on activities that are expected to have lasting effects on institutions and the investment climate.

83. **Consistency with the Government's medium-term program and commitment**. The proposed project supports the Government's 2012-2016 program that includes the development of growth poles as one of its main pillars and approaches for medium- and long-term growth. The targeted poles covered under this project were identified by the Government as part of this program and are, therefore, expected to benefit from additional support from the Government's own budget. The implementation arrangements will be fine-tuned and strengthened to ensure that key activities continue to be effectively implemented from the Government's own resources or from other development partners as part of the Government's program. Lessons from the project will guide the design and implementation of further growth poles development initiatives already planned by the Government.

84. **Sustainability of physical infrastructure**. The project will build and/or rehabilitate physical infrastructures that are expected to be maintained through PPP or through the relevant

public entities (FONER and Road Maintenance Committees for rural roads), which are being strengthened by other development partners. These infrastructures are expected to contribute to increasingly productive activities that will in turn improve the viability of the infrastructure and justify the need for its sustainable maintenance and development.

85. **Sustainability of capacity building and policy reforms through TA.** The project will also finance TA, which will strengthen the capacity of institutions, relevant civil servants, SMEs, and NGOs and enable them to become more effective even after the project closes. The TA will target its interventions at: (i) key membership organizations, by building up their capacity to provide value-added services to their SME members; and (ii) client enterprises, by building up their capacity to improve their productivity and contribute to the development of targeted value chains. Finally, the project will provide TA in support of policy reforms expected to have lasting effects on the investment climate.

86. **Environmental and social sustainability.** The design of the project takes into account the need to address all the policies on safeguards that have been triggered (for details see Annex 6). All the relevant environmental and social documents (ESIA and RAP for the Maluku SEZ and ESMF, RPF and PMP for the remainder of the project) required at this stage have been prepared for appraisal with the involvement of all the stakeholders. The required environmental and social studies (including Environmental Assessments, Environmental and Social Management Plans, and Resettlement Action Plans) for sub-activities will be prepared once location and scope of investments have been determined, and will need to be cleared by the Bank prior to the construction of the physical infrastructures. Training sessions will be organized to further sensitize stakeholders and project beneficiaries to the environmental and social implications of project activities.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	**Rating**
Stakeholder Risk	High
Implementing Agency Risk	
-Capacity	High
-Governance	Substantial
Project Risk	
-Design	High
-Social and Environmental	High
-Program and Donor	Low
-Delivery Monitoring and Sustainability	Moderate
Overall Implementation Risk	High

B. Overall Risk Rating Explanation

87. The project overall risk rating for both preparation and implementation is high mainly due to the following factors: (i) risk of lack of coordination and commitment to reforms; (ii) risk of lack of capacity and incentives for relevant civil servants; and (iii) risk of lack of interest from private sector. The paragraphs below summarize the key risks and the proposed mitigation measures that will be regularly assessed during project implementation. The Operational Risk

Assessment Framework (ORAF) in Annex 7 presents these risks in greater details, including their ratings and the relevant mitigation measures.

88. **Mitigation for the potential lack of coordination and commitment to reforms.** The FEF will be responsible for organizing regular multi-sectoral project task force meetings that will be comprised of technical focal points from all the relevant public and private institutions. The task force will be supported by dedicated and experienced consultants who will follow up and provide the technical expertise needed to prepare and process project related documents. Regular meetings of the multi-sectoral task force are expected to improve coordination among these institutions. Regarding the PPD platform, it will be strengthened by the project in order to better involve the private sector in policy dialogue and to monitor an action plan prepared with a view to improving business environment. The PPD platform will be chaired by the Prime Minister's office, which is committed to implementing the proposed project.

89. **Mitigation for the possible lack of capacity and incentives for relevant civil servants**. Growth pole project are complex because of their multi-sectoral approach. However, this complexity is necessary if the main issues that impede the development of targeted value chains and selected poles are to be addressed. The proposed approach is expected to be more cost effective than providing support through several sectoral projects, each with its own implementation arrangements. To address this risk, FEF unit will be strengthened with experienced consultants who will contribute to building the capacity of the Ministry to coordinate the implementation of growth poles projects. The implementation of activities in targeted poles will be delegated to the relevant ministries (with support from technical experts and specialized development institutions). To compensate for the additional task the project introduces on staff of participating institutions, financial incentives will be provided to the focal points and civil servants Staff of the Directorates of all the relevant ministries and public entities, that are expected to play a key role during project implementation. The incentives will strictly be based on performance and will be financed through counterpart fund. ToRs with clear deliverables and responsibilities will be prepared for all the focal points. The incentives will foster accountability and encourage the focal points to work together, provide input and clearance to relevant project related documents, and contribute to project activities in a timely manner.

90. **Mitigation for the possible lack of interest from strategic private developers and investors**. The main risk is the lack of interest from private developers for the SEZ. The second risk is that the minimal infrastructure investment by the public sector requested by private developer for the zone can be more than the US$22 million earmarked by the project. Third, tenants' subscription can be lower than planned. With respect to the latter risk, the demand assessment confirmed a strong interest from private companies. The call for investors undertaken by the Government in September 2012 has identified 21 interested investors. To mitigate the risk associated with the SEZ, project resources will be disbursed only if the AZES is established and fully operational (with staff and resources necessary therefor) and a legal and regulatory framework in respect of the Maluku SEZ is adopted by the Government. The developer that the Ministry of Industry will help recruit will be responsible for marketing the zone and proactively attract private investors. In addition, the AZES will support the communication and outreach to potential investors for the SEZ. For project areas outside of the SEZ, large agro-industrial companies, which are members of FEC, contributed to project preparation and are looking

forward to the project activities in order to expand their activities in the targeted value chains and to the palm oil value chain in particular. Clusters of SMEs and NGOs, which are well established in the region but lack capacity, will be organized and supported. They are expected to play a key role even if strategic investors do not materialize their intentions.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

91. The project is expected to generate two kinds of benefits, namely, quantifiable and non-quantifiable benefits: Quantifiable are those that can be readily evaluated in monetary terms and therefore figure in the calculation of the projects net present value and ERR. Non-quantifiable benefits, though real enough and quite important, cannot be quantified in monetary terms for lack of a universally accepted yardstick. The project overall economic rate of return is estimated at 32.4 percent. The Net Present Value (NPV) is estimated at US$150 million. The results of the economic analysis are presented in Annex 13. The project is expected to create about 11,000 jobs and provide higher income to about 50,000 farmers, in addition to the many indirect benefits it generates.

92. Benefits of the first category come in two forms. By far the more important and easiest to estimate is the increase in the incomes or revenue of targeted households, firms, local governments and other governmental and non-governmental organizations in the project areas that can be attributed to project activities. The second is the consumer surplus that project activities are expected to generate for the population of the project areas and for part of the population of Kinshasa that gets it supplies from these areas in as far as they reduce the cost of living in project areas and other parts of the country that those areas supply.

B. Technical

93. The project will finance a number of physical infrastructures (including feeder roads, markets, the SEZ, and improvement of local power supply through upgrading of the local network) with a degree of technical specificity and complexity that will depend on physical conditions and environment. Most of these public infrastructures have been identified by the Master Plan; the rest will be confirmed during the first year of implementation. Detailed feasibility and design studies will be carried out and validated prior to their implementation. Procurement documents will be prepared to launch and ensure a competitive selection of firms to be contracted. Given the relatively limited capacity in the country, consultants with the required technical expertise will be recruited to ensure that activities are launched and implemented in accordance with appropriate good practices and technical standards. These consultants will also strengthen the technical capacity of stakeholders and institutions.

C. Financial Management

94. As part of Project preparation, a financial management assessment of both the Ministry of Finance and the Ministry of Agriculture was carried out.

95. **Assessment of the Ministry of Finance**. The oversight of the project will be ensured by the Ministry of Finance through the FEF. The assessment of this unit has revealed some strengths

and weaknesses. The following major strengths were identified: (i) staffing of the unit consists of five people (Coordinator, Procurement Specialist, Accountant, Administrative Assistant and Driver) with good experience in managing donor-funded projects, (ii) existing financial management system with adequate separation of duties, (iii) project manual of procedures as well as the project software namely SUCCESS are in place and functioning and fiduciary staff has been trained in the use of these tools and, (iv) some space/offices are available, but would need to be extended to accommodate this new project. In order to mitigate the fiduciary risk to the extent possible, the following actions will need to be implemented: (i) recruitment of a financial management expert as well as and additional accountant to work exclusively on this new project, (ii) revision of the manual of procedures and the project software to take into consideration the specificity of the Western Growth Pole Project, (iii) establishment of a credible internal control function which will include clear separation of duties, and (iv) recruitment of an independent external auditor based on acceptable ToRs.

96. **Assessment of Ministry of Agriculture.** In addition to the Designated Account managed by the Ministry of Finance, a sub-account will be opened at a reliable commercial bank which will be managed by a dedicated senior staff within the Ministry of Agriculture to finance activities executed under component 1. A preliminary assessment has been conducted to ensure that this Ministry has the minimum requirements to manage the sub-account. The conclusion of the assessment revealed that the Ministry of Agriculture has weak capacity and institutional gaps. The suggestion is to build on the existing capacity within the Ministry and (i) recruit additional fiduciary staff which will include one FM expert, and two accountants to work exclusively on this new project, (ii) prepare a comprehensive FM manual and accounting procedures, and (iii) the Ministry will acquire software which will be adapted/upgraded so that it will have a working interface with SUCCESS at the Ministry of Finance to cover this project taking into consideration that this software is multi-project and multi-site.

D. Procurement

97. Procurement for the proposed operation will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods, works and non-consulting services; and the World Bank's "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services, and the provisions stipulated in the Financing Agreement. Further, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 will apply.

98. Procurement will be carried out by the Procurement Unit of the FEF Unit with a view to building and strengthening the capacity of the Ministry to coordinate the implementation of this project. Procurement carried out by the FEF will consist of (i) TA for the Investment Climate reform component; (ii) general supplies and equipment for the project operating needs; (iii) financial and technical audits. Procurement will also be carried out by the project executing unit under the General Secretariat of Agriculture which will be responsible for procurement and

contract management of all the infrastructure, equipment, and TA directly aimed at supporting the development of the Bas Congo Pole under component 1.

99. The Procurement Unit of FEF will be staffed with one senior procurement specialist and one procurement specialist. The senior procurement specialist will lead the procurement process, provide on-the-job training to other procurement staff (including any other officers assigned by the Ministry), and set up an acceptable procurement system within the FEF.

100. Given the country risk and the fact that the project will be implemented in partial in remote locations with weak capacity in procurement operations, the procurement risk is therefore rated as High. (For more details, see detail in the Procurement Annex 5*)*.

E. Social (including Safeguards)

101. In anticipation of the potential social impacts, such land acquisition, loss of livelihoods and economic activities, as a result of project activities, the Government has prepared a Resettlement Policy Framework (RPF) that was consulted upon and disclosed in April 2013 which outlines the overarching framework through which potential resettlement issues will be addressed. The RPF includes principles and procedures for resettlement and compensation for affected people and establishes standards for identifying, assessing, and mitigating negative impacts. The RPF guides the preparation and implementation of site-specific RAPs for each individual investment that triggers Involuntary Resettlement (OP 4.12). A RAP has been prepared for the Maluku site and published by the Bank in August 2012. Other site-specific RAPs will be prepared by independent consultants in consultation with the affected individuals and communities in parallel with site feasibility studies. Resettlement assistance, compensation for losses, and any other measures will be determined through consultative process to ensure that no one is in a worse position as a result of the project. A more detailed presentation of social safeguards issues is presented in Annex 6.

F. Environment (including Safeguards)

102. This is a category A project. The main issues regarding environmental safeguards for the project relate to air and water pollution, construction waste management, pesticides, water abstraction, changes to water outflows from the rivers, and associated impacts on downstream human needs, aquatic habitats, and biodiversity.

103. **Environmental Categorization and Safeguard Policies Triggered**. The project is classified as a Category A operation in view of potential impacts arising from key investments in commercial agriculture, the processing of agriculture products, the strengthening of selected value chains, and other sectoral activities, including transportation and energy. These investments may have adverse environmental impacts, for the most part on water resources, and may require the resettlement of some local communities. The project triggers the following safeguard policies: (1) OP/BP 4.01 for EA; (2) OP/BP 4.04 for Natural Habitats; (3) OP/BP 4.09 for Pest Management; (4) OP/BP 4.11 for Physical Cultural Resources; (5) OP/BP 4.12 for Involuntary Resettlement; (6) OP/BP 4.36 for Forestry, and (7) OP/BP 7.50 for Projects on International Waterways.

104. While OP 7.50 is triggered for the project, it is not expected that project activities will affect the quality or quantity of water flows on the Congo River, which is shared by other countries (Republic of Congo, Angola, Central African Republic, Zambia, Tanzania, Burundi, and Rwanda). Based on the technical assessment that the rivers targeted in the project originate from the country and are downstream, the task team has confirmed with LEGEN that the proposed project falls under the exception to the riparian notification requirement under paragraph 7(c) of OP 7.50, Project on International Waterways. An exception to the riparian notification requirement under OP/BP 7.50 was received on May 1, 2013.

105. **Safeguard Instruments Prepared.** In this operation, with the exception of the SEZ, the precise scope and siting of most of the planned investments remain to be determined. Therefore, the implementation of project activities is governed by the framework approach, which will lead to the preparation of sub-project-specific safeguard instruments following the screening process, during which detailed information about the sites, scope, and scale of sub-projects will become available. The following safeguard instruments were prepared by the Borrower: an Environmental and Social Management Framework (ESMF) (disclosed in-country and through the World Bank InfoShop on August 17, 2012); a Resettlement Policy Framework (RPF) (disclosed in-country on April 24, 2013 and through the World Bank InfoShop on April 25, 2013); a Resettlement Action Plan (RAP) for the Special Economic Zone of Maluku (disclosed in-country on and through the World Bank InfoShop on August 27, 2012; an Environmental and Social Impact Assessment (ESIA) for the Maluku SEZ (disclosed in-country on and through the World Bank InfoShop on August 20, 2012; and a Pest Management Plan (PMP) (disclosed in-country and through the World Bank InfoShop on August 17, 2012). A more detailed description of environmental safeguards is presented in Annex 6.

106. **Public Consultation and Disclosure.** The preparation of the safeguard documents (i.e., ESMF, ESIA for Maluku, RPF, RAP for Maluku, and PMP) followed a broad-based and in-depth consultation approach that included interviews with relevant stakeholder groups in the public and private sectors as well as civil society. These included (but were not be limited to) producers' organizations, particularly those within or in the vicinity of the project intervention area, key ministries and government agencies, in particular the ministries of Agriculture, Industry, Environment, Health, Energy, and Transport as well as the Chamber of Commerce, the Plant Protection Agency, and pesticide wholesalers and retailers. Prior to disclosure of the safeguard documents, a workshop involving all relevant stakeholders took place in Kinshasa to validate the studies. Another important objective of the workshop was to listen to the views, comments, and concerns of the participants and incorporate them in the studies.

Overall Readiness

107. The project is ready for implementation subject to the points added below, and key steps have already been taken:

- All necessary environmental and social studies have been conducted and disclosed in Infoshop as well as in-country;
- An advanced draft PIM acceptable to the Bank is available and is being finalized;
- Most of TORs for the Project Coordination Unit were prepared and no-objection provided;
- A draft PDF manual has been prepared and is being reviewed by the Bank;

- A draft procurement plan for the first 18 months of project implementation has been prepared;
- The Request for Proposal for all major infrastructures studies and work under component 1 are being drafted by the consultants who prepared the Master plan and will be available by June 2013;
- MOUs among participating agencies are being negotiated, including with INERA, SENASEM and DVDA;
- Draft contracts with UNIDO and SNV to implement agro-processing infrastructures and partnership model on palm oil are being negotiated.

Annex 1: Results Framework and Monitoring

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

Project Development Objective (PDO):

The proposed Project Development Objective (PDO) is to increase productivity and employment in Selected Value Chains in target zones in the Democratic Republic of Congo.

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5	YR6				
Indicator One: Number of jobs created in select value chains		Number	0 (2012)	0	3,000	5,000	7,000	9,000	11,000	Annual	FEF report	FEF	Jobs are expected to be created mainly from the investments in the agriculture and agribusiness sectors in the SEZ and in agro-industries outside of the zone (palm oil, cassava, and rice).
Of which female (%)		Percentage	0 (2012)	0	10	15	25	35	50				
Indicator two: Number of direct beneficiaries of the Project (project development funds, enterprises in SEZ, farmers, agro-industrial firms)	X	Number	0 (2012)	2,000	10,000	30,000	40,000	50,000	50,000	Annual	FEF report	FEF	This is a core indicator which will focus on farmers through associations or other mechanisms, as well as enterprises in the SEZ and other agro-industrial firms.
Of which female (%)		Percentage	0	20	25	30	40	40	40				
Indicator three: Productivity of food crops in select value chains inter- alia: (i) – Cassava		Ton/ha	8	8	12	12	15	20	20	Annual	FEF report	FEF	This indicator will be used to monitor increase in the productivity per hectare of food crops produced in the
(ii) - Rice		Ton/ha	1.8	1.8	2.0	2.5	3.0	3.0	3.0				

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5	YR6				
(iii) – Palm oil		Ton/ha	3	3	5	8	10	15	15				targeted value chain poles.

INTERMEDIATE INDICATORS

Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5	YR6				
Intermediate Result (Component I): Agriculture Value Chains Development in Bas-Congo													
Indicator four: Volume of food crops produced by the supported farmers organizations and agro-industrial farms, inter-alia:										Annual	FEF report	FEF	This indicator will enable to monitor the increase in the quantity of food crops produced in the targeted poles.
(i) – Cassava		Ton (in 1000)	1,000	1,000	1,800	1,900	2,500	3,600	3,900				
(ii) - Rice			20	20	22	29	35	37	37				
(iii) – Palm oil			100	100	190	336	450	750	750				
Indicator five: Value of private investment flows in the targeted value chains facilitated by the project		Value (in US$ 000,000)	0	0	100	400	600	800	1,000	Annual	FEF report	SOFIDE/ ANAPI	Value of private investments in the targeted poles as the results of the project interventions including in the SEZ and the targeted value chains.
Indicator six: Volume of food processed at technical food processing centers.		Tons	0			1000	2000	3000	5000	Annual	FEF report		To monitor the development of agro-industries and manufacturing to supply markets
Indicator seven: Rural roads rehabilitated to link production centers to markets		Km				200	300	500		Annual	DVDA/MOA report	DVDA/ FEF	To monitor the impact of rural roads on agriculture production, access of product to markets and farmers revenues in targeted areas
Intermediate Result (Component II): Special Economic Zone of Maluku													

Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5	YR6				
Indicator eight: Number of enterprises in the SEZ		Number	0				10	10	10	Annual	CASEZ Report	CASEZ	To monitor the efficiency of the investment promotion and linkages program to attract enterprises
Intermediate Result (Component III): Proactive Business Development													
Indicator nine: Number of feasibility studies supported by the project which resulted in investments		Number	0	0	5	15	20	35	40	Annual	FEF Report		To monitor the efficiency of the investment promotion and linkages program to attract enterprises
Indicator ten: Time to import and export (Doing Business)		day	44 (2013)	44	40	35	30	14	7	Annual	MinFin Report	IC-UNIT/FEF	Monitor the impact of regulatory reforms on, tariff and non-tariff barriers to trade affecting agriculture sector

Annex 2: Detailed Project Description

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. The proposed project will support the Government's Action plan to revert years of declining agricultural production in the country by strengthening selected agriculture value chains in the targeted poles of the Bas Congo province and the special economic zone of Kinshasa/Maluku and support increased private sector contribution to the improvement of the selected value chains. It will support the development of competitive value chains and access to markets, leveraging private anchor investors and supporting out-grower schemes.

2. The project will focus on the promotion of agricultural products and agro-processing. It will drive job creation by removing physical, regulatory and organizational bottlenecks in the value chains to stimulate private investments and boost agricultural production and agro-processing. Based on an integrated approach and complementarity of interventions, the project will focus on supporting actions that can be developed rapidly within the growth pole and surrounding areas. It will provide a critical mass of concrete and complementary interventions- both hard and soft - to better develop and connect the targeted areas in the Bas Congo to Kinshasa area as the main domestic market. The project will also support the development of the Maluku SEZ, as a platform providing reliable infrastructure services required for the development of manufacturing to supply the local market, reduce imports and export eventually.

3. The proposed project will target three crops (cassava, rice, and palm oil)[25] in six poles in Bas Congo province (Boma, Lukula, Tshela, Kimpese, Mbanza-Ngungu and Inkisi) and the Special Economic Zone of Maluku. To achieve this, the project will have four major components that jointly contribute to the expected project outcome.

Component 1: Agriculture Value Chains Development in Bas-Congo (US$48 million)

4. The aim of this component is to enhance the agricultural supply capabilities of farmers' organizations and provide basic infrastructure in order to strengthen the targeted value chains and better supply markets. This will be achieved through: (i) improved input provision and market access for farm households, including women farmers; (ii) the provision of technical food processing centers; (iii) building and consolidating strategic partnerships along selected value chains, leveraging the presence of anchor investors, producers' organizations, and active NGOs working along those value chains; and (iv) rehabilitating and maintaining priority rural roads and ensuring the provision of energy and water to operate these platforms.

