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PROGRAM INFORMATION DOCUMENT (PID)
Appraisal Stage

November 1, 2016
Report No.: 110038

Operation Name	State Consolidation Development Program
Region	AFRICA
Country	Central African Republic
Sector	General public administration sector (60%);Public administration- Agriculture, fishing and forestry (10%);Public administration- Energy and mining (10%);Public administration- Health (10%);Public administration- Education (10%)
Operation ID	P160123
Lending Instrument	Development Policy Lending
Borrower(s)	MINISTRY OF FINANCE
Implementing Agency	
Date PID Prepared	November 1, 2016
Estimated Date of Appraisal	
Estimated Date of Board Approval	December 1, 2016
Corporate Review Decision	Following Appraisal, it was decided to continue with negotiations of the operation

I. Key development issues and rationale for Bank involvement

1. **The Central African Republic (CAR) is a highly fragile country with a history of recurrent conflict and domestic political instability.** As a result of the most recent conflict, which erupted at the end of 2012, roughly one-quarter of the population was internally displaced or had to flee as refugees to neighboring countries. While active conflict has largely come to an end, CAR remains politically fragile, with armed groups still present on the territory and relations between communities remaining tense. As noted by the Recovery and Peace Building Assessment (RPBA), fragility in CAR stems not only from the most recent crisis, but also from the long deterioration of the economic, social, governance, and security situation.[1]

2. **As CAR was still recovering from the effects of the 2008 global recession, the impact of the most recent crisis on economic activity was especially devastating, with gross domestic product (GDP) falling by an unprecedented 36.7 percent in 2013.** The agricultural sector, representing almost 45 percent of CAR's GDP and the main source of livelihood for the rural population, was particularly impacted, with a 46 percent drop in food production and a 55 percent drop in livestock production, putting half of the country into food insecurity. At the same

[1] The RPBA finds that the deep-rooted causes of the country's fragility include the lack of social cohesion manifested by distrust and recurrent conflict among communities; the weak social compact between the state and the population, stemming in part from the poor quality of social services, particularly in education, and a weak justice, defense and security system; disparities between Bangui and the interior and between the eastern regions and the rest of the country; poor natural resource management and the growing scarcity of grazing lands; unresolved past traumas and impunity; and longstanding insecurity in certain regions.

time, the conflict drove forest and mining firms to close their operations, and CAR was suspended from the Kimberly Process Certification Scheme (KPCS), which cut mining exports in half and cut tax revenue by two-thirds. With a widening fiscal gap, the Government was unable to pay wages during the crisis, paralyzing government administration. At the same time, the conflict severely degraded the capacity of the public administration in core areas, including revenue collection, expenditure management and public investment. Infrastructure remains extremely limited, with a network of less than 25,000 km of roads for the entire country in 2010, and mobile telecommunications networks that only cover 59 percent of the population at the end of 2015. Doing Business ranks CAR as the fourth worst place to conduct business in the world. Furthermore, CAR macroeconomic and debt distress risks are high.

3. **During the crisis, gross national income (GNI) per capita fell sharply between 2012 and 2014, from US$917.4 to US$569.3, the lowest in the world**. Recent estimates indicate that CAR's poverty rate—at the international poverty line of US$1.90 per day in 2011 purchasing-power parity terms—increased from 66 percent in 2008 to 76 percent in 2013. In addition, CAR is ranked among the most unequal countries in Sub-Saharan Africa (SSA) and has the fourth-highest Gini coefficient in the region[2]. In 2014, CAR ranked 187th out of 188 countries in the UN's Human Development Index (HDI). In 2010 the infant mortality rate was 116 deaths per 1,000 live births, and the under-five mortality rate was 179 deaths per 1,000 live births, both far above the SSA averages of 65.8 and 101.2, respectively. Nearly half the population lacks access to safe drinking water, and more than three-quarters do not have access to adequate sanitation facilities or electricity.

4. Despite these challenges, progressive return to political stability brings a significant opportunity to consolidate peace, building stability and resilience, as well as lay the groundwork for economic recovery and development. The peaceful transition from Transition President, Catherine Samba-Panza, to democratically elected President, Faustin Archange Touadera, inaugurated on March 30, 2016, and the parliamentary elections held on March 31, 2016, marked the end of a political transition, giving CAR an opportunity to overcome the high fragility situation which has prevailed for many years. The new Constitution, adopted during the December 13-14, 2015 referendum, includes provisions for the election of local authorities, introduces a second chamber (Senate) to the parliament, limits the president's tenure to two terms, establishes mechanisms to fight institutional corruption, and includes provisions for the declaration of assets by high-level officials. The President has appointed a high-level official to coordinate Demobilization, Disarmament, and Reintegration (DDR) peace building and national reconciliation efforts. As security and humanitarian conditions have stabilized, early signs of an economic recovery have emerged: macroeconomic balances are slowly moving closer to an equilibrium; private investment has attained pre-crisis levels; public services have been gradually restored nationwide; and aid flows have turned attention to development challenges.

