

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC87770

<b>Project Name</b>	AFCC2/RI-Great Lakes Trade Facilitation - SOP2 (P155329)
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<b>Country</b>	Africa
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<b>Implementing Agency</b>	Ministry of Industry, Trade and Investment
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## I. Introduction and Context

### Country Context

#### A. Regional Context

The economies of eastern Democratic Republic of Congo (DRC), Burundi, Rwanda, western Uganda, Tanzania and northern Zambia have been inextricably linked through cross-border and lake-based trade for centuries. However, the conflicts of recent years have taken a heavy toll on human life and disrupted the regional economy. Border communities often remain in a state of acute socio-economic vulnerability and suffer disproportionately from poverty and displacement. Creation of improved economic opportunities through facilitation of cross-border commerce is one of the best ways to promote economic and social interdependence and improve regional stability.

The World Bank Group (WBG) is implementing a comprehensive Great Lakes Initiative (GLI) that seeks to address the key socio-economic dimensions of the underlying sources of conflict. The GLI has two pillars, one that is designed to address the needs of vulnerable groups and improve community resilience, and a second that focuses on economic cooperation and regional integration. The second pillar provides financing for projects that support infrastructure improvements, removal

of barriers to trade, economic integration, creation of employment generating activities especially for youths, and raising agricultural productivity.

Cross-border trade is an important source of goods, services, and incomes for conflict-affected populations throughout the GLR. Trade facilitation is especially important in the context of fragile, conflict and violence states because it allows such countries to reconnect with the world and to trade in goods and services that are critical for their economic and social development. Trade generates solidarity between communities as people from all ethnicities and backgrounds exchange with each other across borders. Research on the links between trade and conflict shows that greater bilateral trade reduces the probability and intensity of conflict because of the opportunity cost associated with the loss of trade gains.

Though explicit causal linkages can be difficult to prove, cross-border trade can impact conflict dynamics through improved resilience and social cohesion of neighboring communities. For instance, interventions that facilitate cross-border trade should (i) enable agricultural producers to sell their goods more quickly, leading to more business and increased returns; (ii) improve access to seeds and fertilizers leaving rural communities less vulnerable to shocks and with greater food security; (iii) save costs and time for traders thus raising incomes and enabling more time to be spent on other daily activities; (iv) create a more competitive business environment resulting in greater choice of product and lower prices for consumers; and (v) help to dispel ethnic and other stereotypes thereby decreasing the possibilities for political or armed mobilization. As many of those who participate in cross-border trade are women, these benefits are more likely to be directly invested in the household, thereby further decreasing vulnerability to shocks.

Recent research commissioned by the World Bank on cross-border trade and conflict in the GLR demonstrates the importance of trade as a source of resilience for vulnerable populations. Recent analysis finds that trade as an income generating activity for vulnerable populations not only helps develop resilience in otherwise unstable regions, but that organizations and associations of traders groups and women involved in cross-border trade build solidarity among traders in each country and across borders. Furthermore, another study for the World Bank that looked at small-scale trade and conflict events in the Great Lakes region found that cross-border trade is strongly associated with reduction in conflict involving citizens, and in particular, gender-related violence.

During the years of conflict many individuals and households responded to a lack of governance, security and publicly provided social goods by devolving into the informal economy. As instability drives population to and across borders, local cross-border trade becomes a vital source of basic items such as food staples and a source of livelihood for displaced and vulnerable people. Evidence shows that the vast majority of goods traded on a small-scale are agricultural goods supplied by small farmers in the exporting country. Therefore, activities to improve cross-border trade should be guided by an understanding of the way in which cross-border value chains are formed and interact and must address the needs of the informal sector and build cross-border cohesion.

## B. Country Context

Economic development in the southeastern Democratic Republic of Congo continues to be undermined by recurring cycles of conflict and instability. After an economic slump in 2009 that brought the national growth rate down to 2.8% due to the global financial crisis, the DRC posted an annual average economic growth rate of 7.7% during the 2010-2015 period which is well above the average in Sub-Saharan Africa. While southeastern DRC and Haut-Katanga Province in particular

are DRC's richest areas in terms of mineral exports, outside the mining sector the region remains mired in deep poverty with little infrastructure and few public services. Repeated bouts of civil unrest mean that little progress has been made with agricultural development. As recently as 2014 an estimated 600,000 rural people were internally displaced as a consequence of violence driven by militant groups. As a result, southeastern DRC depends on imports for most of its staple food requirements, much of which is supplied by small farmers and traders from neighboring Zambia and Tanzania. Given the constant strife in the DRC, its population has turned to trading as a key source of income.