5. This component will be implemented through two sub-components in two main growth centers which will include various nodal poles, as identified by the Master Plan: the Boma-Lukula-Tshela poles, and the poles around Mbanza Ngungu (including Kisantu, and Kimpese). The main activities are summarized in the table below:

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[25] Palm oil produced is largely consumed locally given the production deficit, but has a huge potential for exports as presented in chart 1 above.

Table 3: Matrix of Interventions

	Bas Congo			
	Boma	Tshela	Lukula	Mbanza Ngungu/Kimpesse
Main targeted value chains/Industries	Palm oil, Cassava, Rice	Palm oil, Cassava, Rice	Palm oil, Cassava, Rice	Cassava, Rice
Support to Institutional capacity	- Support (equipment and TA) to the National Institute for Agricultural Research (INERA), the National Seed Service (SENASEM), and the National Aquaculture Service (SENAQUA) - Support to Farmers' Coalition of Kongo (FOPAKO), CARG (agriculture and rural management counsel) and NGOs			
Support to Agricultural supply capacity	- Provision of certified planting materials, agricultural extension services and other relevant inputs to 50,000 farmers (including 40% of women) - Specialized technical training to farmers and business in collaboration (in collaboration with IFC SME program)			
Support to Physical infrastructure	-Rehabilitation & maintenance of rural roads	-Rehabilitation & maintenance of rural roads	-Rehabilitation & maintenance of rural roads	- Rehabilitation & maintenance of rural roads
	-	- Improvement of SNEL's power supply in Tshela	- Improvement of SNEL's power supply in Lukula through upgrading.	-
	-	- Construction of Technical center for food processing (processing equipment) - Primary palm oil processing and extraction facilities	- - Primary palm oil processing and extraction facilities	- Strengthening of existing technical center and laboratory for quality certification in Kimpesse
	- Collection centers (warehouse, parking)	- Collection centers (warehouse, parking)	- Collection centers (warehouse, parking)	- Collection centers (warehouse, parking)

Subcomponent 1.1: Enhancing Agricultural Supply Capabilities (US$30 million)

6. This sub-component will focus primarily on three value chains: palm oil[26], cassava, and rice. Interventions funded under this sub-component will: (i) enhance the capacity of farm households (including women's) to improve their agricultural production, processing and marketing; (ii) strengthen the organizational and managerial capacities of producers' organizations; and (iii) support the development of partnerships between agro-industrial groups and famers' cooperatives and associations through a clear and accountable division of labor and responsibilities among all stakeholders.

7. Improving agricultural production through the provision of certified planting materials, agricultural extension services and other relevant inputs to small farmers through support for and partnership with local institutions. The project will support approximately 50,000 farming households, including around 40% of women farmers, and enhance their capacity to improve food production to address the critical issue of food security and support the promotion of commercial agriculture for selected crops. This will require building capacity among existing producers' organizations, including women's associations, the introduction of innovative

[26] The moratorium on palm oil introduced in 2009 has been lifted. The project will not provide support for new plantations that will encourage deforestation.

practices and technologies, and the promotion of a value chains approach from planting to marketing.

8. The project will finance the introduction and adoption of innovative practices by small producers as well as quality and certification programs through capacity building among relevant institutions, including the National Institute for Agricultural Research (INERA) in Luki and Gimbi, the National Seed Service (SENASEM), and the National Aquaculture Service (SENAQUA). These three institutions will work with farmers' organizations and NGOs, including women's associations, to promote access to quality inputs (seeds, cuttings, and alevins), which is currently a challenge. Support for these institutions will include technical assistance (TA), the rehabilitation of buildings and the provision of equipment and plant nurseries.

9. The project will support farmers' associations organized under the leadership of the Farmers' Coalition of Kongo (FOPAKO), an umbrella organization representing all farmers in Bas Congo Province and affiliated to the National Confederation of Congolese Farmers (CONAPAC) at national level. Working with FOPAKO will be critical to developing the needed technical and management skills, improving communication among farmers' groups, enhancing joint marketing, and addressing key issues affecting small farm holders. The project will also support (to some extent) agricultural advisory activities through existing structures such as the agriculture and rural development inspectorates at local level as well as active NGOs. It will also assist the (CARG) established in each area to enable them to play their role as platforms for the various stakeholders (including public, private, and civil society organizations). Project funding will cover technical training for agents, transportation, and office equipment. Specialized training in support of farmers and businesses will be conducted in partnership with the network of business support services supported by IFC through its SME Consortium Toolkit Program, which is already operational in the DRC. These services will offer specialized training in response to market needs. Building on the recommendations of the ongoing World Bank skills development study, the training will be delivered by reinforcing existing structures such as the ITAV institutes in Boma and Kinshasa as well as other structures forming part of the SME Consortium Toolkit Program.

10. Attention will be paid to gender issues in terms of critical constraints regarding inter-alia improved means of transportation of produce from field to market, and capacity building as well as access to improved technologies. The majority of women's smallholdings are informal. As women may also have limited voice in the community and weak farmers' organizations, attention should be paid to encouraging them to form effective and sustainable organizations to enhance their collective voice and strengthen their economic engagement. The project will develop an Information Education and Communication (IEC) campaign targeted at women's groups with a view to promote inclusion and involvement in project activities. Training could be provided to members of these organizations on how to register their businesses and associations, open bank accounts and access finance as well as financial literacy.

11. As indicated above, project activities will primarily target three value chains (palm oil, cassava and rice), as priority products. Project support will concentrate on these value chains and look for partnerships opportunities with strategic and potential anchor and leading firms or farms

with a view to enhancing supply capabilities and improve marketing. In the palm oil sector, the project will support the development of a partnership between a large palm oil processing company based in Boma and groups of small farmers with the aim of structuring, integrating and developing supply chains in this sector. An arrangement is being negotiated with existing farmers' organizations such as the Palm Oil Producers Federation (FEPROHPALM) and the Medium-Sized Palm Oil Concession Holder's (CCMHP), which were created recently with support from SNV, an international NGO from the Netherlands based in Matadi. This NGO is working with the company processing palm oil products and the farmers' organizations on the development of a sustainable palm oil industry around two main components: (i) support for the organization and strengthening of the value chain and capacity building for the producers' organizations; and (ii) the rejuvenation of existing village plantations. The project will support the implementation of this arrangement, while monitoring the terms of trade to make sure fair market prices are offered to farmers. Primary processing and extraction facilities will be built in Lukula and Tshela in order to create more value-addition in production areas and deliver higher value intermediary products to strategic agro-industries (including in the collection points around Lukula and Tshela). Project funding will cover costs for capacity building for farmers' organizations, sensitization campaigns, nurseries, transportation, and equipment, operating costs, internet access and M&E.

12. To deliver packages of interventions that will lead to more value addition in specific product lines, the project will support the establishment of a technical center for the processing of food products in the Bas Fleuve area, which is known to have high growth potential for food production. Cassava, bananas, rice and a variety of fruit are produced in abundance throughout the region, particularly in Kinzau Mvuete, Lukula and Tshela. Food crops produced in these areas are destined not only for the Kinshasa market but are already being exported to neighboring Angola (including the oil rich Cabinda Province) and the Republic of Congo. A technical center will be established in Lukula, a major production center mid-way between Boma and Tshela, to improve value addition and storage facilities with a view to reducing losses. The center will provide processing equipment jointly used by various operators and include manioc shredders, peelers, drying equipment for products such as bananas, cassava and yam. The center will also offer technical assistance in order to improve quality as well as technical training services and coaching for SMEs and micro enterprises in a training center that will be located as close as possible to operators. For the management of the center, the project will support the establishment of local institutions in form of GIEs (*Groupements d'Interêt Economique*) to manage and maintain the technical centers on a sustainable manner, in partnership with private operators engaged in the supply chains.

13. Likewise, the existing facility in Kimpese will be also developed and expanded to serve as a reference processing center and capacity building entity for the Kisantu, Mbanza Ngungu, and Kimpese poles, with secondary centers to be gradually set up at strategic locations to respond to the specific needs of selected products. In addition, a laboratory aimed at ensuring quality, certification, and measurement will be set up in Kimpese for the entire region.

14. A contract, which will include provisions to ensure compliance with the safeguard documents, is being negotiated with UNIDO for the setting up and administration of the technical centers for food processing and capacity building for producers' organizations in Bas

Congo Province. UNIDO has expertise in establishing and supporting such centers in several countries, including Burkina Faso, Cameroon, Mali, Morocco, Uganda, Senegal, and more recently in the DRC itself at Kimpese. As in Kimpese, UNIDO will jointly manage the centers with local and well established NGOs or associations of producers to build their capacity and ensure sustainability after the project closes.

Subcomponent 1.2: Support to Rural Infrastructures (US$18 million)

15. The objective of this sub-component is to build a minimum integrated infrastructure network linking areas of production to markets, poles and common services centers, providing energy and water supplies to these centers (described above) and other relevant interventions.

16. Within the targeted areas and nodal poles (Bas Fleuve area along the Boma-Tshela axis, as well as within the growth center of Inkisi-Mbanza Ngungu-Kimpese), about 1,500 km of rural roads were identified during appraisal that need rehabilitation. The project will finance the rehabilitation of about 500 km of rural roads recognized as a priority network in order to ease access and the transportation of inputs and products. The identification was conducted at the appraisal stage with the help of various stakeholders, including representatives of beneficiary groups. Although the Master Plan has already identified all the rural roads that are in need of rehabilitation based on concentration of production, the final list of feeder roads to be targeted by the project will be determined following more detailed technical studies, including environmental and social studies (which will have to comply with the ESMF and RPF). This will be done in collaboration with the Directorate of Agricultural Access Roads (DVDA) of the Ministry of Agriculture and Rural Development, the institution in charge of feeder roads– and existing structures, including the Local Committee for Road Maintenance (CLER) and farmer organizations.

17. The project will ensure the availability of power and water needed to operate the technical center and primary palm oil processing and extraction facilities in Lukula and Tshela. The National Electricity Company's (SNEL) power supply in Lukula and Tshela is unreliable and would need to be upgraded with additional investments. Both SNEL and the local communities will be involved in the sustainable management of these infrastructures.

18. The project will also finance basic infrastructure to support production (such as micro-irrigation, fish ponds, etc.) and post-harvest handling such as (small warehouses and collection centers at locations next to the production sites). More specifically, to facilitate the supply of the Kinshasa market, the project will reinforce infrastructure platforms and collection centers (mainly parking and warehouses) at Mbanza Ngungu and Kimpese which already function as collection sites for products destined to Kinshasa. The project will finance feasibility studies, civil engineering work, equipment supporting the investments, and consultancy costs for the monitoring activities and capacity building needed for the management and maintenance of the infrastructures.

Component 2: Special Economic Zone of Maluku (US$27 million)

19. The main objectives of the Maluku SEZ are to facilitate access to industrial land, to infrastructure - in particular power - and to provide a transparent environment for doing business,

all of which have been identified as binding constraints in the 2006 *Investment Climate Assessment*. The SEZ is expected to facilitate the establishment of private processing industries that will provide an outlet for various products, including, but not limited to, those from the value chains supported by the project. Products to be transformed at Maluku are expected to be brought from Bas-Congo province, crossing Kinshasa via rehabilitated roads, and from Bandundu and Equateur provinces by waterways or roads. The World Bank is already implementing an agricultural project in Equateur and in the Pool Malebo region (where Maluku is located), which could be tied to the SEZ component.

20. The Government has called for the development of SEZs as one of its main economic policy objectives in its 2012-2016 program. Building on preparatory studies undertaken since 2008 by the Investment Climate Advisory Services of the World Bank Group, the proposed component will contribute to the establishment of a privately-managed SEZ at Maluku, close to Kinshasa. The main findings of the studies are summarized in Annex 9 - in particular, two demand assessments were conducted in 2008 and 2010, and a call for investors was issued by the Government in September 2012. A conservative demand scenario analysis indicate that between 180 and 190 hectares of net land would be required to accommodate 120 to 180 firms over a period of ten-year.

21. The Maluku site has been designated by the Government as an SEZ, and demarcated to maximize economic usage and minimize impact on existing settlements. Based on the Resettlement Action Plan (RAP) developed for Maluku, which has been publicly disclosed by the World Bank, 58 households (545 people) will be resettled, and legitimate land concession holders will be compensated. The total cost of resettling the affected households is estimated in the RAP to be around US$3.7 million, which will need to be borne by the Government, prior to the disbursement of Bank financing for the sub-component 2.3 related to the physical infrastructure.

Sub-component 2.1: Facilitation of a PPP (US$1.5 million)

22. This sub-component is expected to be implemented upon project approval. The objective of this sub-component is to ensure the selection of a competent and internationally experienced zone developer. The project will fund a transaction adviser to assist the government in competitively selecting a private developer for the SEZ.

23. The transaction adviser will undertake the following activities: (i) present the pilot site to interested SEZ developers; (ii) assist the Government in choosing a suitable developer, based on request for proposals; and (iii) advise the government on the most appropriate PPP. The private developer will be expected to contribute to the construction of the SEZ, based on the PPP arrangement that will be identified. The selection of the developer will be based on its technical and financial proposal, including the amount of supportive and enabling investment required from the project.

24. The transaction adviser is also expected to work with AZES, as required, to design a proactive outreach campaign targeting developers, anchor tenants and other investors to market the SEZ to potential developers. This effort is also designed to secure a regular flow of investors

for the entire project. The sub-component will offer hands-on technical assistance for the planning, implementation and follow-up of outreach campaigns.

Sub-component 2.2: Strengthening the Capacity of relevant ministries in SEZ development (US$3.5 million)

25. This component will start once (i) the SEZ law, which provides a legal and regulatory framework in respect of the Maluku SEZ, is adopted by Parliament; and (ii) AZES, which will regulate all SEZs to be developed in DRC, is established and fully operational. According to the SEZ draft law, already approved by the Senate and to be adopted by Parliament, AZES will be established to regulate all SEZs to be developed in DRC. The agency will also act as intermediary between the Government and private developers and create the conditions for the development of SEZs in Maluku and elsewhere. In this context, the project will provide multi-year support and capacity building to the agency for the design and implementation of regulations, procedures and operational manuals, facilitating linkages with the local economy, as well as in investment promotion and facilitation under this activity.

26. This activity will provide capacity building and technical support in the establishment of a modern and functioning legal, regulatory and institutional framework for SEZs, which is consistent with global best practices and adapted to the country's needs. This will aim to ensure that there is an effective operating environment for firms located in the SEZ, with clear rules and regulations, outside of the typical administrative harassment faced by firms in the country.

27. In order to maximize the impact of the SEZ, the project will also support linkages between the SEZ and the local economy, not only in Maluku but also in the wider Kinshasa region. A technical assistance program linking SEZ companies and potential local micro, small, and medium-sized enterprise (MSME) suppliers will be supported, with a dedicated unit established under AZES and may include facilities within the SEZ perimeter that are accessible to outsiders. Further ties can be established with wholesale markets to be developed under the project.

Sub-component 2.3: Physical Infrastructure (US$22 million)

28. This sub-component will start once a PPP arrangement has been concluded for the SEZ and the RAP implemented. The various demand assessments have informed the master plan for the SEZ, which is based on a net industrial area of 140 hectares. Based on the land use and infrastructure master plan that has already been prepared, the project will contribute to the financing of basic infrastructure. The infrastructure to be financed, which will be agreed with the private developer, may include earthworks and roads, river port installations with access road and loading facilities, drainage, access to electrical power (including network rehabilitation and generator provision), water (including network rehabilitation and waste water treatment) and telecommunications. Perimeter fencing will be required from the beginning of the project to secure the area designated for the SEZ. This basic infrastructure could be financed for an initial area of 50 ha. It is expected that subsequent infrastructure developments will be financed by the private developer. The master plan will allow for a range of plot sizes in order to provide flexible opportunities for both large and small investors, including ready-to use buildings for MSMEs.

Component 3: Proactive Business Development (US$16 million)

29. This component will improve the business environment with a view to promoting investments and support productive activities in the targeted value chains and poles. It aims at supporting and operationalizing the Government approach to Strategic Partnerships Along Value Chains (SPAVC) that was presented to and well received by development partners on December 12, 2012 in Kinshasa. In order to implement the SPAVC, the Government and the Bank have agreed to focus on the setting-up of three supporting instruments which will promote investments and support productive activities: (i) a Project Development Fund (PDF); (ii) a Proactive Investment Promotion Platform (PIPP); and (iii) a Permanent Investor's Conference (PIC).

Sub-Component 3.1: Project Development Fund for Investment Promotion (US$10 million)

30. The project will establish a Project Development Fund (PDF) to support Government's current approach to strategic partnership along value chains and targeting *ad hoc* initiatives aimed at creating jobs quickly while restoring selected broken value chains and accelerating direct investment opportunities for private sector. It will finance the preparation of business plans of operations for strategic projects which can contribute to the development of targeted value chains. To respond to Government priorities, the preparation of business plans for other strategic projects which could contribute to building clusters and create jobs outside the agriculture and agribusiness sectors could also be supported.

31. The PDF will support the preparation of business plans, following international standards, to bring projects development to levels of risk perception and mitigation that are acceptable for private sector. These business plans will be presented to potential private investors through a PIPP which is being established. Other development partners could contribute to the PDF and to the financing of the plan of operations.

32. The PDF interventions will focus on the following Government priorities: (i) creative industries (KINTECH); (ii) furniture (KINMEUBLES); (iii) mechanics (KINMECANICS); (iv) conditioning and packaging (KINPACK); and (v) Goods Distribution Zones and Logistics Platforms (Congo International Market at Kinkole- KINMIC). In addition, activities supported by the Fund may subsequently include TA to SMEs for the preparation of feasibility studies, business plans and loan applications to banks for activities that are expected to contribute to the development of the targeted value chains. A draft PDF manual has been prepared to guide the organization, management and procedures of the Fund.

33. For all the above cited initiatives, the approach is to build integrative economic clusters on several pillars that could create solid and sustainable foundations for the emergence of creative industries in DRC. This can be illustrated by the case of KINTECH, a Technopole of Creative Industries of Kinshasa which includes different creative platforms. These platforms will be clustered in one location and will feature the following: (i) recording studios for all the different segments of the industry; (ii) theaters; (iii) cinema halls; (iv) exhibition galleries; (v) schools of cinema, music, theater, painting etc.; (vi) common services in copyright protection management systems and structures; (vii) common services for economic promotion, proactive marketing and active sales; and (viii) common ("condo") management systems and structures.

Having these in place will attract other businesses in hospitality service industries, city services and linkages between the newly established economic hub and its hinterland.

34. Aside from complex financial engineering issues to manage, there is a need to build a wide strategic partnership platform to create space for and blend all relevant expertise and experience to deliver on this complex undertaking. The other initiatives will be developed along the same model as that of KINTECH with funding from the PDF.

108. The operational manual for PDF has been prepared to guide the organization, governance, management and procedures of the Fund. The manual includes eligibility criteria and measures to ensure that social and environmental due diligence will be done for the proposals supported by the Fund. This fund will be anchored within SOFIDE[27], a national development agency under the Ministry of Finance that receives substantial financial resources from the government to fund private investments (US$ 21.4 million in 2012-2013). Discussions are ongoing and a MOU will be signed with the Ministry of Finance. SOFIDE will work closely with ANAPI[28], the national agency for investment promotion, on the design of investments projects.

Sub-component 3.2: Targeted Regulatory reforms (US$2 million)

35. The project will strengthen Public Private Dialogue (PPD) for demand-driven regulatory reforms both at national and provincial levels. At provincial level, PPD will largely focus on the value chains supported by the project. The capacity of the Investment Climate Reform Unit (*Cellule d'appui à l'Amélioration du climat des Affaires)*, will be strengthened to enable it to continue to play its role and consolidate the results already achieved with the support of the Competitiveness and Private Sector Development Project (CPSDP) funded by the World Bank. Structures such as the Federation of Congolese Enterprises (FEC), the Confederation of Small and Medium Enterprises (COPEMECO) and the Federation of Faith-Based NGOs for economic development (FOLECO) will also be strengthened through technical assistance, workshops and equipment to allow them to contribute to the PPD.

36. Through demand-driven reform, the PPD will help identify and solve the main regulatory constraints and alleviate governance issues faced by the private sector operating in the value chains. At the national level, a stronger public-private dialogue will facilitate the review and improvement of major laws, including the transportation and the agricultural codes which both contains provisions that are not conducive to private sector development (Article 16 of the Agriculture Code for example). The dialogue will also help improve the procedures to import essential inputs and equipment for the agriculture sector. At present, in addition to high logistics and transportation costs, access to essential inputs and equipment are impeded by red tape as well as various taxes. In partnership with IFC and DFID investment climate programs, the project will provide technical assistance to help the government alleviate tariff and non-tariff barriers to trade affecting the import of essential equipment and inputs such as seeds, fertilizers, pesticides, packaging, storage and processing machinery, trucks and spare parts. It will also

[27] SOFIDE: *Société Financière de Développement.*

[28] ANAPI: *Agence Nationale pour la Promotion de l'Investissement.*

provide technical assistance to alleviate harassment along the Boma-Kinshasa road by reducing the number of roadblocks which increase the time and cost of transportation.

Sub-component 3.3. Trade Facilitation at the Port of Matadi in the Bas Congo (US$4 million)

37. With the objective of improving efficiency of DRC's main port and addressing the high costs of import and export as mentioned above, the project will also support the streamlining and simplification of customs procedures at the Port of Matadi. This will contribute to the development of value chains and productive activities by reducing the cost and time required to import critical equipment and inputs, as mentioned above. The DRC has made significant steps towards creating a single window for customs. An important next step to be funded by the project is the extension of this window by strengthening the information technology system and linking all related services and administrations to all trade related procedures in order to reduce time and cost. These activities will be implemented in coordination with other development partners active in this area (e.g. the European Union and DFID). In addition, to facilitate the tracking of containers (which currently takes up to three days), the project will finance the required computer and tracking system that would improve the efficiency of the port. Lastly, the project will provide technical assistance and equipment to the Congolese Quality Control Agency *(Office Congolais de Controle)* within the port of Matadi to enable it to better carry out its mission of quality control of products and enforce regulations.