5. **Given these positive developments, the SCDP series is proposed as part of a larger Turn-Around Facility[3], which has been informed by the priorities expressed by the newly-elected President and the recently issued World Bank Policy Notes (June 2016)**. Within this

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[2] Cf. World Bank, Policy Note, Poverty, 2016

[3] For the purpose of the exceptional Turn-Around regime, a "turn-around" situation is defined as a critical juncture in a country's development trajectory, providing a significant opportunity for building stability and resilience marked by: (i) the cessation of an ongoing conflict; and (ii)the commitment to a major change in the policy environment following (a) a prolonged period of disengagement from Bank lending; or (b) a major shift in a country's policy priorities addressing critical elements of fragility.

context the proposed SCDP series will support the implementation of the CAR Government's reform program in its current post-transition phase. Accordingly, the development objective of the SCDP series has been designed to support the reestablishment of basic fiscal management and transparency as well as economic recovery. Under the first pillar of the operation—Reestablishing Basic Fiscal Management and Transparency—the operation seeks to increase fiscal revenues, improve wage bill management, reduce extraordinary non-salary spending, and increased budget control and transparency. Under the second pillar—Support of Economic Recovery and pro-poor growth—the DPO series seeks to support a pro-poor reform agenda that reinvigorates drivers of economic growth in critical sectors, including transport, agriculture, forestry, and telecommunications/Information and Communication Technology (ICT).

6. Since successful implementation of this ambitious program will require time, assistance, and flexibility, this programmatic series implies a progressive scaling-up of reforms over a two year period. Given the uncertainty caused by the fragile country context, there are significant risks related to the implementation of the operation. Implementation of reforms could become more challenging, resulting in delays in reform implementation and consequently affect the second operation in the SCDP series. In order to mitigate challenges which may reemerge during the implementation period, the program has been closely aligned with the priorities expressed by RPBA. Likewise, the program is being introduced in the context of ongoing DDR and Internally Displaced Person (IDP) reinsertion programs, which will help to reduce tensions among communities and promote reconciliation. Finally, the program has been prepared in parallel with the Mutual Accountability Framework of the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA), which is currently being negotiated with the Government to enhance transparency and accountability in CAR.

7. **CAR's economy has not experience rapid growth in the wake of the conflict—recording a modest 1.0 percent real GDP growth in 2014, and 4.8 percent in 2015.** Growth was mainly driven by increased demand, with private consumption (up 8.6 percent in 2015) rising as a result of higher disposable income by many households and firms and rising investment. Public investment reached 4.7 percent of GDP, against a low of 1.7 percent of GDP in 2013, while private investment increased by roughly 20 percent, due to enhanced security and stability. On the supply side, growth recovery was led by agricultural production and services, which grew by 3.5 and 2.7 percent, respectively. The agriculture and livestock sectors performed well despite remaining insecurity in some areas and the large numbers of people who are still displaced. In addition, many farmers faced little or no access to farming inputs or their land despite the Government's efforts in distributing agricultural inputs. Severely constrained by power shortages and poorly maintained infrastructure, the industrial sector showed a more modest increase of 1.3 percent, due to the expansion in manufactured production (2 percent), water and electricity (1.9 percent), and construction (1.9 percent).

8. **The economy has stabilized, with inflation reaching moderate levels.** After a sharp increase in inflation at the height of the crisis (11.6 percent in 2014), average inflation declined to 4.5 percent in 2015. This is closer to the 3 percent target set by the Central African Economic and Monetary Community (*Communauté économique et monétaire des Etats de l'Afrique Centrale*, *CEMAC*) in 2015. The improvement was driven by the decline in international petroleum prices, which were slowly transferred to local prices, and the relative price stability of basic consumer goods. However, prices have risen since December 2015 mainly due to strong domestic demand and limited food supply.