Burundi suffers from intermittent political instability and conflict which has had devastating effects on the country's physical, social and human capital, and its economy. Since the most recent outbreak of conflict in 2015, over 250,000 citizens have fled to neighboring countries – mostly over the border into Tanzania - and tens of thousands are internally displaced. Partly as a result of instability, Burundi's economy is among the most fragile in the region. Extreme poverty is pervasive – around 64.6 percent of Burundians struggle to meet their daily basic needs, according to 2014 surveys. Economic diversification is limited, and agriculture (notably, small-scale subsistence farming) is the primary source of income and employment. Export growth has lagged GDP growth over the past decade with the result that goods exports as a share of GDP have hovered around 5% for close to a decade. Unlike other neighboring countries, Burundi has not managed to exploit the potential of regional and international trade to drive growth. According to the Burundi DTIS Update (World Bank, 2012) regional integration can help mitigate external vulnerability and offers opportunities for export diversification in goods and in services and also augments the size of its market and the profitability of private investments.

Tanzania's annual GDP growth fluctuated between 8.8 percent in 2007 and 5.1 percent in 2012, whilst the poverty rate declined from 34 percent to 28 percent in the same period, the first significant improvement since the late 1990s. The sustainability of growth over the medium and long terms, however, in Tanzania may be challenging, as the sources of growth shift from investment to consumption. Furthermore, while the overall poverty rate has declined, progress has been uneven among urban and rural populations. Rural poverty remains high at 33.4% in 2011/12 versus a rate of just 4.0% in Dar es Salaam. Generally, districts in the west and south of the country, geographically distant from the coast and capital city, show substantially higher rates of poverty than central and eastern districts. Tanzania has achieved improved market diversification through regional trade, but continues to face challenges breaking into major global markets. Over the period 2005-2013, goods exports grew by an average of 15 percent per annum, while services exports grew by an average of 12 percent per annum, and imports grew by an average of 18 percent per annum. From 2010 to 2014, about 4 percent of Tanzania's officially recorded goods exports went to the DRC; equal to US\$ 195 million per year on average. Around 50% of these recorded exports were of agriculture commodities produced mostly by small farmers around Lake Tanganyika and other border areas.

In Zambia, strong economic growth in the last decade has had little impact on inequality and rural poverty. Zambia's strong growth in the last decade (with GDP growth rates ranging from 5.9 to 7.6 percent per year between 2006 and 2014 but falling to 5 percent in 2015) was mainly driven by foreign direct investment into the mining sector and the associated growth in services. While these developments helped spur Zambia to its current lower middle income status, this growth has not been inclusive with the income share of bottom 40% actually falling during the period of high GDP

growth. According to COMTRADE data, the DRC absorbed an average of US\$ 726 million total imports from Zambia per year from 2010 to 2014 including US\$148 million of agriculture goods. In addition to formally recorded commercial trade, it is widely acknowledged that a great many goods cross to the DRC unrecorded, even when passing through official border crossings, due to the small scale of the transaction. Zambia's own food balance sheet includes 100,000 tons of structural maize exports to the DRC each year worth over US\$43 million handled by small-scale traders. Important exports from DRC to Zambia include cosmetics, fabric, and alcoholic drinks.

### **Sectoral and Institutional Context**

Increased local cross-border trade coincides with poverty reduction in the border areas. Border areas in the GLR are often areas of high poverty and socio-economic vulnerability; however, evidence in the region suggests linkages between cross-border trade and poverty reduction. For instance, analysis of changes in poverty levels between 2001 and 2011 in Rwanda shows that districts which have seen the most dramatic declines in poverty are those which share a land border with Uganda, DRC and Burundi. In fact, while poverty rates among districts in the hinterlands or those which do not share a land border with a neighbor declined 8 percent over the period, border districts witnessed a 23 percent drop in poverty. In Tanzania, poverty rates are generally high in its western and northwestern border areas, and with difficult physical linkages (road and rail) to the country's east, these regions of the country look to neighbors around Lake Tanganyika for external markets, particularly for locally produced goods. Moreover, local cross-border trade, if properly facilitated, can be an important means for addressing food security issues faced by poor populations in the border areas. This is particularly important for districts of the DRC in border areas targeted by the proposed project which are shown to face severe food insecurity (see Figure 1, border regions targeted by the project highlighted in red generally show high percentages of households facing severe food insecurity).

Trade

in the targeted area includes flows across Lake Tanganyika, the regions surrounding which are home to an estimated 10 million people, for whom agricultural and fisheries trade are an important source of food and jobs. The fisheries sector alone is estimated to produce about 200,000 tons of product per year, provide a source of income for over 90,000 people, many of whom are women (see Table 1), and supply a primary source of protein to consumers in the region. A large majority of fish on Lake Tanganyika, as with other regionally produced agricultural goods, is traded on a small-scale using wooden dhows rather than commercial shipping vessels.