Component 4: Coordination, Communication, Monitoring and Impact (US$8 million)

38. This component will strengthen the ability of Government to implement the project in a coordinated and integrated manner based on within existing structures that will be strengthened through technical assistance.

39. A multi-sectoral Steering Committee will be established. It will provide strategic guidance to the project and ensure the project delivers on its intended objective and the coordination of the project reports on progress and difficulties. The Fragile States Unit (FEF), which operates within the Ministry of Finance, is in charge of this project and will ensure overall coordination, financial management, procurement and M&E. It will also be in charge of communication that will be implemented through collaboration with civil society organizations. FEF was established with support from the AfDB and has experience with Bank procedures. The FEF team will be strengthened with additional staff. A directorate in the Ministry of Agriculture will be strengthened through the provision of technical assistance as needed to implement component 1. The capacities of all the ministries involved (including provincial ministries) will be strengthened to help them better contribute to good governance and project implementation.

40. The project will establish an M&E system that will collect data in a timely manner in order to enable the early adoption of corrective measures. Under this system, the directorates of Planning and agricultural statistics will be strengthened in addition to the national statistical institute. In addition, as described in the M&E section below, a rigorous methodology will be adopted to assess the direct impact of specific project activities including the impact on the target population of the rehabilitation of rural feeder roads.

41. The project will lay out a comprehensive communication strategy given that the project will be implemented in a number of geographical areas, and involve various stakeholders, including women who are targeted to benefit from specific activities. The communication strategy will allow transparency and create awareness for beneficiaries, which will allow them to participate and benefit from activities of the project and provide feedback on project performance.

Annex 3: Implementation Arrangements and Support Plan

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

(A) Implementation arrangements

1. The implementation arrangements have been designed with the objective to take into account the multi-sectoral nature of the project, the weak capacity and coordination failures within the Congolese public sector which need to be addressed for the project to reach its development impact. Overall, the arrangements include a high-level steering committee, the Ministry of Finance (MinFin) as the coordinating ministry, the Office of the Governors of concerned provinces, relevant national ministries, the private sector, and the civil society.

2. While the Ministry of Finance will ensure the overall project oversight through the *Facilité des Etats Fragiles Unit,* which has coordinated the project preparation, the implementation of the project components will be the responsibility of the designated sector ministries, the Ministry of Agriculture for component 1, the Ministry of Industry for component 2, and the Ministry of Planning for component 3.

3. To address the issue of the weak capacity of national institutions, following arrangements will be established:

(a) The project will be anchored within the Ministry of Finance who led its preparation from the government side.

(b) **Steering committee.** A high level steering committee will be officially established with a Decree signed by the Prime Minister before Board submission. It will be chaired by the Minister of Finance or his representative and composed of representatives from relevant ministries, Governors of targeted provinces, the private sector and civil society to voice their concerns to contribute to good governance. A draft decree from the Prime Minister has been prepared and will be signed by the Prime Minister to establish the Steering committee.

(c) **Coordination of the Project**. The FEF unit under the Ministry of Finance will be responsible for the overall coordination and of the administrative and fiduciary aspects of the project, mainly procurement and financial management. The project components will be executed by technical services of sectoral ministries, such as Ministry of Agriculture and Rural Development, Ministry of Industry, Ministry of Planning, Ministry of Economy and Commerce.

(d) **Project Executing Unit for component 1 (PEU-1).** PEU-1 will be based within the ministry in charge of Agriculture and Rural Development. Given its lack of capacity, TA will be provided through individual consultants to support this Ministry in implementing the project activities under component 1. The composition and mode of operation of PEU-1 will be described in the MOP. The different actors involved in the implementation of Component 1 and key staff from the FEF Unit (e.g. M&E specialist) will meet around a platform on a regular basis to take stock on progress made on the implementation of each activity, discuss bottlenecks and propose solutions. A report will be prepared at the end of such meetings, which will be transmitted to the FEF.

(e) **Project Executing Unit for component 2 (PEU-2).** PEU-2 will be based within the ministry in charge of Industry. The implementation of activities under this component will be done through the existing SEZ Support Unit (CAZES), which was put in place by the Bank and IFC, and which is being further strengthened. CAZES will form the nucleus of AZES, the national agency that will regulate and promote the development of SEZs in the country that is to be set up by the authorities.

(f) **Execution of Component 3.** This **c**omponent will be executed by the FEF unit which will provide the needed resources to government agencies in charge of business environment reforms inside the ministries of Finance, Planning and Trade. The Project Development Fund (PDF) will be under the management of SOFIDE working in collaboration of ANAPI who will continue to be in charge of investment promotion. ANAPI will as well as SOFIDE will have their capacities strengthened with the recruitment of relevant technical experts and improvement of their management practices.

(g) **Provincial Technical Committee.** According to the government's decentralization strategy, the governor's office and the ministries of Bas Congo will play an important role. A provincial Technical Committee will be set up to monitor execution of project activities and provide strategic advice in compliance with provincial development strategy.

(B) Implementation Support Plan

4. A detailed Project Implementation Manual (PIM), including a project implementation plan, administrative, procurement, financial and accounting, monitoring and evaluation procedures, is being prepared, and will be finalized at negotiations. It will spell out the mandates, responsibilities, governance structure, and relationship between each implementing units. The PIM will take into account an assessment of the capacity of the institutions to be involved and their coordination mechanisms. The partnership agreements between the Government and the main implementing units (contracts with specialized institutions for the implementation of operational activities including private firms, civil society or development partners) will also be spelled out. It will also clarify the terms of reference of each structure which will be involved in project implementation. Semi-annual performance review meetings will be organized for each pole with all relevant stakeholders given the need for close monitoring. Annual performance review meetings will be organized for the overall project. The project will be implemented in different stages according to table 4 below related to the sequencing of activities. Implementation of the second stage will be contingent to a thorough review of the results of the first stage. Depending on difficulties encountered related to complexity, the team will consider revisiting the scope of the project even before mid-term review to ensure PDO achievement. A more comprehensive mid-term review will be held based on project implementation performance approximately 30 months after grant effectiveness to assess progress and adopt corrective measures aimed at improving implementation and reaching project objectives.

5. The Master Plan provides detailed implementation support plan for each component which is summarizes below.

Component 1: Agriculture Value Chains Development in Bas Congo

For the implementation of Component 1, it is necessary to establish: (i) an efficient production system, and (ii) appropriate modalities for the provision of various ancillary services.

6. There are two main pillars of intervention to promote an efficient production system. The first is to provide support to small farmers through major NGOs or specialized development partners with experience in value chains development and a good knowledge of the local environment. The large NGOs can deal directly with producers or their organizations where they exist or they can work with smaller NGOs.

7. The second pillar is the support to large industrial plantations or company. A contract farming system will be adopted so that the support to these plantations can have a multiplier effect and contributes to the development of the production of surrounding villages. This system combines a large company with surrounding small producers and villages. The large company will purchase from the small producers, through contracts, while ensuring its own production if any.

8. As with the support to production, the provision of ancillary services (collection, storage, processing, marketing, etc.) can be ensured through contract with UNIDO and NGOs, associations of producers, and large specialized companies in the targeted areas, which can organize and work with smaller local farmers' organizations. This approach has been used successfully in other projects which rely on delegated management contracts to execute parts of the project that necessitate specialized technical skills and / or strong knowledge of the local environment as well as local presence to connect with the farmers (example: Forestry and Nature Conservation project financed by the Bank). The system and the terms of delegation of responsibility will vary depending on the type of activity that will be funded by the project.

Rehabilitation and Maintenance of Rural roads

9. For the rehabilitation of the rural roads, based on the recommendation of the engineering studies (*avant projet sommaire* and *avant projet detaille*), the strategy will consist either in labor intensive road work or mechanized work to be conducted, through contract, by private companies under the supervision of the Rural Road Department, *Direction des Voies de Desserte Agricoles* (DVDA).

10. For road maintenance, there are three options depending on the location of the roads: (i) contract with the Local Committee for Road Maintenance (CLER); (ii) contract with the farmers organizations; and, (iii) contract with large local agro-industrial companies. The project will help identify and implement institutional arrangements to ensure sustainable management of road maintenance along the corridor. Beyond the ongoing reform of the National Road Maintenance Fund (FONER), the project will build on the system being developed with support from Belgium in the Bas Congo and Bandundu provinces which consists in putting in place a Regional Road Maintenance Fund (FRER), in addition to FONER, for a greater effectiveness and supervision of

works. The rehabilitation of these rural roads will be coordinated with other partners active in this area (e.g. Belgian Technical Cooperation, IFAD, AfDB and USAID).

Component 2: Special Economic Zone of Maluku

11. The Special Economic Zone will be built in phase by a private developer which will be selected based on its technical and financial proposals as well as the minimum capital supportive complementary investment required from the project. The project fund will be disbursed to contribute to construction only a PPP is finalized and the RAP implemented by Government. Technical assistance for capacity building and targeted investment promotion will be provided to this unit to ensure timely implementation of project activities.

Component 3: Proactive Business Development

12. The Fund will be managed, based on the PDF manual, by experts who will be hired within the Ministry of Finance. Project developments financed by the PDF will be mainly generated by the private sector and the Government to strengthen activities along supply and value chains and help develop other larger strategic initiatives, which require the combination of both public and private funding, including the Kinshasa Wholesale market (Kinmic) and other projects which could contribute to job creation in other sectors. If necessary, ad-hoc steering committees will be established to ensure ownership and smooth implementation. Partnerships with other development partners and institutions will be sought.

13. For the activities related to the improvement of the business environment (taxation, trade facilitation), technical assistance will be financed in coordination with other development partners, to strengthen the relevant institutions and implement the ad-hoc reforms validated through a public private dialogue platform.

14. The table below summarizes the main activities, implementation modalities and line ministries.

Table 4: Sequencing of Activities

Types of activities	Stakeholders involved in implementation	Implementation Stage 1 (Expected Results)	Implementation Stage 2 (Expected Results)
Component 1: Agriculture Value Chains Development in Bas-Congo			
Sub-Component 1.1: Enhancing Agricultural Supply Capabilities			
Capacity building of producers' organization: Organization/Strengthening of producer/farmers association; provision of inputs to farmers	• Ministry of Agriculture (MinAgri) • INERA • SENASEM • Existing farmers' organizations (e.g. FOPAKO), including women's associations. *SENASEM has laboratories already in place in Boma and Mbanza Ngungu, which are equipped with staff and basic*	• Existing capacity within the two research institutes is assessed and areas that need to be strengthened are identified. • MoUs (*Protocoles d'Accord*) between MinAgri and SENASEM and INERA, currently under discussion, are signed. *Similar partnerships were agreed with these two institutes as part of the ongoing Bank-financed PARRSA project.* • Capacity building of the two	• INERA and SENASEM are fully operational • Technical skills of *Agri-multiplicateurs* (seed multiplication) and farmers' groups are strengthened • Certified planting materials, other relevant inputs and agricultural extension services are provided to farmers' groups

Types of activities	Stakeholders involved in implementation	Implementation Stage 1 (Expected Results)	Implementation Stage 2 (Expected Results)
	equipment. *INERA also has 2 stations available within the project area.*	institutes (Training, equipment, office space, transportation…). • Existing farmers' groups are organized.	
Development of partnerships between strategic agro-industrial investors and producers' organizations.	• MinAgri • Large palm oil processing company based in Boma (COD) • Other private companies • Existing palm oil farmers' organizations that were created with support from SNV • International NGO based in Matadi	• Partnership between the large palm oil processing company and palm oil farmers' organizations, currently under discussion, is signed. • Similar partnerships with private companies are sought for the other value chains (inter-alia rice and cassava). • Technical studies for the construction of primary palm oil processing and extracting facilities launched, bidding process launched.	• Palm oil value chain is in place and existing village plantations are revived. • Similar partnerships are signed for other value chains. • Primary palm oil processing and extracting facilities are built in Lukula and Tshela in production areas.
Establishment of technical centers for agro-processing and training	• MinAgri • UNIDO • NGOs or GIEs (*Groupements d'Intérêts Economique*) • Associations of producers • Large specialized companies in agro-processing in the targeted areas	• Contract with UNIDO for the establishment and management of new technical centers in Lukula, currently under discussion, is signed. • Existing technical center in Kimpese is assessed and areas that need to be strengthened are identified. • Technical studies for the new laboratory in Kimpese that will ensure quality, certification and measurement for the entire region are launched, bidding process launched.	• Technical center in Lukula is constructed and is providing (i) equipment to producers' organizations in the surrounding areas; and (ii) TA to SMEs and micro-enterprises • Technical center in Kimpese is operational • New laboratory in Kimpese is constructed and operational
Sub-Component 1.2: Support to Rural Infrastructures			
Rehabilitation of rural roads	• MinAgri through the DVDA (*Direction des Voies de Desserte Agricole*) • CLER (Local Committees for Road Maintenance)	• Technical studies completed, bidding process launched and builder selected. • MoU signed with the DVDA for the organization and training of existing CLER, which will be used for rural road maintenance. • Capacity of DVDA assessed and areas that need capacity building are identified • Sub-contracts with NGOs and CLER for HIMO (*Travaux à Haute Intensité de Main-d'œuvre*) and rural roads maintenance are signed.	• Construction of rural roads underway • DVDA is strengthened and is providing training to CLER • System of roads maintenance in place

Types of activities	Stakeholders involved in implementation	Implementation Stage 1 (Expected Results)	Implementation Stage 2 (Expected Results)
		A similar agreement was signed as part of the ongoing Bank-financed PARRSA project.	
Component 2: Special Economic Zones of Maluku			
Sub-Component 2.1. Facilitation of a PPP			
Recruitment of transaction adviser to assist the Government in competitively selecting a private developer for the SEZ	Ministry of Industry CAZES IFC	• Recruitment of a transaction adviser • Design an outreach campaign to target potential developers/investors • Contract with Private developer/operator (which will sub-contract with private companies for construction)	
Sub-Component 2.2. Strengthening the capacity of relevant Ministries in SEZ development			
Support and capacity building to the agency	Ministry of Industry CAZES IFC	• Adoption of the SEZ law by Parliament: • Establishment of the AZES, capacity building and technical support • Put in place a modern working legal, regulatory, and institutional framework for SEZs.	
Sub-Component 2.3. Physical Infrastructure			
Financing of basic infrastructure, for an initial area of 50 ha		• Recruitment/contracts with interested firms • PPP agreement secured	Launch of civil works for infrastructure (only after secured PPP agreement)
Component 3: Proactive Business Development			
Sub-Component 3.1. Project Development Fund for Investment Promotion			
Put in place the PDF within ANAPI	MinFin ANAPI	• Establish the unit responsible for the management of the PDF within ANAPI • Capacity building	Business plans to develop Goods Distribution Zones and Logistics Platforms as well as other creative initiatives
Sub-Component 3.2. Targeted Regulatory Reforms			
Strengthen Public Private Dialogue (PPD) for demand-driven regulatory reforms	Plan Ministry Climate Reform Unit FEC COPEMECO FOLECO	• Collect results achieved under the CPSD project • Capacity building of reform Unit • Support the review of important laws, including agricultural law and transport law	• TA to help the government alleviate tariff and non-tariff barriers • Alleviate road harassment on Boma-Kinshasa axis
Sub-Component 3.3. Trade Facilitation at the port of Matadi in the Bas Congo			
	ONATRA OCC	• Diagnostic study on the port of Matadi to identify main sources of costs and time for critical activities • Agree on a plan of operation for the required actions to be undertaken	• Strengthen the information technology system of the port authority • Put in place a computerized container tracking system

15. The following tables indicate the main focus of support to implementation during the project's lifetime, skill mix requirements, and involvement of other partners.

Table 5: Focus of Support to Implementation during the Project Period

Time	Focus	Skills Needed	Resource Estimate (US$)
Before effectiveness	Complete and validate final Master Plan Recruitment of Contract management Agency, PDF management team,	Procurement Economist PSD Engineer Agribusiness specialist Legal adviser Social safeguards Environmental safeguards financial expert	20,000
0-12 months	Complete detailed feasibility studies (Avant Projet Sommaire, Avant Projet Detaille) Tendering for infrastructure (SEZ, markets, , logistics) Feasibility Studies ESIA / RAP screening	Procurement Economist PSD Engineer Agribusiness specialist Financial expert Economist, Agronomist Social safeguard Environmental safeguard Legal adviser (PPP & land tenure)	150,000
12-48 months	Supervising construction in three poles Additional studies EMP/RAP implementation monitoring	Procurement PPP Engineers Economist PSD Agribusiness specialist Economist Social safeguard Environmental safeguard	500,000
48-72 months	Regular supervisory activities	Same as above	300,000

Table 6: Skills Mix Required (per year)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Team Leader (TTL)	15	2	Coordination
Agriculture specialist (Co-TTL)	15		CO based
Procurement Specialist	8		CO based
Financial Management Specialist	4		CO based
Disbursement Specialist	3		
Lawyer/Investment climate	4	3	
Engineer (civil works, power)	6	3	
PPP Expert	5	3	
Team Assistant	10		CO based
Operations Specialist	10	1-2	M&E Co based
Agribusiness/Management Specialist	10	2-3	Consultant
Environmental Specialist	8	2-3	
Social Specialist/Anthropologist	10	2-3	
Communications Specialist	2		CO based

(C) Role of Development Partners

16. The project was prepared in close collaboration with other development partners including the EU, Belgian Technical Cooperation (CTB), AfDB, USAID, IFAD, SNV, and IFC. These partners will not finance activities of the project as they have their parallel ongoing or upcoming activities, but the Project Coordination unit within the Ministry of Finance will ensure that collaboration and information sharing will be done systematically during project implementation. A Task force of development partners involved in the targeted areas will be established and will meet on a regular basis to monitor the matrix of interventions and action plan. The task force will also be represented in the project steering committee meeting.

17. The project has been designed with flexibility and pragmatism to allow the financing of all critical activities that have been identified in targeted value chains and poles, and that are not financed by other partners. In that sense, it will build on the ongoing initiatives supported by the partners (which are more focused on a limited set of activities) and is expected to foster synergies and create a framework for a more integrated approach in line with the growth pole approach. The table below presents the matrix of relevant interventions of all the main development partners along the Bas Congo-Kinshasa-Bandundu corridor.