9. Substantial fiscal consolidation has taken place. In 2015, the Government's primary balance (excluding interest payments) narrowed to -0.1 percent of GDP (compared to -5.9 percent in 2013), as a result of the boost in tax revenues to 6.5 percent of GDP (from 4.4 percent of GDP in 2014) and tight control of primary spending, which remained almost unchanged at 10.3 percent of GDP. These efforts allowed the overall fiscal deficit including grants to narrow to 0.6 percent of GDP despite a severe decline in grants (down from 2014 by 3.6 percentage points of GDP). Nevertheless, domestic revenue remains insufficient to cover salary payments and critical expenditures. Tax revenue gains were the outcome of strengthened excise and customs controls, the introduction of value added tax (VAT) on oil products, and closer monitoring of tax exemptions. For their part, total expenditure increased by 2.2 percentage points of GDP in 2015. On the current expenditure side, a 12.8 percent increase in the wage-bill (mainly due to promotions within the defense forces and gendarmerie—part of the DDR process—as well as the recruitment of "hors statut" staff) partly counterbalanced the efforts to downsize the payroll. On the capital expenditure side, backed almost entirely by external funds, a 2.6 percentage points of GDP increase in 2015 allowed it to reach 4.7 percent of GDP, a ratio still about two thirds of its pre-crisis level. Domestically financed capital expenditure is estimated to have increased fourfold as a percentage of GDP (but from very low levels, 0.1 to 0.4 percent of GDP). Overall, the fiscal gap was financed by a combination of budget support, domestic borrowing, and domestic arrears accumulation. In the first eight months of 2016, the Government also accumulated external arrears in the amount of CFAF 6.1 billion. The program will support close monitoring of the treasury plan and increasing revenue collections, which will be critical to maintain macroeconomic stability, and avoid adverse effects on the private sector.

10. **In summary, CAR's macroeconomic policy framework provides an adequate basis for the proposed operation.** Despite suffering a succession of shocks in the recent past (2008/09, and 2012/13), CAR has avoided major macroeconomic imbalances. The Government has generally demonstrated a satisfactory track-record in maintaining prudent macroeconomic policies that are sustainable over the medium-term, and CAR's membership in the CEMAC provided crucial macroeconomic stabilization during the recent crisis. The regional central bank has kept inflation relatively low and stable since the 1994 depreciation, and the CFA franc remains anchored by a prudent monetary policy aimed at maintaining a strong external reserve position.

11. **Though the overall outlook is positive, the macroeconomic framework is subject to high downside risks.** Given the fragile country context the political and security risk is high. Political instability and/or a deterioration of the security situation would have a negative impact on government revenues, public and private investments, imports and exports, economic activities in general and consequently growth and inflation. CAR's recent track record in macroeconomic management, which has been strong in response to exogenous shocks, is a mitigating factor. This positive track record is also acknowledged by an increasing CPIA score, setting the stage for being confident about its capacity to preserve prudent macroeconomic policies over the medium term, as well as meeting all of the prior actions required to ensure the signing and implementation of a supportive IMF program. The new Government's focus on growth-enhancing structural reforms as part of its poverty reduction strategy, and responsive support provided by donors, including through the proposed operation, will help to address the challenges emerging from the present global slowdown and the leftovers of the 2012-2013 crisis.

12. **The International Development Association (IDA) is collaborating closely with the IMF on macroeconomic, fiscal, and growth-related policy issues.** The IMF leads the dialogue on macroeconomic management, fiscal, and monetary policy, while the World Bank takes the lead on structural reforms. The Bank and the IMF undertake joint assessments of the poverty reduction strategy as well as its implementation and joint debt sustainability assessments. The World Bank takes the lead on monitoring the authorities' social sectors and pro-poor policies. This DPO was prepared in close coordination with IMF staff, who in parallel prepared a three-year Extended Credit Facility program of SDR 83.55 million (about US115.8 million or 75 percent of quota) which was approved by the IMF Executive Board on July 20, 2016. IMF staff visited Bangui (September, 2016) to review early progress of the program, which focuses on macroeconomic policies and structural reforms to bring the economy on a path of sustainable and inclusive growth, mobilize higher domestic resources, restore budget transparency and sound treasury management practices, build resilience, and exit progressively out of fragility. The remaining amount will be dispensed over the duration of the arrangement, subject to program reviews, starting December 2016. Donor support ensures the full financing of the first year of the program and there are good prospects for financing the remainder of the program.