Table 7: Matrix of Development Partners Interventions

Donor	Project Tile	Amounts ($US)	Province	Intervention Zone	Closing Date
EU	Support to food production in GUNGU	2,579,912	Bandundu	Kwilu	March 31, 2013
	Support to sustainable development of agricultural products' marketing in Maï Ndombe	2,461,280	Bandundu	MaiNdombe	Dec 31, 2012
	Support to economic development of artisanal fishing in the Congo River	4,642,569	Bandundu	MaiNdombe	Dec 31, 2014
	Sustainable development of production systems and distribution channels in Bulungu project - district of Kikwit	2,506,722	Bandundu	Kwilu	July 1, 2014
	Increase of agricultural production and income through a sustainable management of ecosystems from Kwilu OP	2,592,284	Bandundu	Kwilu	Oct. 31, 2014
	Mayanda agricultural food-crops production project	4,642,569	Bas Congo	Boma	Nov. 30, 2014
USAID	Food Production Processing and Marketing Activity	32,500,000	Bas Congo Kinshasa Bandundu	Everywhere Kinshasa, Maluku Everywhere	May 30, 2016
	DRC Pool Malebo Kingabwa Rice Intensification Project (GDA activity with EUCORD & BRALIMA)	2,037,785	Kinshasa	Pool Malebo	Jan. 17, 2014
World Bank (ARRSP)	Rice production in the Pool Malebo	5,420,000	Kinshasa	Pool Malebo	Dec. 15, 2015

<table>
<tr><th>Donor</th><th>Project Tile</th><th>Amounts ($US)</th><th>Province</th><th>Intervention Zone</th><th>Closing Date</th></tr>
<tr><td>Japan Govt (with TA provided by UNIDO)</td><td>Support to the national program of DRC reconstruction for the restoration of living conditions and peace-building.</td><td>1,300,000</td><td>Bas Congo</td><td>Catarcates, Songololo</td><td>Feb. 29, 2012</td></tr>
<tr><td rowspan="12">Belgian Cooperation</td><td>Local Economic Development Support Program of small family farmers and small entrepreneurs of Lukula and Tshela, and microfinance institutions building in Kinshasa</td><td>2,830,834</td><td>Bas Congo</td><td>Bas Fleuve (Lukula, Tshela)</td><td>December 31, 2013</td></tr>
<tr><td rowspan="6">Maintenance and Rehabilitation Program of tracks in DRCongo III (PREPICO III)</td><td rowspan="6">36,640,000</td><td rowspan="5">Badundu</td><td>Kwilu</td><td rowspan="6">December 1, 2014</td></tr>
<tr><td>Kwango</td></tr>
<tr><td>Bulungu</td></tr>
<tr><td>Bagata</td></tr>
<tr><td>Kitwit</td></tr>
<tr><td>Bas Congo</td><td>Bas Fleuve (Seke-Banza, Lukula, Tshela, Moanda)</td></tr>
<tr><td>Contribution to better provision of agricultural and technical schools</td><td>1,524,919</td><td>Bandundu</td><td>Kwilu, Kikwit, Idiofa, Massimanimba</td><td>December 31, 2013</td></tr>
<tr><td>Support to Ministry of Agriculture to better manage the program</td><td>8,125,000</td><td>Kinshasa</td><td>Kinshasa</td><td>October 4, 2015</td></tr>
<tr><td>Support to Ministry of Rural Development to better manage the program</td><td>10,000,000</td><td>Kinshasa</td><td>Kinshasa</td><td>October 4, 2015</td></tr>
<tr><td>Program for the connectivity to rural areas in Kwilu and Kwango (Bandundu) - PRODEKK</td><td>25,000,000</td><td>Bandundu</td><td>Kwango, Kwilu</td><td>December 6, 2015</td></tr>
<tr><td>Agricultural Development Program in Kwilu-Kwango - (PRODAKK)</td><td>25,000,000</td><td>Bandundu</td><td>kwilu, Kwango, Bagata, Massimanimba, Kenge</td><td>June 30, 2017</td></tr>
<tr><td rowspan="3">SNV (Holland)</td><td rowspan="3">SNV Agricultural Value Chain Development Program: Palm Oil, Cassava, Honey and exploring Rice</td><td rowspan="3">5,175,000</td><td>Bas Congo</td><td>Boma, Songolo, Mbaza</td><td>December 31, 2015</td></tr>
<tr><td>Equateur</td><td></td><td></td></tr>
<tr><td>Kinshasa</td><td>Maluku</td><td></td></tr>
<tr><td>KOICA</td><td>Tshuenge/Kinshasa integrated rural development project</td><td>9,184,000</td><td>Kinshasa</td><td>Pool Malebo (Tsuenge)</td><td>December 31, 2013</td></tr>
<tr><td>AfDB</td><td>Rural infrastructure development support project (PADIR)</td><td>79,000,000</td><td>Bas-Congo, Bandundu, Kasaï-Occidental, Kasaï-Oriental and Katanga</td><td></td><td>June 30, 2017</td></tr>
<tr><td rowspan="3">IFAD</td><td rowspan="3">Support Project to Kinshasa Pole for the supply of food and horticulture crops (PAPAKIN)</td><td rowspan="3">60,000,000</td><td>Kinshasa</td><td>Periurban zone</td><td rowspan="3">Scheduled to start in January 2013</td></tr>
<tr><td>Bas Congo</td><td>Madimba, Mbanza-Ngungu et Songololo</td></tr>
<tr><td>Bandundu</td><td>Kwilu (Bulungu, Idiofa et Gungu)</td></tr>
</table>

Annex 4: Financial Management

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. As part of the DRC Western Growth Pole Project preparation, a financial management assessment of both the Ministry of Finance and the Ministry of Agriculture has been carried out. The objective of the assessment is to determine whether: (a) these ministries have adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) the project financial reports will be prepared in an accurate, reliable and timely manner; and (c) the project's assets will be safeguarded. The financial management (FM) assessment was conducted in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on November 3, 2005 as revised in March 2010. In this regard, a review of the existing FM system (budgeting, staffing, financial accounting, financial reporting, funds flow and disbursements, internal and external audit arrangements) at both levels has been carried out. The assessment concluded that, the overall residual financial management risk is substantial. A more detailed assessment of FM issues has been prepared and will be part of the Project Implementation Manual.

2. **Assessment of the Ministry of finance.** The "*Facilité en Faveur des Etats Fragiles Unit*" (FEF) within the Ministry of Finance has been officially designated as the Project Coordinating Unit for this project. It will be in charge of managing the new project Designated Account (DA). The assessment of this unit has revealed some strength and weaknesses both at the central and decentralized levels. The following major strengths were identified: (i) staffing consists of five people (Coordinator, Procurement Specialist, Accountant, Administrative Assistant and Driver) with good experience in managing donors funded projects, (ii) financial management system with adequate separation of duties, (iii) project manual of procedures as well as project software namely SUCCESS are in place and functioning and fiduciary staff have been trained in the use of these tools and, (iv) some space/offices are available to accommodate this new project.

3. **Going forward and in order to mitigate the fiduciary risk to the extent possible**, the following actions will need to be implemented (i) recruitment of a financial management expert as well as an additional accountant to work exclusively on this new project, (ii) updating the manual of procedure and the project software will be revisited to take into consideration the specificity of the Growth Pole Project, (iii) a credible internal control system which will include clear separation of duty, (iv) recruitment of an independent external auditor based on acceptable terms of reference.

4. **Assessment of Ministry of Agriculture.** In addition to the Designated Account managed by the Ministry of Finance, it is expected that a sub-account will be opened at a reliable commercial Bank which will be managed by a dedicated senior staff within the Ministry of Agriculture to finance activities executed under component 1. A preliminary assessment has been conducted to ensure that this Ministry has the minimum requirements to manage the sub-account. The conclusion of the assessment revealed that (i) the Ministry of Agriculture has weak capacity and institutional gaps. The suggestion is to build on the existing capacity within the Ministry and (i) recruit some additional fiduciary staff which will include one FM expert, and two Accountants to work exclusively on this new project, (ii) prepare a comprehensive FM

manual and accounting procedures, and (iii) the Ministry will acquire a software which will be adapted/upgraded so that it will have a working interface with Success at the Ministry of Finance to cover this project taking into consideration that this software is multi-project and multi-site.

Risk assessment and mitigation

5. The following risk identification worksheet summarizes the significant risks with the corresponding mitigating measures.

Table 8: Risk Assessment and Mitigation

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Inherent risk	**MI**			**MI**
Country level According to questions 13 and 16 of the CPIA, DRC is a high risk country from the fiduciary perspective. The CFAA and the PEFA reports outlined PFM weaknesses at central and decentralized government levels as well as sector ministries level in term of governance and public funds management.	H	None. Beyond the control of the project. The government is committed to a reform program that includes the strengthening of the PFM through the Public Financial Management and Accountability Program (PFMAP) which is under preparation, an ongoing IDA-financed PFM Reform project is being implemented but is unlikely to yield results quickly enough to impact the proposed project. Use of IDA FM procedures is required for this project.	N	H
Entity level The assessment of selected ministries during the CFAA and PEFA, plus the current assessment of the Ministry Finances as well as the Ministry of Agriculture revealed internal control weaknesses and weak fiduciary environment.	S	The existing PCU within the Ministry of Finance will be used; Relying on a dedicated FM team at the FEF and use of IDA FM requirements is critical for the mitigation of fiduciary risk of this project; the adoption of a FM procedures manual by effectiveness will mitigate internal control weaknesses.	N	M
Project level: This is a project which will be implemented across different levels that will face coordination challenges. Ensuring funds are used for purposes intended will be a challenge. The new units under implementation may not have good experience in implementing World Bank financed projects. Staffing at all levels is weak.	S	The FEF will strengthen ex-ante and ex-post control of activities implemented/managed by implementing entities. FM experts will be recruited on ToRs acceptable to IDA and training and hands on advice to staff during project implementation. Training on fiduciary procedures will be conducted for all FM staff throughout the life of the project. Clear TORs for each responsibility will be agreed between the parties involved to ensure clear understanding to include timeframes for reporting.	N	S
Control Risk	**S**			**S**
Budgeting: The Annual Work Plans and Budgets (AWPB) will be prepared by the FEF and approved by the Steering Committee based on the policy guideline. The budgeting process is fairly	S	The project Financial Procedures Manual will define the arrangements for budgeting, budgetary control and the requirements for budgeting revisions. Annual detailed disbursement forecasts and budget required. IFR will provide information on budgetary control and analysis of variances between actual and	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
complex. Inputs are required from all implementing entities. This could result in delays in the preparation of the budget. Weak capacity at the implementing entities to prepare and submit accurate work program and budget; weak budgetary execution and control; weak monitoring leading to some overrun expenditures		budget.		
Accounting: This project will use the accounting software as for all other Worl Bank financed project in DRC. The risks will be the following: At the ministry of finance, the SUCCESS software will be used while the TOMPRO will be used at the ministry of agriculture. The risks will be the following: Poor policies and procedures, lack of qualified accountant staff. Delay in keeping reliable and auditable accounting records.	S	The project will adopt the OHADA accounting system starting 2014. Accounting procedures will be documented in the manual of procedures (ii) The FM functions will be carried out by qualified consultants (individuals); a FM expert and one additional accountant will be recruited for the ministry of finance on competitive basis; one FM expert and two accountants will be recruited for the ministry of agriculture. the existing software will be customized to take into consideration the need for this new project. Staff will be trained on the use the accounting software.	N	S
Internal Control: Internal control system may be weak due to weak FM capacity of IA; Insufficient safeguards and controls may result in misuse of funds and impact the implementation of the project.	S	Revision and adoption of a FM Procedures Manual and training on the use of the manual by the consultant recruited for this purpose. Recruitment of internal auditor at both level will help to mitigate these risks.	N	M
Funds Flow: One Designated Bank Account will be opened in a reliable Bank, it will be managed by the Ministry of Finance; a sub- account will also be opened at the same Bank for the Ministry of Agriculture; all project activities will be financed through these Bank accounts. Risk of misused funds; and (ii) delays in disbursements of funds to IA and beneficiaries;	S	The following are the mitigating measures: (i) Payment requests will be approved by the FM Manager prior to disbursement of funds. (ii)The ToRs of the External Auditors will include physical verification of goods, services acquired. (iii) FM expert will be recruited before project effectiveness and capacity will be strengthened during project implementation period.	N	S
Financial Reporting The FEF will provide a quarterly Interim Financial Report (45 days after the end of each quarter; annual Financial Report (within six months after the year-end) to the Bank in order to monitor the utilization of funds for the project. The risk will be to have inaccurate and delay in submission of IFR to the WB due to delays from IAs	S	(i) A computerized accounting system will be used. (ii) IFR and financial statements formats will be agreed during negotiations. The project coordinating unit will be in charge of overall reporting. The consolidated IFRs will be submitted to the Bank no later than 45 days after the end of the quarter.	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residua l Risk
or weak capacity of the FM team.				
Auditing: No auditing arrangement in place; the national audit capacity is weak and not reliable. Delay in submission of audit report or qualified opinion and delays in the implementation of audit reports recommendations.	S	(i) The project's institutional arrangements allow for the appointment of adequate external auditors (independent auditors) and the ToRs will include physical verification and specific report on finding of physical controls of goods, and services acquired or delivered. (ii) Annual auditing arrangements will be carried out during the project implementation period in accordance with ISA.	N	S
Governance and Accountability Possibility of circumventing the internal control system with colluding practices as bribes, abuse of administrative positions, mis-procurement etc, is a critical issue.	M	(i) The TOR of the external auditor will comprise a specific chapter on corruption auditing (ii) FM procedures manual approved before project effectiveness ; (iii) Robust FM arrangements (qualified individual FM staff recruited under ToRs acceptable to IDA, quarterly IFR including budget execution and monitoring; (iv) Measures to improve transparency such as providing information on the project status to the public, and to encourage participation of civil society and other stakeholder are built into the project design.	N	M
OVERALL FM RISK	**S**			**S**

6. The overall residual FM risk rating is deemed (Substantial).

Internal control and financial, administrative, and accounting manual

7. The internal control system of the Project will be described in the financial management manual. Such manual should be flexible enough to allow for improvement and changes as necessary during Project implementation. This manual should be fully aligned with the accounting aspects mentioned above as well as the modules of FM software. FEF already has an FM and accounting procedures manual that was prepared by a consultant for the AfDB project. That manual of procedures will be subject to a final revision so as to take into account the specific aspects of the proposed Project. Such revision will be carried out by the Financial Manager to be recruited by the Project. Separate manual of procedures will be developed to address the specificity of the activities financed under the project development fund (PDF).

Flow of funds

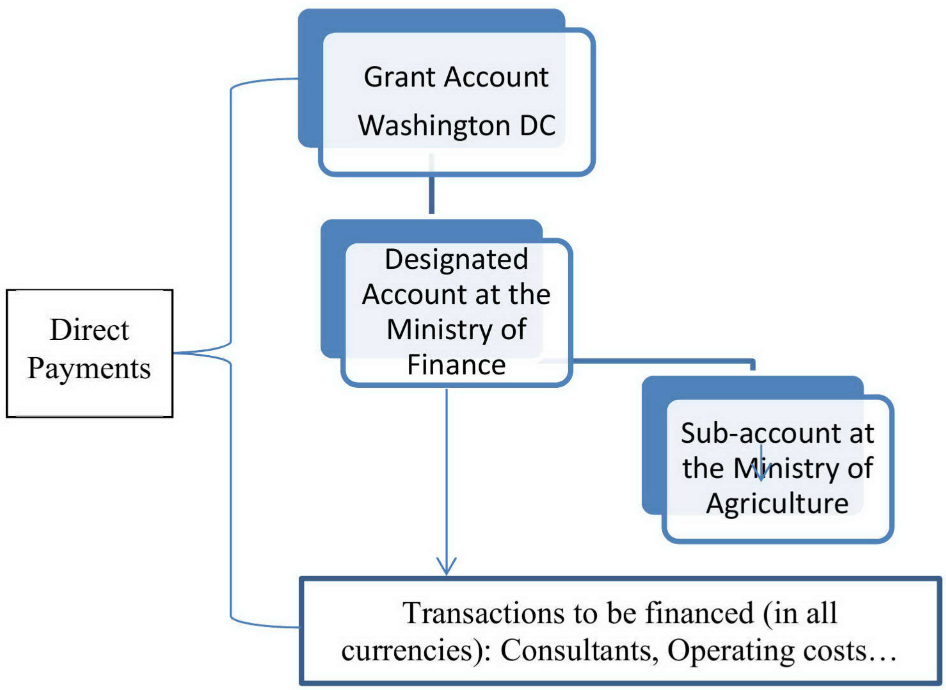
8. Project activities will be financed through a Designated Account (DA) that will be opened in a commercial bank acceptable by IDA; a sub-account will be opened at the same commercial Bank to finance activities under component 1. The account will be subject to the same fiduciary arrangements as the DA. The DA will be managed according to the disbursement procedures described in the PIM and the Disbursement Letter (DL) for the Project. The ceiling of the account will be specified in the DL estimated to be the equivalent of four months of project cash needs and takes into account the disbursement capacity of the various structures implementing the Project. It is worth noting that ministry of agriculture has limited experience in

managing donors funds. To mitigate this risk, one FM expert and two accountants will be recruited for the ministry of agriculture.

9. The ceiling of the Designated Account will be set at US$3.9 million. Additional advances to the Designated Account will be made on a monthly basis against withdrawal applications submitted electronically and supported by Statements of Expenditures (SOE) or records and other documents as specified in the Disbursement Letter (DL).

10. The flow of funds is summarized as follows:

Figure 4: Flow of Funds



11. **Disbursement arrangements (disbursement methods).** Given the high risk environment, the report-based disbursement will not be applicable by default. Therefore, upon project effectiveness, transaction-based disbursements will be used. The other methods of disbursing the funds (reimbursement, direct payment and special commitment) will also be available to the project. The minimum value of applications for the direct payment has been set at US$300,000. The project will have the option to sign and submit Withdrawal Applications (WA) electronically using the e-Signatures module accessible from the Bank's Client Connection website.

Financial reporting

12. For the proposed Project, the FEF will be required to prepare monitoring financial reports as defined in the financial agreement for the Project. These reports will be submitted to IDA on a quarterly basis within the 45 days following the end of each quarter. This report will include: (i) a table with sources and use of funds; (ii) table with use of funds per activity; (iii) table regarding use of funds according to procurement methods and threshold; and (iv) a table with monitoring

and evaluation or physical advance of activities. The format of such reports was discussed and agreed during Project Appraisal.

13. For the external audit purposes, financial statements will be prepared for each financial exercise covering in general twelve (12) months.

External Audit

14. The project's financial statements will be audited by an independent external audit firm to be selected according to the procedures of the World Bank. Audit reports produced by this auditor should be submitted to the IDA six (6) months after the end of each financial statement for the Project, before June 30 of each year. These reports should include: (i) report on the financial statements; (ii) report on the special accounts and certified statements of expenditure; and (iii) a report on the internal control procedures or letter of recommendation. The terms of reference for the selection of the external auditor should be prepared by the financial management team of the FEF and should be sent to IDA for comments. The terms of reference for the selection of this external auditor should be made available right after project effectiveness. The external audits will be publicly disclosed following the Bank's disclosure policy.

Financial Management Action Plan

15. The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

Table 9: Financial Management Action Plan

Issue	Remedial action recommended	Responsible entity	Completion date	FM Condition
FM staffing	Recruitment of project Financial Management expert and one accountant at the ministry of finance. Recruitment of another financial expert and two accountants at the ministry of agriculture. Training of these on the use of software as well as world bank fiduciary procedures.	FEF and fiduciary unit at the Ministry of Agriculture	Ongoing. Expected by effectiveness	No
Accounting software	Update the existing computerized system and train the fiduciary staff.	FEF	3months after effectiveness	No
FM procedures manual	Update the existing project FM and accounting manual of procedures. Prepare a separate manual for the matching grant to be used at the ministry of agriculture.	FEF	By effectiveness	No
Reporting (IFRs)	Agree on the format and content of Unaudited Interim Financial Reporting (IFRs)	FEF	By negotiation	No
External auditing	Selection of an external auditor on ToRs (project accounts)	FEF	3months after effectiveness	No

16. **Conclusion and Supervision Plan.** Supervisions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. It will comprise inter alia, the review of audit reports and IFRs, advice to task team on all FM issues. Based on the current risk assessment which is (substantial) the project will be supervised at least twice a year and may be

adjusted when the need arises**.** The ISR will include a FM rating of the project. An implementation support mission will be carried before effectiveness to ensure the project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement monitoring and evaluation and disbursement colleagues.

a) Financial covenants

- Installation computerized system and completion of the configuration of the multi-project accounting system three months after effectiveness;

b) Other FM standard covenants

- IFRs will be prepared on a quarterly basis and, submitted to the Association 45 days after each quarter;
- Annual detailed work program and budget including disbursement forecasts will be prepared each year by end of December;
- The overall FM system will be maintained operational during the project's entire life in accordance with sound accounting practices.

Annex 5: Procurement

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

General

1. Procurement for this project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits "dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Ban Borrowers" dated January 2011 (Consultant Guidelines) and the provision stipulated in Financing Agreement. The various procurement actions under different expenditure categories are described in general below. For each contract to be financed under the Financing Agreement, the various procurement or consultant selection method, the need for pre-qualification, estimated costs, prior review requirements, and time frame have been agreed between the borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The implementing entities, as well as contractors, suppliers and consultants will observe the highest standard of ethics during procurement and execution of contracts financed under this project. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA and Grants" dated October 15, 2006 and updated January 2011 (the Anti-Corruption Guidelines) shall apply to the project.

Reference to the National Procurement Regulatory Framework

2. For all contracts which are not advertised internationally, the Bank may authorize the use of the national institutions and regulations that comprise the law including its texts of application, the institutions set up for the control and regulation and the institutions responsible for procurement activities implementation. The national competitive bidding procedures currently in force in the DRC deviate slightly from the World Bank Procurement Guidelines NCB procedures for procurement of Works, Goods and services (other than consultants services);thus, they have been already reviewed and appropriate modifications have been proposed to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I and paragraphs 3.3 and 3.4 of the Bank Procurement Guidelines (refer to the paragraph below).

Requirements for National Competitive Bidding.

3. The procedures to be followed for National Competitive Bidding shall be those set forth in the Recipient's Procurement Code of April 27, 2010, as revised from time to time in a manner deemed acceptable to the Association, subject, however, to the modifications described in the following paragraphs required for compliance with the Procurement Guidelines:

   a) No restriction based on nationality of bidders and/or origin of goods shall apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in the Recipient's territory; have a local representative; form a joint venture with a local firm. Recipient's government-owned enterprises or institutions shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient;

b) Invitation to bids shall be advertised in a national newspaper of wide circulation;

c) Standard bidding documents acceptable to the Association shall be used for any procurement process under NCB;

d) No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods;

e) Bidders shall be given at least four (4) weeks from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids;

f) Bids shall be opened in public immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents;

g) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified: (i) a contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid; (ii) bidders shall not be eliminated on the basis of minor, non-substantial deviations;

h) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines; and

i) Each bidding document and contract financed from the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Association may sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded an Association-financed contract.

Procurement of Civil Works

4. Civil works procured under this project will include mainly: Establishment of processing centers for palm oil and collection points around Lukula and Tshela; Establishment of technical centers for food products processing; Rehabilitation of village plantations; Strengthening producers organization capacity in infrastructure and storage; Rehabilitation and maintenance of rural roads networks to facilitate access and transport of agriculture inputs and products; Supply of electricity and water to common service platforms; physical infrastructures (fencing, earthworks road construction, river protection, surface water drainage, construction of administrative building under Component 2) and rehabilitation of infrastructures to facilitate trade. Depending on the size of the contracts, procurement will be done either under ICB using Bank procurement rules that include the related SBD or under NCB using National Standard Bidding Documents agreed with or satisfactory to the Bank. Small value works may be procured under shopping procedures. Direct contracting may be used where necessary if agreed in the procurement plan in accordance with the provisions of paragraph 3.7 to 3.8 of the Procurement Guidelines. The prequalification processes for all contracts for works to be procured using ICB are subject to prior review by the Bank. The first two contracts for works using NCB will be subject to prior review by the World Bank.