13. **The recent Recovery and Peace Building Assessment (RPBA) provides the overarching framework of the CAR's development agenda for the next five years (2016-2021).** This exercise was led by Government and conducted with joint assistance from the World Bank, European Union, and United Nations. The RPBA identifies the country's main priorities in the form of three pillars and corresponding sub-objectives: (i): Supporting Peace, Reconciliation, and Security; (ii) Renewing the Social Compact between the State and the Population; and (iii) Ensuring Economic Recovery and Boosting Productive Sectors. The RPBA also specifies cross-cutting themes such as reducing regional imbalances, promoting transparency and accountability, building the capacity of public institutions and civil society organizations, and promoting gender equity were also identified.

14. **The Government's General Policy Statement, dated June 7, 2016, also supports the priorities and objectives identified in the RPBA**. Its critical priorities include: (i) peace, security, and social cohesion through the reform of the security and defense sectors as well as the decentralization of the administration; (ii) economic recovery through providing support to productive sectors, improving the business climate, increasing production and access to energy and ICT, investing in infrastructure, as well as implementing land tenure reforms and an urbanization strategy; (iii) good governance and restoring State authority; and (iv) support for social and humanitarian affairs.

II. Proposed Objective(s)

15. The Program Development Objective (PDO) of the State Consolidation Development Program (SCDP) is to support the reestablishment of basic fiscal management and transparency as well as support economic recovery.

III. Preliminary Description

16. The operation is structured around two pillars. Under the first pillar—Reestablishing Basic Fiscal Management and Transparency—the Development Policy Operations (DPO) series seeks to increase fiscal revenue, improve wage bill management, reduce the use of extraordinary budget spending procedures, and increase budget control and transparency. Under the second pillar—Support of Economic Recovery—the DPO series seeks to support a pro-poor, post-transition reform agenda that reinvigorates drivers of economic growth in critical sectors, including transport, agriculture, forestry, and telecommunications/ICT. Since these programmatic reforms represent both upstream and downstream interventions, the successful implementation of this ambitious program will require time, assistance, and flexibility, in order to ensure a progressive scaling-up of reforms over a two year period.

17. **Pillar one seeks to reestablish the basic fiscal management and transparency in CAR through increased fiscal revenues, improved wage bill management, and increased budget control and transparency.** This outcome will be achieved through support to a number of mutually reinforcing public financial management policy areas, which are intended to improve fiscal management functions in order to better manage scarce resources. First, the operation will support the Government in increasing its revenues by better managing tax and customs exonerations as well as aligning petroleum prices with an international (Platts) reference price. Second, the operation will target measures to improve the integrity and control of the public wage bill. Third, the operation will put in place measures to reduce the scope for exceptional spending procedures by introducing a nomenclature of supporting documents of public expenditures as well as a manual of procedures for public spending. Finally, the program will improve budget transparency by regularly publishing budget information, including the clearance of a backlog of annual *Lois de Règlement* (Settlement Law of the Finance Law).

18. **Pillar two seeks to support economic recovery in productive sectors critical to CAR's growth and stability.** First, the operation will support critical reforms to support the Road Maintenance Fund and the National Equipment Office in order to allow for a greater, more sustainable, and more efficient allocation of resources for the maintenance of secondary feeder roads, particularly in cotton producing regions which are critical to CAR's growth. Building on these efforts to improve agricultural productivity, the SCDP series will directly support the agricultural sector by increasing access to high quality agricultural inputs, including seeds, fertilizers, and phytosanitary products. Additionally, the proposed operation will support policy measures to start production in inoperative, attributed forestry concessions. Finally, the SCDP series will support the development of the ICT sector by introducing reforms that will expand connectivity, in particular, mobile telephone penetration and 2G mobile network coverage across the territory.

19. **The proposed reform areas represent a selective approach to a gradual and scalable reengagement in the current post-conflict environment.** The DPO series has been designed to target a number of selective, yet asymmetric reforms, which represent achievable and meaningful steps forward, given the stated priorities of the new government. As such, the proposed reforms are feasible in the short term and will lay the foundations to address more profound governance challenges in the medium and long term. The proposed measures will not only contribute to improve economic opportunities available to all citizens, but also target the poorest and most remote areas, which is critical for poverty reduction, political stability, and social cohesion. In this regard, the series supports a pro-poor reform agenda through its focus on the agricultural sector—where a vast majority of the poor work in subsistence and small holder farming

operations—as well as introducing parallel reforms in roads and telecommunications/ICT, which will help to better connect rural areas.

20. **However, while these two pillars are designed to target the most critical constraints facing CAR's growth needs, the DPO series does not include other important sectors, which will receive support through other World Bank- and donor-funded programs, including additional technical assistance and investment lending provided under the CAR Turn-Around Facility.** In particular, the SCDP series does not explicitly address reforms in the mining sector due to operational and security constraints. Although the Kimberly Process Certification Scheme has partially resumed and is part of the medium-term macro-economic hypotheses, full lifting of the ban will require technical assistance related to the security sector and goes beyond the scope of the proposed program. To address these issues, a Natural Resource Governance TA has been planned for FY19, which will focus specifically on reforming the mining code, in order to improve transparency, accountability, and competitiveness, as well as encouraging formalization through an appropriate fiscal regime. Likewise, the SCDP series does not directly support social sector reforms, but will provide indirect support to the sector through the Public Financial Management and real sector reforms of the program. These reforms will result in a larger fiscal space through increased revenues and controlled spending as well as stimulating core sectors of the economy, which can create the conditions for increased spending in education, health, and social protection. Also, core policy measures in the DPO will contribute to ensure that civil servant wages, including to teachers and health personnel, will be paid. Taken together, this indirect support of the SCDP series is an important complement to more direct measures currently implemented as emergency and humanitarian programs.

21. **The proposed operation is fully aligned with the current priorities of the new Government in its post-transition phase.** In particular, the operation supports two of the three pillars in the recent RPBA, including: (i) Renewing the social compact between the state and the population, through the reform areas contained in pillar one of the operation and (ii) Ensuring economic recovery and boosting productive sectors, through its focus on agriculture, transport, and ICT under pillar two of the operation. The Government has started preparing a development strategy, which once finalized, will inform the triggers of the subsequent operations in the SCDP series in order to ensure that it remains fully aligned with the Government's priorities. Recognizing the need for close donor coordination and alignment with government development objectives, the program is being prepared in parallel with the Mutual Accountability Framework of the UN Peacekeeping mission (MINUSCA).[4]

22. **The proposed operation is also based on a number of lessons learned, drawn from the implementation of previous DPOs and operations in CAR.** These lessons include: (i) the importance of identifying key priorities that are likely to immediately improve the living conditions of the population; (ii) demonstrating that the new government is adopting practices that are materially different from the past, which can help to rebuild trust in the state; (iii) the targeting of reforms, including public sector and economic governance reforms, in order to

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[4] The last UN Security Council Resolution on CAR - S/RES/2301 (2016): "The Security Council […] encourages the CAR Authorities, with the support of the international community, in particular with International Financial Institutions (IFI) leading international efforts, and based on critical peace and State building goals, to continue consolidating public financial management and accountability, including revenue collection, expenditure controls, public procurement and concession practices building on relevant international experiences and in a manner that allows it to meet the expenses related to the functioning of the State, implement early recovery plans, and revitalize the economy, and fosters national ownership and respects the sovereignty of the CAR".

contribute to the development of critical sectors of the economy; (iv) close donor coordination and alignment to Government development objectives, which is important for the success of reforms, as cohesion among donors helps to maintain focus on successful implementation of key reforms; and (v) the establishment of a monitoring and evaluation mechanism tailored to country specificities and taking into account data collection issues.

23. **The SCDP series is closely aligned with the CAR Country Engagement Note (CEN) for FY16-FY17 (Report number 96209), approved by the Board in July 2015, which describes the continuation of the crisis response and potential next steps for recovery and development until the end of 2016.** Accordingly, the SCDP supports the CEN's three overarching objectives of (i) basic support to public sector institutions; (ii) support to livelihoods; and (iii) support basic social service delivery. While the first two pillars will be addressed directly by the operation, the third pillar will be addressed indirectly through a variety of policy based measures. As noted above, creating a larger fiscal space through increased fiscal revenues and controlled spending, in addition to stimulating core sectors of the economy, will provide additional resources for spending in social sector service delivery.

24. **At a higher level, the objectives of the SCDP support the World Bank's twin goals of reducing poverty and boosting shared prosperity.** By targeting reforms under pillar one to support increased predictability, control, and transparency in budget execution, the operation seeks to increase fiscal space as well as efficiency in public spending. Likewise, by targeting key growth sectors, the program will improve the productive opportunities available to citizens through support to the agriculture, forestry, transport, and ICT sectors. Cutting across the operation are reforms designed to create a more inclusive and connected society as well as to ensure greater equity between the capital and regions. The operation is also aligned with recent World Bank analytics and strategies in FCS engagement, including the 2011 World Development Report on Conflict Security and Development, the IDA-17 emphasis on fragile and conflict-afflicted states (FCS), as well as the Independent Evaluation group (IEG) evaluation of engagement in fragile states, which notes that the World Bank's comparative advantage is the provision of support to early reconstruction and economic recovery.