Procurement of Goods

5. Goods procured under this project will include mainly: Acquisition technology equipment (Computer, scanner, server, printer, and copier) vehicles; and Quality control equipment of agricultural products. Depending on the size of the contracts, procurement will be done either under ICB using Band procurement rules that include the related SBD or under NCB using National Standard Bidding Documents agreed with or satisfactory to the Bank. Small value goods may be procured under shopping procedures. Direct contracting may be used where necessary if agreed in the procurement plan in accordance with the provisions of paragraph 3.7 to 3.8 of the Procurement Guidelines.

6. **Selection and employment of Consultants.** Consultancy services would include advisory services, feasibility studies, technical studies, supervision and control of works and environmental and social impact studies. The selection method will be Quality and Cost Based Selection (QCBS) method whenever possible. Contracts for specialized assignments estimated to cost less than US$200,000 equivalent may be contracted through Consultant Qualification (CQ). The following additional methods may be used where appropriate: Quality Based Selection (QBS); Selection under a Fixed Budget (FB); and Least-Cost Selection (LCS).

7. Short lists of consultants for services estimated to cost less than the equivalent of US$ 100,000 per contract for ordinary services and US$200,000 for design and contract supervision may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. However, if foreign firms express interest, they will not be excluded from consideration.

8. Single Source Selection (SSS) may be employed with prior approval of the Bank and will be in accordance with paragraphs 3.8 to 3.11 of the Consultant Guidelines. All services of

Individual Consultants (IC) will be procured under contracts in accordance with the provisions of paragraphs 5.1 to 5.6 of the Guidelines.

9. **Operating Costs.** Operating costs shall consist of operations and maintenance costs for vehicles, office supplies, communication charges, equipment, utility charges, travel expenses, per diem and travels costs, office rental, training costs, workshops and seminar and associated costs, among others. Operating costs will not include salaries of civil servants.

10. **Training and Workshops.** Training and workshops will be based on capacity needs assessment. Detailed training plans and workshops activities will be developed during project implementation, and included in the project annual plan and budget for Bank's review and approval.

Implementation arrangement for procurement and assessment of the procurement agencies capacity to implement procurement

11. Guiding principles of the implementation of the procurement: Government and the Bank have agreed to mainstream the implementation of the project into the existing entities and structures and will be framed by the following principles: (i) responsibility and accountability; (ii) equity and (iii) performance-based agreements. In each line ministry, procurement activities will be carried out by a new established Procurement Management Unit named CGMP (Cellule de Gestion des Projets et Marchés Publics) that reports to the General Secretary of the said line ministry

12. Procurement capacities were evaluated in March 2013 in all line ministries involved in the implementation of the project; although the concerned staff has attended procurement training courses on the new national procurement system, they have a limited experience on Bank procurement rules and procedures. To strengthen the capacity, procurement experts will be recruited to support the CGMP and train the staff until the project MTR. The capacity of the CGMP will be reassessed at MTR by Bank procurement specialists who will advise on the need to renew the experts' contracts.

13. The Key issues and risks concerning procurement for implementation of the project have been identified and include: (i) Procurement staff have no experience in implementing Bank-funded projects – staff experience is limited to procurement of goods through NCB and shopping procedures, with no experience in ICB procedures of selection of large-value consultancy contracts; (ii) the record keeping is inadequate; (iii) the working environment is inadequate in terms of space for procurement records and working space for procurement staff; (iv) the qualification of procurement staff is inadequate; and (v) there is lack of clear procedures and guidelines spelled out in manuals; (vi) Government officials likely to be involved in project procurement through tender and evaluation committees may not be familiar with procurement procedures according to World Bank guidelines and rules; (vii) Control and regulation mechanism according to the provisions of the Country procurement law and its application procedures could delay the procurement process if mandatory reviews are required.

14. The overall unmitigated risk for procurement is high. Proposed corrective measures which have been agreed to mitigate the risk are summarized in the following table.

Table 10: Action Plan for Strengthening Procurement Capacity

Ref.	Tasks	Responsibility	Due date
1	On the job training of identified procurement staff on Bank procurement procedures by the recruited procurement expert	All CGMPs	continuous
2	Training of staff (at least two of each line ministry) on World Bank procurement procedures in a specialized institution performing in DRC or abroad	all CGMPs	Three months after effectiveness
3	Set up the project filing system in order to better keep procurement documents and reports and identify a staff responsible for this task. Train staff in data management.	All CGMPs	Three months after effectiveness
4	Identify the root cause of procurement delays at National level and propose appropriate solutions	All CGMPs, DGCMP,ARMP and CSPP/World Bank	During Negotiations
5	Inclusion of the procurement system (planning, monitoring and contract management) with the computerized project financial management system.	All CGMPs	Three months after negotiation
6	Recruitment of procurement consultant who will support the team until MTR.	CGMP of Ministry of Finance	Three months after effectiveness

Procurement Risk Mitigation

Procurement Plan

15. The borrower has prepared a Procurement Plan for the first 18 months of the project implementation which provides the basis for the procurement methods. This plan has been agreed between the borrower and the Bank during negotiations. It will also be available in the project's database and in Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Table 11: Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value Threshold (US$ thousands)	Procurement Method	Contracts Subject to Prior Review
1. Works	10,000 or more below 10,000 below 200 No threshold	ICB NCB At least three quotations Direct Contracting	All All contracts above USD 5,000 and First two contracts below USD 5,000 None All
2. Goods	1,000 or more below 1,000 below 100 No threshold	ICB NCB Shopping Direct contracting	All All contracts above USD 500 and First two contracts below USD 500 None All
3. Consulting Services Firms	No threshold	QCBS, LCS, FBS	All contracts of

Expenditure Category	Contract Value Threshold (US$ thousands)	Procurement Method	Contracts Subject to Prior Review
			$200, 000 and more
	Less than 200	CQ, Other	None
Individuals	100 or more	IC	All
	Less than 100	IC	None
	No threshold	Single Source Selection	All

16. All ToRs regardless of the value of the contract are subject to prior review.

Frequency of procurement supervision

17. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the PS have recommended at least two implementation support missions to visit the field to carry out post review of procurement actions. As agreed with the government, contracts will be published on the web. Annual compliance verification monitoring will also be carried out by an independent consultant and would aim to: (i) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Financing Agreement; (ii) verify technical compliance, physical completion and price competitiveness of each contract in the selected representative sample; (iii) review and comment on contract administration and management issues as dealt with by the implementation entity; (iv) review capacity of the implementation entity in handling procurement efficiently; and (v) identify improvements in the procurement process in the light of any identified deficiencies.

18. **Contract Management and Expenditure Reports**. As part of the Procurement Management Reports (PMR), the PS-MINFIN will submit contract management and expenditure information in quarterly reports to the World Bank for the whole project. The procurement management report will consist of information on procurement of goods, works and consultants' services and compliance with agreed procurement methods. The report will compare procurement's performance against the plan agreed at negotiations and as appropriately update at the end of each quarter. The report will also provide any information on complaints by bidders, unsatisfactory performance by contractors and any information on contractual disputes if any. These contract management reports will also provide details on payments under each contract, and will use these to ensure no contract over-payments are made or no payments are made to sanctioned entities.

Details of the Procurement Arrangements Involving International Competition

1. Goods, Works, and Non Consulting Services

(a) List of main contract packages to be procured following ICB and direct contracting

Works

1	2	3	4	5	6	7	8	9	10	11
Ref N°	Contract Description	Package Number	Estimated Amount in US $	Procurement Method	Pre-or Post-Qualification	Domestic Preference (yes/no)	Prior or Post Review	Estimated Bid Closing-Opening	Estimated Contract Signature	Comments
	Component 1. Agriculture Value Chains Development in Bas-Congo									
	Subcomponent 1.1. Enhancing Agriculture Supply Capabilities									
1	Establishment of processing centers for palm oil and collection points around Lukula and Tshela	Lot 1	11,000.0	ICB	NO		prior	9/14/2013	1/15/2014	
2	Establishment of technical centers for food products processing	Lot 2	11,000.0	ICB	NO		prior	9/14/2013	1/15/2014	
3	Rehabilitation of village plantations	Lot 3	500.00	NCB	NO		prior	10/1/2013	1/31/2014	
4	Strengthening producers organization capacity in infrastructure and storage	Lot 4	2,000.00	ICB	NO		prior	10/1/2013	1/31/2014	
	Subcomponent 1.2: Support to rural infrastructures									
4	Rehabilitation and maintenance of 500 km of rural roads networks to facilitate access and transport of agriculture inputs and products.	Lot 5	6,000.0	ICB	NO		prior	9/24/2013	1/24/2014	
5	Supply of electricity and water to common service platforms	Lot 6	5,450.0	ICB	NO		prior	10/8/2013	2/7/2014	
6	Supply and installation of 30kv/30 autotransformer to increase electricity to 30kv along the line o Nlemba		600.0							
8	Water supply work		850.0							
9	Strengthening infrastructure platforms and collection services (mainly parking and warehouses) at Mbanza Ngungu and Kimpese	Lot 7	5,000.00	ICB	NO		prior	10/22/2013	2/21/2014	
	Component 2: Special Economic Zone of Maluku									
	Component 2.2: Strengthening the Capacity of relevant Ministries in SEZ									
10	Rehabilitation of building	Lot 8	100.0	NCB	NO		post	10/1/2013	1/31/2014	
	Component 2.3: Physical Infrastructure									
11	Fencing	Lot 9	2,570.9	ICB	NO		prior	11/5/2013	3/7/2014	
12	Earthworks	Lot 10	13,059.1	ICB	NO		prior	11/5/2013	3/7/2014	
13	Road constructions	Lot 11	3,078.0	ICB	NO		prior	10/13/2013	2/12/2014	
14	River protection	Lot 12	863.1	ICB	NO		prior	11/19/2013	3/21/2014	
15	Surface water drainage	Lot 13:	772.2	ICB	NO		prior	11/19/2013	3/21/2014	
16	Construction of administrative building	Lot 14:	772.2	ICB	NO		prior	10/29/2013	2/28/2014	
	Component 3: Proactive Business Development									
	Subcomponent 3.3: Trade Facilitation at the Port of Matadi in the Bas-Congo									
17	Rehabilitation of infrastructures to facilitate trade	Lot 15	800.0	ICB	NO		prior	10/29/2013	2/28/2014	

Goods

1	2	3	4	5	6	7	8	9	10	11
Ref N°	Contract Description	Package Number	Estimated Amount in US $	Procurement Method	Pre-or Post-Qualification	Domestic Preference (yes/no)	Prior or Post Review	Estimated Bid Closing-Opening	Estimated Contract Signature	Comments
1	Lot 1: Acquisition technology equipment (Computer, scaner, server, printer, copier)	Lot 1	775.4	ICB	NO		prior	12/23/2013	4/11/2014	
2	Lot 2: Vehicles	Lot 2:	1,040.0	ICB	NO		prior	1/7/2014	5/9/2014	
3	Lot 3: Quality control equipment of agricultural products	Lot 3:	1,000.0	ICB	NO		prior	1/28/2014	5/30/2014	

(b) ICB Contracts estimated to cost $200,000 for goods, works, and all direct contracting will be subject to prior review by the Bank.

2. Consulting Services

(a) List of main consulting assignments with short-list of international firms

1	2	3	4	5	6	7	8
Ref N°	Contract Description	Procurement Method	Estimated Amount in US$	Review by Bank (prior/Post	Expected Submission/Opening Date	Expected Contract Signature Date	Comments
	Component 1. Agriculture Value Chains Development in Bas-Congo						
	Subcomponent 1.1. Enhancing Agriculture Supply Capabilities						
2	Support farmers groups under the leadership of FOPAKO (technical and management skills, improving communication, marketing, and addressing key issues affecting small holder farmers.	QC	125.00	prior	12/10/2013	2/4/2014	
7	TA to strengthen ANAPI capacities	QC	200.00	post	815/2013	10/10/2013	
	Subcomponent 1.2: Support to Rural Infrastructures						
10	Studies and supervision for the rehabilitation and maintenance of agricultural rural road network	SFQC	300.00	prior	12/2/2013	3/10/2014	
11	Studies and supervision to improve the supply of electricity at the Tshela platform	SFQC	500.00	prior	12/2/2013	3/10/2014	
12	Studies and supervision to strengthen collection centers capacities (Kasangulu, Mbanza Ngungu et Kimpese)	SFQC	450.00	prior	12/2/2013	3/10/2014	
	Component 2: Special Economic Zone of Maluku						
	Subcomponent 2.1: Facilitation of a public-private partnership						
13	Transaction advisor to support the government in the selection of the private operator of the ZES	SFQC	2000	prior	3/27/2014	7/3/2014	
	Component 2.2: Strengthening the Capacity of relevant Ministries in SEZ						
16	Specialist in public-private partnership	CI	270.0	prior	8/15/2013	10/10/2013	

1	2	3	4	5	6	7	8
Ref N°	Contract Description	Procurement Method	Estimated Amount in US$	Review by Bank (prior/Post	Expected Submission/Opening Date	Expected Contract Signature Date	Comments
22	Support to regulatory framework	QC	300.0	prior	9/3/2013	23/10/13	
23	Implementation support to promotion programs and linkages	QC	748.6	prior	9/3/2013	23/10/13	
	Component 3: Proactive Business Development						
	Subcomponent 3.1: Project Development Fund for Investment Promotion						
26	Development of operational plan for the construction of Marché International de Kinshasa (KinMic)	SFQC	1,000.0	prior	12/26/2013	4/3/2014	
	Subcomponent 3.2: Targeted Regulatory reforms						
27	Streamlining and simplification of customs procedures	SFQC	300.0	prior	12/12/2013	3/20/2014	
28	Container information and tracking system to improve port efficiency	SFQC	500.0	prior	11/28/2013	3/6/2014	
	Subcomponent 3.3: Trade Facilitation at the Port of Matadi in the Bas-Congo						
30	TA to strengthen public-private dialogue to facilitate the review and improvement of the transport and agriculture laws and codes	SFQC	500.0	prior	1/9/2014	4/17/2014	May be divided in multiple contracts
31	TA to strengthen the investment climate unit capacity	SFQC	500.0	prior	1/9/2014	4/17/2014	May be divided in multiple contracts
33	Technical support to reduce trade tariffs and non-tariffs barriers	SFQC	600.0	prior	12/12/2013	3/20/2014	
34	Technical support to government to rationalize administrative procedures	SFQC	400.0	prior	12/12/2013	3/20/2014	
	Component 4: Project Coordination, Monitoring, Communication and Impact						
50	Establishment of an integrated monitoring and evaluation system	SFQC	500.0	prior	12/30/2013	8/4/2014	
51	Support monitoring and evaluation of activities implementation	CI	500.0	post	2/14/2014	4/11/2014	May be divided in multiple contracts
52	Recruitment of extern audit firm	SFQC	1,250.0	prior	8/15/2013	10/10/2013	
53	Recruitment of internal audit expert	CI	250.0	post	8/15/2013	10/10/2013	

(b) Consultancy services estimated to cost US$100,000 or above per contract and Single Source selection of consultants (firms), as well as assignments for individual consultants estimated to cost US$50,000 or above per contract, and single source selection of individual consultants will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants. Short lists of consultants for services estimated to cost less than US$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 6: Environmental and Social (including safeguards)

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

Social (including safeguards)

1. The DRC's Global Partnership Program (GPP) sets out to promote social interconnection, help increase access to productive land and new agricultural technologies, and promote agricultural diversification and the processing of agricultural products, thereby promoting the development of agricultural value chains and leading to new market opportunities both domestically and regionally for a large number of producers. The project will promote the attainment of critical social development outcomes, including: broad social inclusion and cohesion, interactions among diverse producer groups along the value chains, widespread employment opportunities, gender equality, and the empowerment of local communities within the project's intervention areas.

2. Consultations with stakeholders were carried out, including unemployed young people, female laborers, employees in the targeted industries; CEOs of businesses, unions, community based organizations, and civil society. Project activities will provide wider social benefits from increased growth and employment, and these opportunities should cascade outward from the primary beneficiaries. The consultation approach will be sustained throughout project implementation.

3. As part of the implementation of the project, women's groups will be key actors and stakeholders, with considerable potential to fully participate and contribute to project development outcomes. The project will develop an intervention strategy taking into account the gender dimension in the selection criteria for investors. The main aim is to support women in positioning themselves as agricultural producers and to encourage and motivate them to invest primarily in food and vegetable processing, where they have already gained a great deal of experience and technical expertise and are viewed as having a comparative advantage.

4. To achieve greater gender inclusion and involvement in project activities, the DRC-GPP will develop IEC campaigns targeted at women's groups. These will be designed to empower women, maximize their participation in the various activities, and help them make a contribution to project development outcomes. All of these aims are expected to contribute to significant and diversified job creation among productive population groups, and by implication, alleviate poverty and improve social well-being in the project intervention areas.

5. These potential gains require that social issues be mainstreamed as project interventions aimed at increasing growth and employment. The project's Steering Committee will task all service providers to report on the social outcomes of their interventions. The Steering Committee will assess these reports and provide policy guidance on ways to improve the social benefits of each intervention. The M&E function of the program will follow participatory approaches that will include the views of beneficiaries on the social outcomes and impacts of the program.

6. Despite the social and economic benefits expected to accrue to local communities and to the country at large as a result of project activities, it is anticipated that the various infrastructure

development and productive investments will require land acquisition, which may have negative impacts on access to shared assets and resources and livelihoods of project affected people. These impacts cannot be fully determined before decisions are made about the specific location boundaries and scope and characteristics of the interventions.

Social Safeguards Instrument Prepared

7. In anticipation of the fact that project investments may induce land acquisition, potentially resulting in loss of farm land and structures, loss of sources of livelihood and shelter, the borrower has prepared a Resettlement Policy Framework (RPF) that was disclosed in April 2013 and that outlines the overarching framework through which potential resettlement issues will be addressed. The RPF includes principles and procedures for resettlement and compensation for project affected people and establishes standards for identifying, assessing, and monitoring negative impacts.

8. The RPF requires the preparation and implementation of site-specific RAPs for each individual investment that triggers Involuntary Resettlement (OP 4.12). A RAP has been prepared for the Maluku SEZ site and disclosed in-country and through the World Bank InfoShop on August 27, 2012. Other site-specific RAPs will be prepared by independent consultants in consultation with project affected people, and submitted for approval by the Bank in accordance with the RPF. Resettlement assistance, compensation for losses, and any other measures will be determined through the same consultative process to ensure that no one is in a worse position as a result of the project. Preparation and implementation of RAPs will be based on existing laws and regulations governing land ownership and concessions in the DRC and the requirements of OP 4.12, provided however that in cases of divergence between national law and the OP 4.12, the rule that is most advantageous to the displaced people will prevail.

Environment (including Safeguards)

9. The main issues regarding environmental safeguards for the project relate to air and water pollution, construction waste management, pesticides use, water abstraction, and changes to water outflows from the rivers and associated impacts on downstream human needs, aquatic habitats, and biodiversity.

Environmental Categorization and Safeguard Policies Triggered

10. OP/BP 4.01 on Environmental Assessment is triggered and the project is categorized as "A" because of the complexity and multi-sectoral nature of project intervention. Impacts may be significant and not limited to just site-specific impacts.

11. The project is classified as a Category A operation in view of key investments in physical infrastructure in the target area (establishment of an industrial zone in Maluku, new markets in the Kinshasa periphery, depot points and wholesale markets, improvement of feeder roads and energy supply). The project also involves assistance to promote the establishment of industries such as fruit/vegetable/fish processing units, packaging, manufacturing and improvement of commercial agriculture. These investments may have adverse environmental impacts, for the most part on water resources, and may require the resettlement of some local communities. The project triggers the following safeguard policies: (1) OP/BP 4.01 for EA; (2) OP/BP 4.04 for

Natural Habitats; (3) OP/BP 4.09 for Pest Management; (4) OP/BP 4.11 for Physical Cultural Resources; (5) OP/BP 4.12 for Involuntary Resettlement; (6) OP/BP 4.36 for Forests; and (7) OP/BP 7.50 for International Waterways.

12. **Natural Habitats (OP/BP 4.04) and Forestry (OP/BP 4.36)** are triggered because unmitigated agricultural development, including irrigated agriculture development may impact natural habitats. Also deforestation and land clearing activities may be expected for area expansion for crop production and rural roads. Although the project intervention area has not been described as a critically sensitive natural habitat, in terms of the characteristics of its biodiversity, it is anticipated that the project will intervene in some rivers (fetching for agriculture or river port development etc.) Also, the potential for lowland agriculture in wetlands may affect natural habitats. The ESMF provides guidance on mitigating negative impacts on natural habitats and forests.

13. **Indigenous People Policy (OP/BP 4.10).** The Indigenous People Policy (OP 4.10) is not triggered in this project, as evidence indicates that there are no Indigenous Peoples' settlements in the project area of influence. This has been determined based on a triangulation of three sources of bibliographic information: (i) administrative maps in the project intervention areas; (ii) official census reports; and (iii) provincial monographs. In addition, a consultant team engaged in a broad-based public consultation with administrative and political authorities, customary leaders, and NGOs, all of whom confirmed that there are no Indigenous Peoples in the project area of influence.

14. **Physical Cultural Resources Policy (OP/BP 4.11)** is triggered because DRC, as a country, is viewed as a rich cultural heritage area. To the extent that specific locations and scope of planned infrastructure and subproject investments are still undetermined, it is also unknown at this time which project sites may contain physical cultural resources, and it is judged prudent to use caution when implementing the productive investments. Potential impacts on physical cultural resources will be addressed as an integral part of the subproject specific environmental and social impact assessments (ESIAs) that must be undertaken in accordance with the ESMF. ESIAs consultants and contractors will be required to do the due diligence on, and/or be teamed up with Physical Cultural Resources (PCR) experts to ensure that impacts on PCR are assessed and mitigation measures commensurate to those impacts, including proper handling of chance finds are implemented in the design, in accordance with national and World Bank policies.

15. The Project team and implementers will ensure that the proposed mitigation measures are derived from sub-projects specific ESIAs/EMPs, and more specifically: (i) have been discussed and agreed upon by concerned parties; (ii) include an assessment of the capacity to implement the measures; and (iii) are acceptable within the national regulatory and legal framework, including laws and regulations concerning cultural heritage and antiquities.

109. **Projects on International Waterways (OP/BP 7.50).** It is not expected that project activities will affect the quality or quantity of water flows on the Congo River, which is shared by other countries (Republic of Congo, Angola, Central African Republic, Zambia, Tanzania, Burundi, and Rwanda). Based on the technical assessment that the rivers targeted in the project originate from the country and are downstream, the task team has confirmed with LEGEN that the proposed project falls under the exception to the riparian notification requirement under

paragraph 7(c) of OP 7.50, Project on International Waterways. An exception to the riparian notification requirement under OP/BP 7.50 was received on May 1, 2013.

Safeguard Instruments Prepared

16. In this operation, with the exception of the SEZ, the precise scope and siting of most of the planned investments remain to be determined. Therefore, the implementation of project activities are governed by the framework approach, which will lead to the preparation of sub-project-specific safeguard instruments following the screening process, during which detailed information about the sites, scope, and scale of sub-projects will become available. The following safeguard instruments were prepared by the borrower:

Environmental and Social Management Framework and Resettlement Policy Framework

17. An Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) were prepared for overall project activities. The ESMF was consulted upon in-country, and disclosed at the World Bank InfoShop on August 17, 2012, and the RPF was consulted upon in-country on April 24, 2013 and disclosed at the World Bank InfoShop on April 25, 2013. With the exception of the Maluku, the specific scope of project activities, sites, and environmental and social characteristics are unknown at this stage. An Environmental and Social Impact Assessment (ESIA) and a Resettlement Action Plan (RAP) were also prepared for the Maluku site and consulted upon in-country and disclosed by the World Bank on August 20, 2012 and August 27, 2012, respectively.

18. The ESMF lays out in great detail procedures for screening and mitigating impacts from the construction and rehabilitation of planned infrastructure and the development of agriculture-related activities. The ESMF includes the following: (a) a checklist of potential environmental and social impacts and their sources; (b) procedures for the participatory screening of proposed sites and activities and related environmental and social considerations; (c) procedures for assessing the potential environmental and social impacts of the planned project activities; (d) institutional arrangements for mitigating, preventing, and managing the identified impacts; (e) a typical environmental management planning process for addressing negative externalities in the course of project implementation; (f) a system for monitoring the implementation of mitigation measures; and (g) recommended capacity building measures for environmental planning and the monitoring of project activities.

19. The RPF outlines the principles and procedures for resettlement and compensation of PAPs and establishes standards for identifying, assessing, and mitigating negative impacts of program-supported activities. In addition, the RPF provides guidance for the preparation and implementation of RAPs for each individual sub-project or infrastructure that triggers the involuntary resettlement policy.

20. Following the screening process and before project implementation, specific ESIAs/Environmental Management Plans (EMPs) and RAPs will be prepared for relevant activities. The ESIAs/EMPs and RAPs, which are to be submitted to the Bank for prior approval,

will provide mitigation measures for all the potential impacts as a result of the triggering of the above-mentioned safeguard policies.

Pest Management Plan

21. A Pest Management Plan (PMP) was prepared in view of the potential expansion of irrigation, the intensification of agricultural activities, and the diversification into high-value crops, all of which often require the more frequent use of combinations of agro-chemicals, even though the procurement of pesticides is not envisaged under the project. The PMP discusses the risks and issues associated with current pest and pesticide management approaches and practices. It provides specific mitigation measures as well as clear institutional arrangements for the implementation and monitoring of these measures. The PMP will be included in the implementation manual in order to address any pest management issues that may arise on project sites due to expansion of the area under irrigation as well as expected increased productivity associated with pesticide use. Resources have been allocated for the implementation of the PMP. The main environmental safeguards issues for the project relate to air and water pollution, construction waste management, and/or loss of economic activities on the part of Projected Affected People (PAPs), water abstraction and changes to water outflows from the rivers and associated impacts on downstream human needs and aquatic habitats and biodiversity. The PMP was disclosed in-country and through the World Bank InfoShop on August 17, 2012.

Public Consultation and Disclosure

22. The preparation of the safeguard documents (i.e., ESMF, ESIA for Maluku, RPF, RAP for Maluku, and PMP) followed a broad-based and in-depth consultation approach that included interviews with relevant stakeholder groups in the public and private sectors as well as civil society. These included (but were not be limited to) producers' organizations, particularly those within or in the vicinity of the project intervention area, key ministries and government agencies, in particular the ministries of Agriculture, Environment, Health, Energy, and Transport as well as the Chamber of Commerce, the Plant Protection Agency, and pesticide wholesalers and retailers.

23. Main concerns raised include, among others: Lack of training and mentoring support for local producers; lack of access to inputs and pesticides; lack of market outlets and marketing of agricultural products; lack of processing materials and equipment of agricultural products (leading to spoilage); resurgence of conflicts between herders and farmers; limited rural agricultural credit; risk of deforestation and increased pressure on environmental and riparian land resources; limited access of women in agricultural activities, land constraints and insecurity; Defective infrastructure and port facilities; inadequate or non-existent warehouses and packaging systems that would parallel the development of value chains; and need to create synergies between GPP and other projects in the intervention areas.

24. Main suggestions and recommendations include: Support producer organizations by providing them with operating equipment (including tractors); establish an effective agricultural credit support system; strengthen the capacity of various stakeholders through training (product processing, agricultural practices, etc.); integrate the environmental dimension in the implementation of agricultural activities; effectively engage local communities in the management of the various projects; ensure M&E for project activities; train farmers in

sustainable farming methods; provide reforestation activities through projects; increase awareness of the project; strengthen cooperation between the various stakeholders to reduce conflicts; strengthen the involvement of technical services in the implementation of the project; and support local producers and SMEs.

25. The GPP is a project that has gained the support of local administrative authorities, economic operators, producers' organizations, and all stakeholders in the agricultural sector. Despite some concerns (including the land use issue and the mode of selection of beneficiaries), the expectations are considerable and the project has raised real hopes at all levels.

26. The safeguard documents (ESMF, PMP, RPF and the ESIA and RAP for Maluku), which were all reviewed and cleared by the Bank and disclosed in-country as well as through the InfoShop, were prepared by individual consultants. Prior to disclosure at the designated sites, a workshop involving all relevant stakeholders took place in Kinshasa to validate the studies. Another important objective of the workshop was to listen to the views, comments, and concerns of the participants and incorporate them in the studies.

Institutional Arrangements & Strengthening for Safeguards Implementation, Monitoring and Supervision

27. The environmental and social safeguard function in the GPP, as in any project, concerns both the implementation and monitoring of mitigation measures. The proposed institutional arrangements, in terms of the roles and responsibilities of the main actors involved, will focus on: (i) the coordination and planning of the external supervision and (ii) internal, as well as external monitoring of project environmental and social measures.

Project Environmental and Social Function

28. Under this project, support will be provided by the following entities:

29. The project Steering Committee – will bring together and ensure that all institutions involved have a role to play, according to a monitoring work plan and intervention timetable and deliverables. The Committee will decide on broad strategic directions for the implementation of the project and the implementing rules thereto. The committee will seek to ensure within it the presence of representatives of Ministry of Environment and Nature Conservation and Tourism (MECNT). The relevance, soundness and *modus operandi* of these institutional arrangements in carrying out the project's safeguards function were discussed with all the stakeholders of the sectors involved;

30. The environmental and social experts to be recruited by the Project Implementation Unit (PIU), in light of the multi-sectoral nature of planned interventions and the potential environmental and social, as well as land resources issues the project may face during implementation. These experts, who constitute the safeguards unit of the project, will engage in close monitoring of the day-to-day safeguard activities, in collaboration with the environmental and social focal points of the various sectors involved;

31. The GEEC (*Groupe d'Etudes Environnementales du Congo*) and its decentralized structures, which together constitute the National Environmental Agency (NEA), will assure the external monitoring of the implementation of the ESMF, including ensuring and validating that the provisions of the ESMF and RPF, leading to further sub-projects environmental and social assessments, are followed (i.e., sub-projects categorization, review, clearance and monitoring of the sub-project-specific EIAs/EMPs and RAPs, on behalf of the Government.

32. The Social and Environmental Specialists in the PIU and other structures do not have autonomy to work independently and in isolation with other parties involved (*i.e., Institut Congolais de Conservation de la nature; Société Nationale de l'Hydraulique Rurale; Direction de la Conservation de la nature..*) in contributing to the project safeguards function, as regards wildlife and protected areas; water resources and reforestation activities monitoring, respectively. They will work closely with the GEEC, to whom the overall project environmental and social safeguards compliance, with national laws and regulations and applicable World Bank operational policies and procedures will be devolved. External safeguards monitoring of project activities, will also involve and benefit from technical backstopping of other institutions, such as: IUCN and WWF, who routinely engage in monitoring of protected areas and wetlands.

33. To this end, the PIU shall establish a *"Protocole d'Accord"* with the GEEC and other structures, which clearly describes the type of support to be provided by the project, the attributions and deliverables of each of these entities. The relevance, soundness and modus operandi of these institutional arrangements in carrying out the project's safeguards function were discussed with all the stakeholders of the sectors involved.

34. In addition to the above institutional arrangements, it is noteworthy that the Borrower is familiar with World Bank safeguards policies and has reasonable capacity implementing numerous bank-funded projects in nearly all sectors and, in particular after several generations of agricultural, energy and transport projects. With this operation, the Project is not only building on many years of experience implementing Bank-funded projects, but also on lessons learned from implementation of those operations. This provides the Project Team and relevant actors a good framework for smooth implementation of safeguards measures. The safeguard instruments include further provisions for capacity strengthening at all levels for the successful implementation of the project safeguard measures, in compliance with national and World Bank safeguard policies. Specific attention is taken and resources earmarked to strengthen the capacity of the PIU, the investors and service providers, and all those involved in the project's environmental and social function.

Arrangements for Safeguards Supervision

35. World Bank supervision teams will include the environmental and social safeguards specialists on the team. To ensure effective World Bank supervision, the Project Environmental and Social Unit will prepare and update detailed reports on the implementation of ESMF, RPF and PMP, as well as activity-specific EMPs and/or RAPs, whichever is applicable, before World Bank supervision missions. Appropriate budget for supervision will be included in the Project financial evaluation. Given the categorization of the project and level of corporate stake involved in this operation, the Bank will allocate sufficient resources, to ensure that regular and effective safeguards supervision be carried out all throughout project supervision.

Annex 7: Operational Risk Assessment Framework (ORAF)

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project
Stage: Board

Project Stakeholder Risks	**Rating** High
Description:	**Risk Management:**
Lack of incentives for relevant civil servant who are expected to play a key role during project implementation.	Financial incentives will be provided to the focal points of all the relevant ministries and public entities, which are expected to play a key role during project implementation. These incentives will be financed with the counterpart fund. Terms of reference with clear deliverables and responsibilities will be prepared for all the focal points. The incentives will foster accountability and encourage the focal points to work together, provide input and clearance to relevant project related documents, and timely contribute to project activities. This will also contribute to strengthening their capacity. To keep work ethics high and a good performance culture, annual performance evaluation will be conducted with focus on staff commitment, individual and organizational performance.
Lack of interest from strategic private investors and private developers for the special economic zone.	For the Industrial zone of Maluku, the demand assessment confirmed a strong interest from private companies. To share the risk associate with the viability of the zone, project resources will be disbursed for the Zone only if a private developer and operator is selected. The private operator will be responsible for marketing the zone and proactively attract private investors.
Lack of responsiveness of government to private sector needs, and inability to address unforeseen critical reforms.	The public private dialogue (PPD) platform will be strengthened by the project to better involve the private sector in policy dialogue and to monitor an action plan prepared to improve the business environment. The PPD platform will be chaired by the Prime Minister who is committed to implementing the proposed project which is considered as a pilot project that will further guide the preparation of other growth poles development initiatives as part of the Government 2012-2016 program. The project will also strengthen the investment climate reform unit of the Ministry of Planning, to enable it to address ad-hoc, demand-driven reforms which have been identified by the private sector as critical for the development of their activities. Space for private sector involvement, coalition building, and clear encouragement for increased demand for accountability and reforms is essential. The strengthened PPD platform will include these.
Lack of capacity of Farmers to organize themselves and contribute to the development of the value chains	Farmers cooperatives will be strengthened in partnership with other development partners that are already active in the Bas Congo. Local government and communities will be strengthened and will be part of project implementation committees to ensure enforcement of reforms.
The reduction of administrative harassment (especially roadblocks along the Boma-Kinshasa corridor for example)will negatively affect illegal rent seekers who may oppose/delay the enforcement of reforms	The approach of the PDF is to use public seed money, in consultation with the private sector, to develop the project integrally in a form of a plan of operations up to the level of economic risk perception that is acceptable enough to private sector to feel comfortable to take over implementation and management. It is therefore based on the principle of PPP in which both parties are committed to its implementation and success.

<table>
<tr><td></td><td colspan="4">The government use of public money to fund such activities is a sign of commitment to the realization of the projects in partnership with the private sector.</td></tr>
<tr><td></td><td>Resp: Ministry of Finance</td><td>Stage: Preparation</td><td>Due Date: N/A</td><td>Status: Incomplete</td></tr>
<tr><td colspan="5">Implementation Risks</td></tr>
<tr><td>Capacity</td><td>Rating:</td><td colspan="3">High</td></tr>
<tr><td>Description:
Lack of technical capacity to timely implement project activities.</td><td colspan="4">Risk Management: A Project Coordinating Unit already exists within the Ministry of Finance (FEF). It will be strengthened with experienced consultants who will contribute to building the capacity of the Ministry to coordinate the implementation of growth poles projects. The implementation of packages of activities in targeted poles will be delegated to a private firms and specialized development partners or NGOs with performance contract signed with the relevant ministries. Capacity building workshops on growth and competitiveness will be organized with all the stakeholders in the early stage of project preparation.</td></tr>
<tr><td></td><td>Resp: Ministry of Finance</td><td>Stage: Preparation</td><td>Due Date : Effectiveness</td><td>Status: Incomplete</td></tr>
<tr><td>Governance</td><td>Rating:</td><td colspan="3">Substantial</td></tr>
<tr><td>Description:
Poor procedures and poor work quality.

Complexity of the project and lack of technical capacity

Delay in strengthening relevant institutions and coordination failures

Low staff motivation</td><td colspan="4">Risk Management:
Technical audits on procedures and works, using parameters that focus on financial management, procurement procedures, transparency, work quality, and building cost variance from standard will be included with media participation and publication of outcomes are essential to stakeholders and the general public information on project implementation progress, this can foster more accountability

A project specific communication strategy will be designed in which good practice will be encouraged. Project will fund periodic meetings and trade/fare with strong participation of media outlets both national and international. Space will be provided for exchange and reporting on governance.

Strengthen relevant ministries (Finance, Agriculture, and Industry) through Technical Assistance and contracting of private firms, specialized development partners and NGOs for the implementation of project activities to mitigate the risk related to the complexity of the project. Provide implementation team with a precise PIM and request Bank project supervision team and steering committee to put emphasis on a zero tolerance on gap between prescribed procedures and processes and actual implementation.

Annual work and coordination timetable will be prepared, validated and assessed every year, with recommendations for corrective measures eventually.

Financial incentives to be provided to the focal points and Staff of the Directorates of all the relevant ministries and public entities, that are expected to play a key role during project implementation. To keep work ethics high and a good performance culture, annual performance evaluation will be conducted with focus on staff commitment, individual and organizational performance.</td></tr>
</table>

Low private sector responsiveness Poor procedures and poor work quality Poor performance of implementation agencies	Strengthen Public Private Dialogue platform to better involve the private sector in policy dialogue and to monitor an action plan prepared with a view to improving the business environment. Space for private sector involvement, coalition building, and clear encouragement for increased demand for accountability and reforms is essential. Will be included in the strengthened PPD platform. Technical audits on procedures and works, using parameters that focus on financial management, procurement procedures, transparency, work quality, and building cost variance from standard will be included with media participation and publication of outcomes are essential to stakeholders and the general public information on project implementation progress, this can foster more accountability A project specific communication strategy will be designed in which good practice will be encouraged. Project will fund periodic meetings and trade/fare with strong participation of media outlets both national and international. Space will be provided for exchange and reporting on governance. Implementation agencies' compliance to set processes and standards and their organizational efficiency must be addressed in the implementation strategy. This will happen through regular assessment of annual work plans and budgets as well as supervision missions' recommendations
	Resp: Ministry of Finance; **Stage:** Implementation; **Due Date :** Six months after effectiveness; **Status:** Incomplete
Design	**Rating:** High
Description: Project relative complexity due to high number of complementary activities, number of poles, and number of stakeholders which creates risk of coordination failures and delay in implementation. *Food Processing Centers* Potential private operators who could manage the centers may not be interested in the early phase of project implementation.	**Risk Management :** The design of the project is based on an assessment of the critical needs to support the development of targeted poles and is also based on lessons of experience. It is expected that the recruitment of experts (including private firms, specialized development partners and NGOs) to support the implementation of project activities will help mitigate the risk relate to the complexity of the project. *Food Processing Centers* To prevent this risk, the potential operators will be associated from the starting point in the project design, which will take into account their concerns. A contract could be signed between the Ministry of Agriculture and UNIDO to manage the center in the early phase or project implementation (UNIDO has experiences in managing such centers in Burkina Faso, Cameroon, Mali, Morocco, Uganda, and Senegal). Options to take over from UNIDO will be developed based on success in implementing the centers and market responsiveness.
	Resp: Ministry of Finance; **Stage:** Preparation; **Due Date:** Effectiveness; **Status:** Incomplete

Social & Environmental	Rating: High			
Description: DRC is home to a forestry ecosystem of global importance which is also a major source of livelihood for several local communities and indigenous people. Hence its management has been a major source of concern in the past. There is also need for stronger environmental protection for the water, mining, and petroleum sectors. Government has adopted (or is in some cases still working on) various texts for environmental protection, but enforcement remain weak. Land: Land does represent a risk in DRC. Indeed, in the process of "Zairianisation", Western people were expropriated from their lands in favor of locals and most of these lands don't have titles and are subject to land disputes. Also, local communities might claim rights over the lands which could be developed by private investors promoted by ANAPI. Another issue is that local populations may be resettled for the purpose of the Project.	**Risk Management:** The design of the project takes into account the need to address all the safeguards policies triggered. Several safeguards instruments (ESMF, RPF, PMP, ESIA, and RAP) have been prepared, consulted upon, and disclosed before appraisal. The required environmental and social studies (including Environmental Assessments, Environmental and Social Management Plans and Resettlement Action Plans) will be prepared and cleared by the Bank prior to the construction of the physical infrastructures whose location will be validated based on the master plan . Training sessions will also be organized to further sensitize stakeholders and project beneficiaries on the environmental and social implications of the project activities. Land: Land acquisition leading to involuntary resettlement or restrictions of access to resources or livelihoods is not expected to take place in the project, but an RPF has been prepared in case there is some land take or land access restrictions.			
	Resp: Project Coordination Unit	**Stage:** Preparation	**Due Date:** N/A	**Status:** Incomplete

Program & Donor	Rating: Low			
Description: The targeted poles covered under this project have been identified by the government in its 2012-2016 program and are therefore expected to be also supported through government's own budget. However, the government's own resources may not be sufficient to implement the program in a sustainable manner. Several donors' initiatives are being or will be implemented with a risk of lack of coordination to effectively support Government program.	**Risk Management:** The implementation arrangements will be fined tuned and strengthened to ensure that key strategic activities (roads, electricity, investment climate reforms) will continue to be effectively implemented with government own resources or other development partners as part of the government program. The project was prepared in close collaboration with other development partners including the EU, Belgian Technical Cooperation (CTB), AfDB, USAID, IFAD, FAO, and IFC. The project will build on the ongoing initiatives supported by the partners and is expected to foster synergies and create a framework for a more integrated approach in line with the growth pole approach. The project will be implemented in parallel with other development partners' projects but the Project Coordination unit within the Ministry of Finance will ensure that collaboration and information sharing will be done systematically during project implementation. A Task force of development partners involved in the targeted areas will be established and meet on a regular basis to monitor the matrix of interventions and action plan. The task force will also be represented in the project steering committee meeting.			
	Resp: Ministry of Finance	**Stage:** Preparation	**Due Date :** N/A	**Status:** Incomplete

<table>
<tr><td>Delivery Monitoring & Sustainability</td><td colspan="4">Rating: Moderate</td></tr>
<tr><td rowspan="2">Description:
Project effective delivery and implementation may be affected by the delay in satisfactorily completing and validating the master plans and other technical studies required to start the construction of the main infrastructure.
The impact of the project implementation may not be properly and timely assessed to ensure that the project is progressing towards its objectives in a sustainable manner.</td><td colspan="4">Risk Management:
Detailed procurement documents for large-scale works will be prepared under the PPA to kick start project implementation.
The project will establish a monitoring and evaluation system that will quickly collect data to enable the adoption of corrective measures. An impact assessment program will be defined with the support of experts in evaluation and taken into account during project implementation.
The project Mid-term review will assess progress towards achieving its objectives, including long-term sustainability of activities supported by the project. Recommendations and corrective measures will be proposed as a result of the assessment to improve delivery and sustainability.</td></tr>
<tr><td>Resp: Project Coordination Unit</td><td>Stage: Preparation</td><td>Due Date : N/A</td><td>Status:
Incomplete</td></tr>
<tr><td colspan="5">Overall Risk</td></tr>
<tr><td colspan="5">Implementation Risk Rating: High</td></tr>
<tr><td colspan="5">Risk Description: The team agrees on a high risk rating during implementation because of the challenges related to weak local capacity, the relative complexity of the project and environmental and social risks related to category A projects.</td></tr>
</table>

Annex 7: Governance and Accountability (GAC)

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. This annex summarizes the governance and anti-corruption measures as well as measures to enhance accountability during project implementation. A more detailed assessment of GAC issues and proposed plan (GAC action Plan) to address these issues have been prepared and will be included in the Project Implementation Manual.