25. **Finally, the SCDP is aligned with other World Bank operations, including the crisis response of a US$ 100 million in emergency operations.** The SCDP follows a package of emergency operations including: (i) emergency assistance to pay salaries and technical assistance to public financial management reforms, aiming to control expenditure and increase collected revenues (US$40 million); (ii) a cash-for-work program, providing temporary jobs and promoting social cohesion in and around Bangui during the crisis, as well as in 71 prefectures nationwide (US$30 million); (iii) support to emergency health needs through the provision of free medication (US$10 million); and (iv) a food crisis response project, supporting half a million people through food and seed distribution, implemented by the Food and Agriculture Organizational of the United Nations (FAO) and World Food Program (WFP) (US$20 million).

26. **While the financing of the budget through the SCDP will contribute to finance all services, including social services, additional technical assistance and investment lending will be provided for the delivery of social services under other projects included in the IDA-Funded Turn-Around Facility.** As such, the Turn-Around Facility will facilitate parallel investments to support, in FY18-FY19: Reintegration component of DDR (US$150 million); Reinsertion of displaced persons into urban areas (US$24 million); Statistics for decision-making (US$10 million); Improving service delivery in the water and energy sectors (US$ 18 million);

Reopening access to production basins (US$45 million); and Natural Resource Governance TA (US$10 million); Revival of agricultural value chains in key production basins (US$25 million); Teacher effectiveness and non-formal education (US$25 million); a Health Services Additional Financing project (US$10 million) as a Performance-Based Financing (PBF) program in order to improve the availability and quality of health services; ICT services (US$13 million).

27. **The SCDP has been designed to support critical reforms during CAR's post-transition phase as a two year operation to adapt to the uncertain, fragile, country context and could be followed by a third operation in FY19.** The SCDP series is the first of the three DPOs planned for under the recently approved IDA financed Turn-Around Facility. The SCDP has been designed as a two year programmatic operation to reflect the uncertainties given the fragile country context, while providing for a framework to support policy reforms over a two year period. This approach introduces a certain flexibility to adapt to the county context while providing a framework allowing to support policy reforms beyond short-term measures. Subject to the country context and progress in implementation of the Government's reform program, the SCDP series could be followed by a third operation in FY19 as planned for in the Turn-Around Facility. The DPO will help address revenue shortfalls, improve budget spending, and execute reforms related to Public Financial Management (PFM) and other key strategic sectors including agriculture, forestry, transport and ICT. These measures could spur the economic recovery of the Central African Republic, as well as potentially contribute to increasing tax revenue to pre-crisis levels. The technical assistance program to Public sector reforms will be complementary to the DPO, and aims to consolidate reform achievements and gradually deepen reforms with the aim of improving public sector service delivery. It will focus in particular on improving tax and customs administration, budget preparation, transparency and accountability, treasury management and accounting, as well as human resource and wage-bill management. The investment lending operations under the Turn-Around Facility will benefit from and provide support to implement the institutional, legal and regulatory reforms in key strategic sectors supported by the SCDP series.

IV. Poverty and Social Impacts and Environment Aspects

28. **The SCDP series is expected to contribute to inclusiveness and poverty reduction, as noted in detail above.** Under pillar one, the operation will support measures to increase revenues as well as enable more efficient budget execution and control. By creating more fiscal space, the program will help to alleviate poverty and contribute to improve service provision which could result in increased trust between citizens and the State. Likewise, under pillar two the program will target poverty reduction and inclusion by providing support to key sectors, which are crucial to economic growth. However, there is a high degree of uncertainty is attached to the level and growth rate of real GDP, as estimates for informal sector activities, which are still based on a 1982 survey. Furthermore, developments in the subsistence agriculture sector, accounting for an estimated 30 percent of the economy, are not adequately tracked. As a result, due to limited data and related analytics, the full impact of this project may be difficult to fully demonstrate during the relatively short, two-year implementation period.

V. Tentative financing

Source:		($m.)
BORROWER/RECIPIENT		0.00
IDA Grant		20.00
Borrower/Recipient		
IBRD		
Others (specifiy)		
	Total	20.00

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