2. The GAC Action Plan rationale is to work with the Government, the private sector and Civil Society Organizations (CSO) in setting an environment conducive to good performance by strengthening organizational and technical capacities, responsible appropriation by farmers and local CSOs, accountability and transparency of institutions that will manage the new project. The GAC Action Plan will be designed to address these concerns as summarized in the table and paragraphs below which present the key areas of concerns, proposed actions, indicators of performance and responsibility.

Table 1: The Governance and Accountability Action Plan

	Key Area	Proposed Action	Indicators of Performance	Responsibility
1	Political Commitment/Support and Leadership for GAC	• Use the Project to increase commitment of key political leaders for GAC in the Sector	GAC visibility in country respective Sectors Policy Statements and Sector specific annual Reviews	Prime Minister, Minister of finance
2	Sector Governance • Infrastructures (roads, water, energy, and agriculture) • Doing business	Put in place and facilitate: • Clear and coherent distribution of roles and coordination across stakeholders • Broader, and mandatory, dissemination of information; • Value For Money (VFM) audits • M&E of performance	Existence of Sector wide policy on good governance and accountability Numbers of VFM conducted Progress made on performance improvement agreements	Prime Minister, Minister of finance
3	Organizational Efficiency	Introduce and enforce: • Means of recourse (i.e., mechanisms for processing complaints); • Sector performance and performance indicators for the implementing agencies	See Indicators of Organizational Efficiency in the PIM.	Minister of finance; FEF unit (
4	Strengthening the Procurement Function	Strengthen the Procurement Function with basic principles governing procurement under national competitive bidding, risks mitigation measures preventing collusion and fraud, and integration of a red Flag System in MIS	See Indicators of Conformity in the PIM.	Minister of finance; FEF
5	Stakeholder participation;	Conduct regular	See Indicators of	Minister of finance;

	Key Area	Proposed Action	Indicators of Performance	Responsibility
	public complaint, mechanisms including whistleblower system/hotline and external oversight	• Technical audits; • Identify Infractions and apply sanctions for the public and private sector	Organizational Efficiency in the PIM.	FEF; Ministry of Agriculture, Ministry of Industry; private sector org. and Farmers and local CSOs

a) Political support and leadership

3. Support from political leadership and Accounting Officer is essential to bring about change. It is essential to mainstream governance and accountability in all sector related political activity and statements such as Annual Policy Statements and reports.

b) Infrastructure and SEZ Governance

4. **Clear and coherent distribution of roles and coordination across stakeholders.** The Ministries of Finance, Agriculture, Roads, and Construction will need to bring together communities, local governments, implementation agencies, to develop the policy framework for all actors with a particular reference to developing policy on good governance and accountability and a sound and appropriate communication strategy related thereto, and specific to the growth pole project.

5. **Broader, and mandatory, dissemination of information on planned services, budgets and funds utilizations.** Communications offices will be responsible for implementing a strategy for proactive promotion of project activities and issuing main reports and procurement documents. Respective offices of communications needs to prepare and implement a strategic communication plans with a strong focus on transparency and interaction with users of services, among others.

6. Regarding the SEZ, the main implementation risk is: bad governance of the zone. To mitigate this, the zone will be managed by the private sector under a PPP arrangement in which the SEZ Authority (to be strengthened) will address with the relevant administrations all the issues (regulatory, administrative, etc.). The SEZ authority should be strong with strong connection with the Prime Minister Office. The Authority and the private developer/manager of the zone should also be part of the project steering committee to raise and address issues that may affect implementation. Performance of the SEZ Authority will be assessed/audited with corrective recommendations annually.

c) Organizational Efficiency

7. **Complaints handling.** An efficient and independent mechanism will need to be established to handle complaints lodged by private sector operators who feel they have been wronged in the application of procedures or in a contract award. Access to independent avenues of recourse is important for the private sector if one of its operators feels that decisions causing the harm are in violation of prevailing regulations and therefore may compromise the desired competition, equity and transparency.

8. **Sector Performance and performance indicators for the implementing agency.** Sector performance will be measured though organizational performance and conformity to procedures and processes set forth for procurement and in credit agreement. At the operational level, performance indicators will be indicators of conformity (ICs) used to gauge how the system is actually working. The ICs will essentially address the practical application of World Bank Guidelines, the provisions of the Credit Agreement and the Project's Implementation Manual. The internal and external auditors, as well as the External Technical Auditor, will use these indicators to assess PMA and all project agencies. Periodic Directorate efficiency will be evaluated and the result integrated in performance improvement plans and agreement to be signed and evaluated as well.

d) Strengthening the Procurement Function

9. **Mitigation of the risk of collusion and fraud.** Procurement activities will be monitored by a procurement unit. This unit will verify bids, using monitoring software to detect possible signs of collusion, and will provide the necessary guidance and training in ways to reduce the risk of collusion and fraud.

10. **Strengthening the procurement function: Basic principles governing national competitive bidding.** To assure credibility and fair and competitive bidding, which will in turn help guarantee the quality of work provided for all technical and financial audits, random audits as well as all regular and random inspections, a red flag system will be designed and built into the MIS to be introduced.

e) Stakeholder Participation, complain mechanism and external oversight

11. Users of services provided will be consulted through user surveys to assess service quality for the purpose of reengineering the way service is provided if necessary. Close external oversight will be provided by key stake holders under the watch of the Ministers in charge of finance, agriculture, roads and constructions.

12. **Technical audits.** The objectives of the annual technical audits are (i) to determine if the quality of construction meets the specifications and technical standards, and (ii) to evaluate the cost-effectiveness of investments, comparing unit costs obtained for construction with costs deemed reasonable for other purchases in comparable circumstances. The Minister of finance will engage a firm to carry out annual independent combined technical and financial audits. Results of the independent combined technical and financial audits will be discussed with actors, and agreements will be reached on any necessary corrective measures.

Annex 8: Special Economic Zone - Preparatory Activities

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. The SEZ preparatory activities have been supported by the Government, through its SEZ Steering Committee. In this regard, several studies have been prepared:

- A pre-feasibility study (endorsed by the Government in 2009)
- A country-wide site assessment (endorsed by the Government in 2009)
- A demand analysis (endorsed by the Government in 2010)
- A draft SEZ law (endorsed by the Government in 2011, and submitted to Parliament)
- A site assessment for Maluku (endorsed by the Government in 2011)
- An Environmental and Social Impact Assessment for the SEZ at Maluku (publicly disclosed by the World Bank in August 2012)
- A Resettlement Action Plan for the SEZ at Maluku (publicly disclosed by the World Bank in August 2012)
- A Master Plan (endorsed by the Government in October 2012)

I. Executive Summary of the Pre-feasibility Study for the Establishment of Special Economic Zones in the Democratic Republic of Congo

Good Policy Practices Recommended for a Successful SEZ Program

2. Certain non-statutory policy practices will lend themselves to a successful SEZ regime in the DRC. Specifically, the core elements that determine SEZ success or failure can include the following elements.

- **Zone location, land disposition, and basic utility provision.** SEZs should be located within proximity to existing public infrastructure, constructed near major population centres, and on readily available land.
- **Community buy-in.** The views of local community need to be taken into account before authorizing approval or rejection of specific zone projects.
- **Administrative autonomy and capacity building.** SEZs require administrative autonomy, clearly established powers, adequate staffing, and clear customer-service protocols.
- **Public-private partnerships.** PPP for the development and operation of SEZ is critical. SEZ developed in this manner have proven less costly to administer than purely publicly owned and operated zones.

Competitive Benchmarking

3. The report analyses the competitive position of the DRC against regional and international competitors, examining critical factors for business success such as macroeconomic environment, political, financial, and economic risk, legal and regulatory environment, fiscal and monetary regime, and operating costs. The analysis shows that the DRC does not appear to be a competitive destination for foreign investment under present circumstances, characterized by: (1)

Weak public sector capacity; (2) High economic and financial risk; (3) Complex regulations and inefficient bureaucratic agencies; (4) High cost of land, power, and freight transportation. The development of an SEZ program, however, can offer solutions to some of these challenges. In addition, the DRC does have important strengths, fertile land and natural resources that has attracted foreign investors and will continue to do so.

Analysis of Industries Likely to Locate in Future DRC SEZs and Demand Projections

4. Through interviews with company executives, public sector officials, and review of published investment and trade data, numerous industries were evaluated. The analysis suggests that the following industry sectors are most likely to locate in the SEZs: Food and Beverage Processing; Mining Supplies; Metals, Machinery, and Equipment; Construction Materials; Logistics; Rubber and Rubber Products; Wood & Wood Products; Information Communications Technology (ICT) and Business Process Outsourcing (BPO).

5. The report utilized the short list of industry sectors described above to forecast the numbers of firms that could locate in SEZs. In the Conservative Scenario, approximately 191 hectares of net land would be required to accommodate 180 SEZ firms over a 10-year period. In a more Aggressive Scenario, approximately 279 hectares would be required for a total of 266 firms.

II. Executive Summary of the Country-wide Site Assessment

6. The principal objective of the site evaluation study was to inform on the relative advantages and development potential of each site, and warn of the risks and constraints. The Steering Committee has established a list of potential sites in three provinces:

- In Kinshasa: the industrial site of Sosider at Maluku and the Presidential Domain of N'Sele;
- In Bas-Congo: the site of Nsiamfumu Vista at Moanda, a site at Boma and the site of N'Sanda near Matadi;
- In Katanga: two adjacent sites near the airport of Lubumbashi.

7. The pre-selected sites were evaluated in detail based on a series of objective criteria. The province of Kinshasa was selected as the best location with the Presidential Domain of N'Sele. The site is marked (i) by its proximity to a population centre of more than 10 million people – Kinshasa and Brazzaville; and (ii) by its position on a multi-modal transport pole on the Congo river, near to the international airport and accessible by a road in good condition. The Sosider site at Maluku has existing infrastructure in relatively good condition which will enable rapid construction of an SEZ on the site, and at minimum cost. The sites of N'Sele and Maluku are also compatible with Kinshasa' master plan development, in which they are inside zones reserved for industrial and agro-industrial development. Overall the Presidential Domain of N'Sele was found to have the most advantages and the least constraints. However, Maluku was selected by the Government which is considered as the second best choice.

III. Summary of the Demand Analysis

8. The study qualifies and quantifies the potential demand for the 'product' SEZ. It determines the number of new businesses or extensions to existing businesses to be created each

year in the Province of Kinshasa between 2012 and 2021, based on an economic model. Under the conservative case, the SEZ will attract 46 companies over 10 years, with 25 services companies and 21 industrial firms. Under the base case, the SEZ will attract a total of 116 investing firms over the 2012-2021 periods, including 72 services firms and 44 industrial firms.

IV. Executive Summary of Maluku Site Assessment

9. Maluku site, located in the province of Kinshasa, 70 km northeast from the center of Kinshasa, has advantages for the implementation of the pilot SEZ, which mainly include the following:

- The industrial history of the site with the Maluku Steel Company (Sosider); the site is located within the industrial area as per the 1973 Kinshasa Masterplan and is surrounded by active industries such as Siforco and MIDEMA.
- The position of the site on a multimodal transportation node providing access to a river network of 13,450 km (up to the agricultural regions of the Equateur and the Eastern Provinces) and connections by road, currently being improved to Bas-Congo and Matadi and to Kikwit in Bandundu. In addition, this site is considered for the proposed alignment of the road-rail bridge between Kinshasa and Brazzaville.
- The direct power connection with the Inga hydroelectric dam by the high voltage line, allowing the SEZ to receive autonomous, reliable and sufficient power. In addition, the flat topography of the site is suitable for construction.

V. Executive Summary of Maluku Master Plan

10. The SEZ master plan is based on the following design principles:

- A flexible and efficient land use plan that maximizes industrial areas: of a total area of 244 ha, 141 ha will be developed into industrial zone, 8 ha in commercial area and 2 ha in administrative area. The rest will be reserved for eventual future extensions.
- Social benefits including (i) the creation of approximately 7,000 jobs and (ii) the improvement of infrastructure (water and power supply) for local communities.
- Reliable and efficient infrastructure at international standards level:

11. **Energy.** A new power substation dedicated to the SEZ (estimated at approximately 60MVA), will be built on the site. The two existing high voltage lines 220 kV HT, directly from the Inga hydroelectric dam will be used as the main source of electricity for the area.

12. **Water.** The SEZ will have independent facilities for the collection, treatment, storage and distribution of water.

13. **Transport.** Two secured access roads will be constructed from Maluku main road: the first access south of the site via the 4-lanes access road to the Sosider and the second access north of the site. The internal road network will consist of two lanes roads 8 to 10 m wide. A port will be built exclusively for the SEZ to facilitate direct access of goods, equipment, and possibly passengers by river transport.

Annex 9: Agriculture Production in the DRC – Main Value Chains Constraints

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. DRC has an important potential in the agriculture sector, in both food and export crops, which is largely untapped as highlighted in the DTIS. The tables below present the main crops produced by region which have been identified in the DTIS as priority products. The products which will be supported under the proposed project have been selected from Table 13.

Table 12: Priorities related to Growth Sectors and Agricultural Growth Poles

	Axis 1 (From Atlantic to Kabinda-Kasaï Oriental)	Axis 2 (Inland mining towns in the province of Katanga)	Axis 3 (Great Lakes region)	Axis 4 (Northern part of Equator)
Priority Sectors	Palm oil, cocoa, robusta, cassava, maize, rice, cotton, rubber, peanuts, vegetables, plantain, fishery products, livestock, sugar cane	Peanuts, vegetables, sugar cane, large and small ruminants, aquaculture	Arabica, tea, quinquina, robusta, beans, cassava, maize, rice, plantain, vegetables	Robusta, cocoa, palm oil, rubber, cotton, *c*assava, maize, rice, peanuts, beans, plantain, vegetables, coffee, cocoa, large and small ruminants

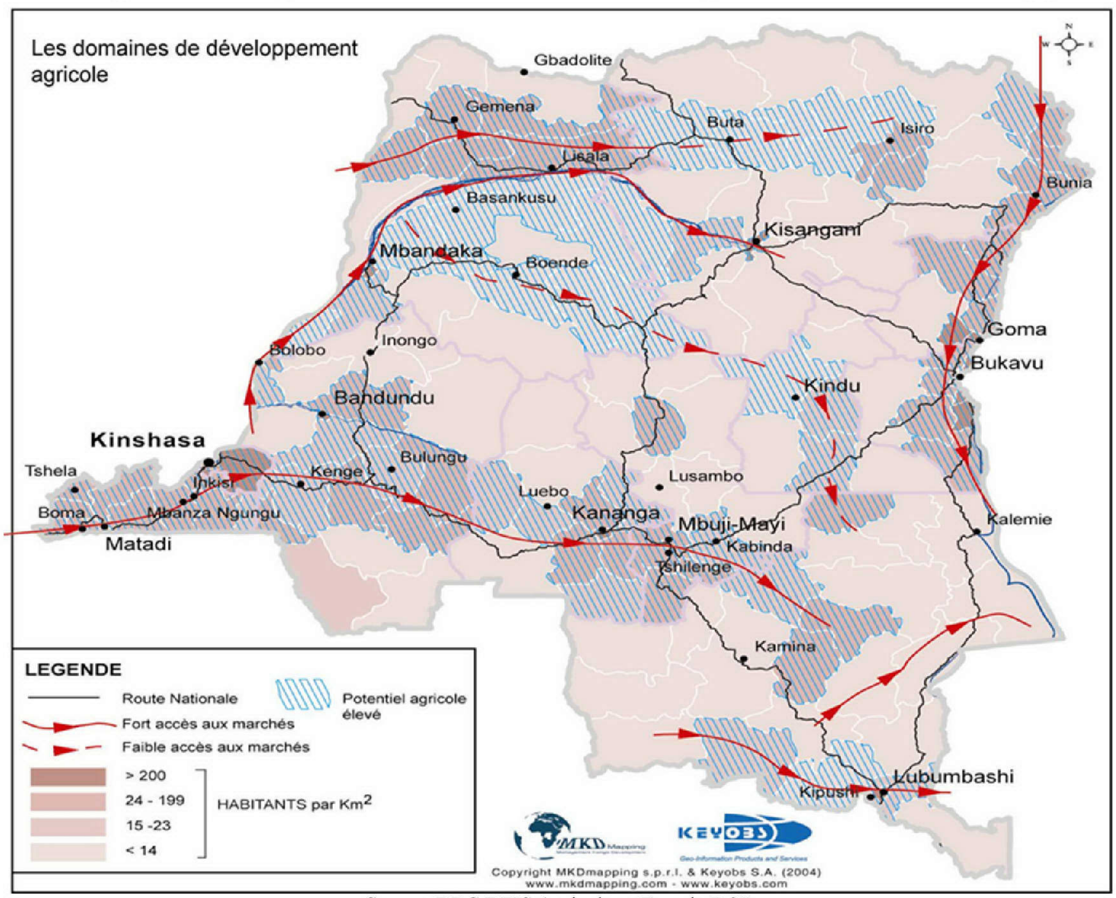
Source: DRC DTIS Agriculture French, p. 27

Table 13: Food and Export Crops Production by Region

Crops	Regions	Source
Cassava	Bas-Congo, Bandundu, Equateur, Kasai Orientale	DRC DTIS Agriculture French (P.1)
	Bas-Congo, Kinshasa	Z477(P.7)
Maize	Katanga, both Kasai, Bandundu, Northern Equateur	DRC DTIS Agriculture French, P.3
	Katanga (22%)	Special Program for Agricultural Rehabilitation, DRC Ministry of Agriculture, P. 6
	Katanga (23%), Bandundu (17%), Kasai Oriental (17%), Kasai Occidental (13%)	DRC DTIS CEM Maize, P.1
Rice	Equateur, Orientale, Maniema and Kasai (upland rice)	DRC DTIS Agriculture French, P. 3
	Bandundu, Bas-Congo, Kinshasa peripheries (lowland rice, irrigated floodplains)	DRC DTIS Agriculture French, P. 3
Cash Crops (Palm oil, coffee, cocoa)	North of DRC (Bas-Congo, Equateur, Province Orientale, Kivu)	DRC DTIS Agriculture French, P.3-4
Palm Oil	Equateur, Cuvette	DRC DTIS Agriculture French, P. 10
Coffee (Rwanda exports)	Kivu	DRC DTIS Agriculture French, P7
Coffee Arabica	North and South Kivu	DRC DTIS Agriculture French, P.13
Coffee Robusta	Bas-Congo, Bandundu, le Kasaï Oriental, Equateur, Orientale Province	DRC DTIS Agriculture French, P.19
Cocoa	Equateur, Bas-Congo	DRC DTIS Agriculture French, P.17

2. The map below shows agricultural development by region.

Figure 5: Agriculture Potential and Markets



Source: DRC DTIS Agriculture French, P.27

3. The paragraphs below described the potential of the main crops which will be supported in the targeted poles.

4. **Cassava**. Cassava is produced in all regions of DRC, especially in the northwest of the country (Bas-Congo, Bandundu, Equateur, and Kasai Orientale). Cassava plays an important role in DRC agricultural production. Its production figures prominently in family farming and contributes effectively to the rural economy. With an annual production estimated at about 15 million tons, the country is the fifth in the world among cassava producing countries and the second in Africa. Over 80% of production systems in the country are based on cassava, against 12%, 5% and 3% respectively for maize, rice and beans. Human consumption of cassava in DRC is the highest in the world and cassava ensures food security of millions of households. In 2002, it was estimated that production would be about 16 million tons and areas approximately 2.2 million hectares. This would correspond to an average yield of 7.3 tons per hectare, one of the lowest in the world (DRC Paper Manioc, 2010). Average yields, between 7 and 8 tons/ha, are very low because of the use of traditional varieties with low productivity; susceptibility to diseases and insects and the use of poor farming techniques are cassava producers' essential problems (DRC DTIS Agriculture French).

5. **Rice**. Rice is grown especially in the provinces of Equateur, Orientale, Maniema and Kasai. The extensive upland rice accounts for nearly 98 percent of rice cultivated areas. It is also produced in rice lowlands and irrigated floodplains in Bandundu, Bas-Congo, Kinshasa peripheries and other big cities. Rice yields are very low (less than one ton of paddy rice / ha) and could be greatly improved by the use of improved varieties (NERICA for example) and better cultural practices (DRC DTIS Agriculture French). According to DRC Ministry of Agriculture, rice yields correspond to 0.7 tons/ ha (Special Program of Agriculture Rehabilitation for Food Crisis Prevention). The DRC has an important rice potential, in rainfed conditions (areas of Bumba and Maniema) as well as irrigated conditions (Ruzizi Valley) or in lowlands crops in almost all provinces, and could easily achieve self-sufficiency in rice (DRC DTIS Agriculture French, p. 3).

6. **Palm Oil.**[29] The global demand for palm oil has increased in recent years (10 percent per year since 2000). Cheaper than conventional vegetable oils, palm oil has become the most consumed oil in the world. It is also used in the composition of many industrial products, pharmaceuticals and cosmetics. Its low production cost makes it an ideal candidate for the production of biofuels (biodiesel), a growing industry (35 percent of production increase since 2002) with the rise of fuels price and providing important opportunities for industry, especially as the quality requirements are less severe than in food industry. In the next 5 to 10 years, the price of palm oil should oscillate around US$800/ton. Palm oil was the main export of the country that exported 167,000 tons of palm oil and 60,000 tons of palm kernel oil in 1960. These exports accounted for almost half of total export earnings of the country and put DRC to the rank of the second largest exporter of palm oil in the world after Malaysia. Total production, much higher when domestic consumption is taken into consideration (palm oil is the main cooking oil in the country), was estimated at about 270,000 tons of palm oil, including 100,000 tons from industrial plantations, 50,000 tons from village plantations and approximately 120,000 tons of natural palm . Currently, DRC imports about 50,000 tons of palm oil per year to meet domestic demand that has increased steadily. National production is estimated at about 300,000 tons including 200,000 tons from the natural palm, 50,000 tons from village plantations and 50,000 tons from industrial plantations. Average yields are very low: from 5 tons per hectare of regimes in village plantations to 10 tons in industrial plantations (against 25 or even 30 tons / ha in Malaysia and Indonesia). Moreover, yields of oil processing are very low: 15 percent in industrial extraction because of obsolete equipment, against 23 percent for modern units, and less than 10 percent in artisanal extraction, due to archaic methods (manual press) that cause not only a very low extraction rate but also a low quality (acidity) of oil. Nowadays, there are mini-presses that allow extraction rates of 18-20 percent (DRC DTIS Agriculture French).

[29] Palm oil for both targeted poles.

Table 14: Main Players by Products & Poles, and Main Constraints along the Value Chains

VALUE CHAINS	POLE	KEY ACTORS	MAIN CONSTRAINTS/NEEDS
1. Cassava	- Tshela - Lukula - Boma - Kinzau-Mvuete - Luozi - Kimpese - Mbanza-Ngungu - Kintanu/Inkisi	a. MDM b. GROUPEDI c. SN d. Sara farms e. LAYUKA f. AGRIUMBE g. BENIFOOD h. ACOTREPAL i. ADEV j. CARITAS/Matadi k. GRAB l. OJRAD m. UNAP n. CRAFOD o. VAPO p. APRODEAPEL q. CEDER r. Others …	- Improved Cuttings - Training for starch processing - Dryers - Transport - Equipment for processing (rapper, cutter, seal) - Storage - Medium voltage transformer
2. Rice	- Kimpese - Lukula - Kinzau-Mvuete - Luozi - Mbanza Ngungu - Boma	s. FERONIA t. KUMAKUKIELE u. URISEK v. COPAM NSIMBANI w. CODELU x. DIOCESE DE BOMA	- A processor unit - Structure Drying - Need for quality seed - Vehicles
3. Palm Oil	- Tshela - Lukula - Boma	y. SNV z. AGRIUMBE aa. COD bb. CCMNP cc. FEPROHPALM dd. UNAPADEC ee. APROFEL	- Improved seeds - Operating Equipment - Small operating units - Small units for processing and packaging of finished products - Turbines for production of electrical energy - Means of Egress: trucks and tractors - Rehabilitation of rural feeder roads - Training on the production and processing - Marketing

Annex 10: Cost Table (in US$ million)

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

Project Components	IDA			GOV DRC	Private	TOTAL US Million
	Local US Million	Foreign US Million	Total US Million	US Million	US Million	
Component 1. Agriculture Value Chains Development in Bas-Congo	**33.60**	**14.40**	**48.00**	**0.0**	**0.0**	**48.00**
Sub-comp 1.1: Enhancing Agricultural Supply Capabilities.	21.00	9.00	30.00			30.00
Sub-comp. 1.2. Support to Rural Infrastructures	12.60	5.40	18.00			18.00
Component 2. Special Economic Zone of Maluku	**21.08**	**5.93**	**27.00**	**0.00**	**0.00**	**27.00**
Sub-comp 2.1. Facilitation of a Public Private Partnership	0.68	0.83	1.50			1.50
Sub-comp 2.2. Strengthening the Capacity of relevant Ministries in SEZ	2.80	0.70	3.50			3.50
Sub-comp 2.3. Physical Infrastructure	17.60	4.40	22.00			22.00
Component 3. Proactive Business Development	**11.70**	**4.30**	**16.00**		**0.00**	**16.00**
Sub-comp. 3.1. Project Development Fund for Investment Promotion	7.50	2.50	10.00			10.00
Sub-comp. 3.2. Targeted Regulatory reforms	1.40	0.60	2.00			2.00
Sub-comp. 3.3. Trade Facilitation at the Port of Matadi in the Bas-Congo	2.80	1.20	4.00			4.00
Component 4: Project Coordination, Monitoring, Communication & Impact	**5.60**	**2.40**	**8.00**	**1.00**	**0.00**	**9.00**
Sub-comp 4.1. Implementation	3.50	1.50	5.00	1.00		6.00
Sub-comp 4.2. Monitoring and Evaluation	2.10	0.90	3.00			3.00
Total Baseline Cost	**71.98**	**27.03**	**99.00**	**3.70**	**0.00**	**100.00**
Physical Contingencies			7.00			7.00
Price Contingencies			4.00			4.00
Resettlement costs				3.70		3.70
Total Project Costs	**71.98**	**27.03**	**110.00**	**4.70**	**0.00**	**114.70**

Table 15: Table of Resource Allocation

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs under Parts 1, 2.1, 2.2, 3.2, 3.3, 4.1 and 4.2 of the Project.	43,100,000	100%
(2) Works under Parts 2.3 of the Project.	14,600,000	100%
(3) PDF Grants for goods, works, non-consulting services, Operating Costs, consultants' services and Training under Part 3.1 of the Project.	6,600,000	100% of amount disbursed
(4) Refund of Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	7,300,000	
TOTAL AMOUNT	**72,900,000**	

Annex 11: Economic and Financial Analysis

DEMOCRATIC REPUBLIC OF CONGO: Western Growth Poles Project

1. Introduction

1. This annex summarizes the result of a cost-benefit analysis of the project carried out as required by OP 10.00 paragraph 17, on the Economic Analysis of Investment Operations. The purpose of the analysis was to (a) identify all quantifiable and non-quantifiable benefits and costs of the project as a whole and of its individual components separately and (b) estimate the expected net present value (NPV) of the project and its economic rate of return (ERR) implied by benefits and costs that are measurable in monetary terms. This economic and financial analysis will contribute to the evaluation of the Project's expected contribution assessed quantitatively and supplemented with qualitative analysis on its spillover effect.

2. Expected value of the project

2.1 Project value and project costs

2. The estimated net present value (NPV) of the project based on those monetary benefits is US$149.66 million at today's international prices of which 67% comes from Component 1 and the balance is from Component 2. This implies an economic rate of return (ERR) of 40 % for Component 1, 17.32 % for Component 2 and 32.44% for the project as a whole. The NPV and the ERR estimates are based on measurement of benefits against the status quo or the "do-nothing" alternative to the project. There are of course other alternatives to the project, which while not the subject of this formal evaluation, but are nonetheless compared to this project in qualitative terms in Section III of the main body of the PAD.

3. The calculation of the project's value does not include the costs and benefits of component 3. The reason for the exclusion is that the outputs of the component are essentially quasi-public goods, namely, an improved business environment and better trade facilities.

4. On the other hand the costs of Component 4 have been taken into account even though this component does not generate any benefits that are separable from those of the other three components consisting as it does entirely of activities supporting those components. Because it is difficult to tell how individual items of the cost of Component 4 would be in practice divide among the other three, it was decided to treat all costs of the component as though they were incurred on account of the largest component, namely, Component 1. This obviously means that the NPV and ERR of that component are understated, while those of Component 2 will be overstated, but that should not affect the estimates for the project as a whole.

Table 16: Distribution Project Value by Component

Component	Cost (US $ million)	Share of project cost	Net present value (US $ million)	Internal rate of of return
Component 1: Agriculture Value Chains Development in Bas-Congo	54	50%	100..34	40.00%
Component 2:Special Economic Zone of Maluku	27.34	25%	**49.32**	**17.32%**
Component 3: Proactive Business Development	18	17%		
Component 4: Coordination, Monitoring, Communication and Impact	8.5	8%		
Total	107.84	100%	149.66	32.44%

2.1.1 Monetary benefits

5. The project is expected to generate two kinds of benefits, namely, quantifiable benefits which can be readily evaluated in monetary terms and therefore figure in the calculation of the project's net present value as summarized in Table 1, and benefits, though real and important enough, cannot be quantified in monetary terms for lack of a universally accepted yardstick or though readily quantifiable benefits. These are in the nature of public goods or quasi-public goods and cannot therefore be readily priced from the point of view of targeted or direct beneficiaries of the project.

6. Benefits of the first category themselves come in two forms. By far the more important and easiest to estimate is the increase in the incomes or revenue of targeted households, firms, local governments and other governmental and non-governmental organizations in the project areas that can be attributed to project activities. The second is the consumer surplus that project activities are expected to generate for the population of the project areas and for the part of the population of Kinshasa that get its supplies from those areas in as far as the activities reduce the cost of living in those areas.

Expected growth in earnings

7. The first type of monetary benefits will come in two parts, namely:

a) The additional revenue attributed to project interventions in the targeted agricultural value chains -- i.e., cassava, rice and palm oil -- leading to increases in household and business earnings and in local and central government tax revenue.

b) Additional revenue of non-farm businesses (including manufacturing, agro processing and business services) and local and central government attributable to project interventions in the development of the SEZ and related economic activities.

Expected consumer surplus

8. The population of project area is also expected to benefit from the consumer surplus project activities generate as does the population of other areas supplied by the outputs from the project area. The surplus is expected to come from the reduction that project activities would bring about in the cost of production of food and other consumer products, and cost of electricity

and transport due to interventions under component 1 and 2 and possibly component 3. Unfortunately the NPV in this analysis does not take into account the consumer surplus that is expected from the project as the data on consumer demand schedules that are needed to estimate it are not yet available at this point.

Breakdown of measured monetary benefits by component and categories of beneficiaries

9. **Growth in farm incomes.** About 62 percent of the value of the project (or US$160 million) is in the form growth in farm income brought about through component 1. Fifty six percent of the growth in farm incomes will come from increased production of Cassava, the balance being divided more or less evenly between increment in the output of rice and palm oil.

10. **Growth in non-farm earnings and in tax revenue*:*** Wages and salaries earned from jobs created because of project activities account for about 20 percent of the NPV of the project (or US$51 million), which is divided more or less equally between Components 1 and 2. The project is also expected to increase government tax revenue by US$32.5 million, which is about 12 percent of the project's value.

2.2 Assumptions in calculation of NPV and ERR

11. A common discount rate of 12 percent a year is applied to all cost and benefit streams in getting the present values over a span of 12 years for Component 1 and a span of 21 years for Component 2, both starting in year 2014. Construction starts under both components that year and will take place till year 2017, which is when project revenue flows start under Component 2. Project benefits are assumed to start showing under component 1 in year 2015. For both components an annual average wage rate (per person) of US$1,500 is assumed in projecting labor costs as well as earnings from employment. Projected increments in tax revenue are based on an assumed average personal income tax rate of 10 percent and a corporate income tax rate of 30 percent.

2.2.1 Risk and sensitivity analysis

12. The assumptions just listed about cost parameters are all based on expert opinion and statistical data, but, of course, are liable to error. It is therefore necessary to carry out a sensitivity analysis assessing the effect of the errors in the values assumed for selected cost or benefit items of the projects on its IRR or NPV. The variables of interest are those that are likely to have the strongest influence on the estimated IRR or the NPV (e.g. yield per hectare or prices). The analysis is often done in terms of switching values of the variables of interest, the switching value of a variable being the percentage change (relative to the assumed value) that is needed to occur in order to make the NPV of the project equal to zero or to equate the IRR to the discount rate used to calculate the NPV. The smaller the switching value or percentage the more sensitive is the project's value to assumptions made about the variable of interest.

13. The value of component 1 is relatively sensitive to departures from assumed crop prices. For example the FOB prices assumed in NPV calculations are US$600, US$670 and US$462 per ton for cassava, palm oil and rice respectively. The respective switching values are US$570,

US$636 and US$439 per ton. On the other hand the project's value is much less sensitive to departures from assumed crop yields per hectare, which are 11 tons per hectare and 3.9 tons per hectare for cassava and palm oil respectively. The respective switching values are 8.6 tons per hectare and 3 tons per hectare. The NPV of the SEZ component is even less sensitive as estimates of switching values for assumed construction costs tenants' demand for space indicate that actual land development costs and unit costs of building construction would have to be at least 3.5 times of the assumed values for the project's net present value to be negative.

3. Non-monetary benefits, externalities, and provision of public goods

14. As noted, the NPV and ERR estimates of the project that are reported in Section 2, do not take into account benefits of the project that would not be measurable in monetary terms. Also excluded from the estimates are the project's spillover effects in the form of the provision of public goods or otherwise, even when these would in principle be amenable to monetary valuation. The exception to this rule is the environmental externality associated with Component 2, which has been fully taken into account in the calculations.

15. It is therefore important to stress that the project does in fact generate important non-monetary benefits and does generate significant non-environmental positive externalities, which need to be born in mind in making decisions based on NPV and ERR estimates reported here. Moreover some of the benefit emanates from quasi-public goods produced under the projects, which means that the values we give them in the NPV and ERR calculations would actually understates their true worth to society.

3.1 Improvement in the local investment climate due to Component 3

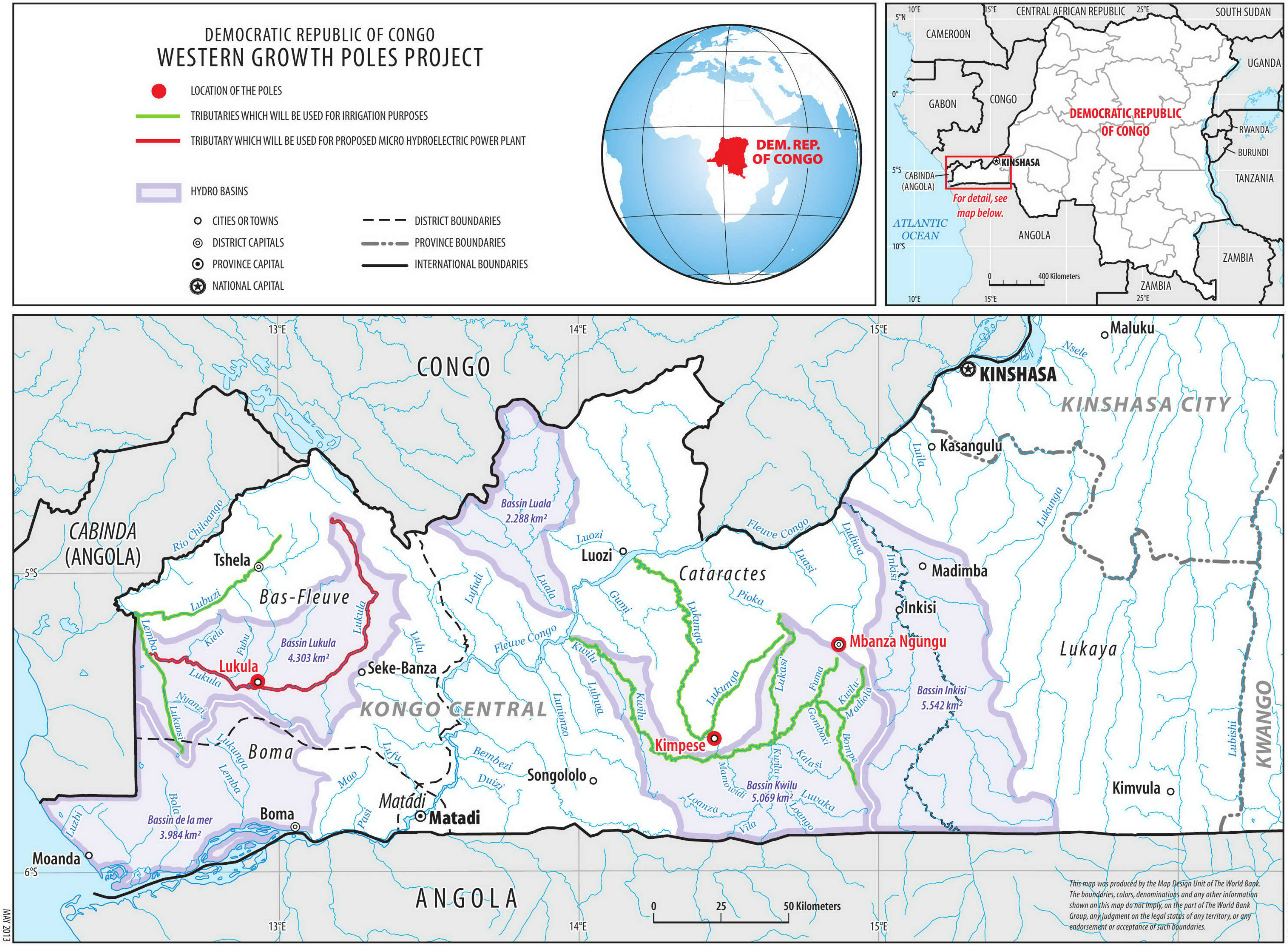
16. The most important non-monetary benefits of the project flow from sub-components 3.2 and 3.3 of Component 3 of the project, involving, respectively, investments in regulatory reforms and trade facilitation at the port of Matadi. The improvement that would occur in the investment climate of the project area is critical for Components 1 and 2.

3.2 Provision of quasi-public goods

17. To the extent that the improvement in investment climate that Component 3 would bring about would benefit other activities and economic agents beyond targeted beneficiaries, the benefits of the component described here are quasi-public goods, which should be taken into account in interpreting the projects NPV and ERR as reported in Section 2. The same is true of the investments in mini hydroelectric facility and rural roads planned under component 1. The value of the reduction in the cost of electricity and transport costs that the project would bring about is more than what is taken into account in the NPV and ERR calculations of Section 2. This is because beneficiaries of the lower costs include consumers and farmers operating outside of the targeted value chains, which are not included in the calculations.

3.3 Spillovers – cost of living, consumer surplus and competitiveness

18. The consumer surplus expected from Component 1 and Component 2 of the project is a major benefit item in its own right and should be evaluated and taken into account as such in the calculation of the project's value. It also influences the true value of the project since the creation of the consumer surplus itself would have a spillover effect on the competitiveness and job-creation potential of non-farm activities including manufacturing and services within the project area and other parts of the country, which are supplied by those areas including Kinshasa. This is because the other side of the consumer surplus at issue is a lowering the cost of living. The high cost of living in and around Kinshasa and other major urban centers has so far kept the country uncompetitive in manufacturing and service industries by pushing up wages and unit labor costs beyond regional and global norms. To the extent that the project helps bring down the cost of food items and other necessaries in and around the project area and Kinshasa, it should help lower unit labor costs in those industries, thereby making them more competitive in domestic as well as export markets.



DEMOCRATIC REPUBLIC OF CONGO
WESTERN GROWTH POLES PROJECT
LOCATION OF THE POLES
TRIBUTARIES WHICH WILL BE USED FOR IRRIGATION PURPOSES
TRIBUTARY WHICH WILL BE USED FOR PROPOSED MICRO HYDROELECTRIC POWER PLANT
HYDRO BASINS
CITIES OR TOWNS
DISTRICT CAPITALS
PROVINCE CAPITAL
NATIONAL CAPITAL
DISTRICT BOUNDARIES
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
DEM. REP. OF CONGO
CAMEROON
CENTRAL AFRICAN REPUBLIC
SOUTH SUDAN
UGANDA
GABON
CONGO
DEMOCRATIC REPUBLIC OF CONGO
RWANDA
BURUNDI
KINSHASA
CABINDA (ANGOLA)
TANZANIA
For detail, see map below.
ATLANTIC OCEAN
ANGOLA
ZAMBIA
ZAMBIA
0 400 Kilometers
CONGO
CABINDA (ANGOLA)
KINSHASA
KINSHASA CITY
Maluku
Nsele
Kasangulu
Lukunga
Lukaya
Madimba
Inkisi
Mbanza Ngungu
Bassin Inkisi 5.542 km²
Kimvula
Lubishi
KWANGO
Bassin Luala 2.288 km²
Luozi
Fleuve Congo
Cataractes
Pioka
Lukunga
Kwilu
Lukasi
Kimpese
Bassin Kwilu 5.069 km²
Songololo
Tshela
Rio Chiloango
Bas-Fleuve
Lubuzi
Bassin Lukula 4.303 km²
Lukula
Seke-Banza
KONGO CENTRAL
Boma
Bassin de la mer 3.984 km²
Moanda
Matadi
ANGOLA
0 25 50 Kilometers
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