Cross-border trade has strong backward and forward linkages to local producers and distribution markets, respectively. Recent assessments of trade on Lake Tanganyika and at Kipushi commissioned for the preparation of this project found that the majority of traded goods originate from and are destined to nearby markets in the border region. Crops including maize, cassava, potatoes and vegetables grown by local farmers around ports and land borders figure large in cross-border trade. More sophisticated commodities including processed foodstuffs (e.g. salt, sugar, cooking oil and soft drinks), building materials, manufactured goods, and clothing tend to come from slightly more distant places within the borders of the exporting country. Small-scale traders also report goods coming from countries outside the GLR, such as Zimbabwe and South Africa, and from as far away as China and Dubai. The goods are typically delivered to local markets which supply surrounding communities.

Women play an important role in regional value chains, including in upstream production of goods

and in downstream trade and retailing. Although fishing is predominantly carried out by men across Lakes Tanganyika, women are still heavily involved in regional value chains and almost all traders selling fish and agricultural products in the local markets at Mpulungu (Zambia) and Kasanga (Tanzania) are women. In all project countries, women are extensively involved in market trade at port and border locations and are the main producers of agriculture goods including dried fish, fresh vegetables, palm oil and other goods traded with the DRC. While few Zambian and Tanzanian women currently venture across the border to the DRC, many Congolese women from border towns and other locations travel regularly to Zambia and sometimes across Lake Tanganyika to buy goods to sell in shops and markets back home.

However, traders face various challenges to crossing borders, carrying out their trade-related activities and growing their businesses. Recent analytical work as well as field assessments conducted from April to June 2016 identified key issues and constraints for cross border trade, including insecurity, harassment, corruption, lack of adequate infrastructure and modes of transport, complex and time-consuming procedures at the border, lack of clarity on and unavailability of simplified trade regimes, and poor public services provided at the borders due to weak institutional capacities.

While cross-border trade is of great economic significance to individual traders and the GLR as a whole, insecurity has been a major concern, and trade is particularly risky for women. The longstanding strife in the DRC was a major source of concern to cross-border traders. Little transparency of trade rules together with weak governance structures to control, monitor, and prevent abuse and corruption has led to a situation in which traders, and especially women, are highly vulnerable to extortion and physical harassment, including rape. Under the RuralNet (2016) study, more than a third of traders surveyed at three different lake towns indicated that they had witnessed or had been victims of sexual harassment. At the border of Gatumba between Burundi and DRC, physical and sexual assaults of women have been consistently reported.

Corruption and bribery persist at all borders and ports, but particularly in DRC. At Kipushi, the studies for the proposed project found that Zambian traders and transporters and those of other nationalities are reluctant to cross into the DRC due to numerous unofficial fees demanded by border officials, police, and army officers along the trade route. Although Congolese officials claim that the fees were the result of traders not carrying the right documents, traders said there is no clear stipulation regarding what is required or how much one must pay. In the DRC, many border officials were reported not to be on government payroll and were thus expected to fend for themselves, creating strong incentives for bribery and corruption. According to the semi-structured field survey, 97% of traders at Kalemie (DRC), and 45 to 50% of traders at Mpulungu (Zambia) and Kigoma (Tanzania) report that the bribery of border officials and police is common.

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

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

The governments of the DRC, Burundi, Tanzania and Zambia have recognized the importance of intra-regional trade, including small-scale cross-border trade, and have pursued new regional policies and regulations. The DRC is committed to implementing the Common Market for East and Southern Africa (COMESA) Simplified Trade Regime (STR) to facilitate small-scale trade. Bilateral negotiations on the STR have been successfully completed between DRC and its neighbors - the regime was officially adopted by the DRC government on July 29, 2016 and is expected to be rolled out at the various borders in the region by the end of 2016. The DRC has also recently joined the COMESA Free Trade Area. Further, with support from the World Bank, which defined a charter for the rights and obligations of small scale traders, COMESA recently adopted formal regulations defining Minimum Standards for Treatment of Small-Scale Cross-Border Traders. Small-scale cross-border trade was also endorsed by the Great Lakes governments as an important activity that targets the most vulnerable groups and is likely to show early peace dividends. Although Tanzania is not a member of COMESA, it is implementing similar STR arrangements through the East Africa Community (EAC) and has been working with Zambia to introduce a bilateral STR and minimum standards for treatment of small scale traders at the Tunduma-Nakonde border crossing.

Weak institutional capacities and lack of coordination among the institutions and across the countries constrain the border agencies and the port authorities from providing higher quality and faster services to traders and other stakeholders. The main institutions involved in border and port management are commonly the revenue authority and/or customs, immigration, health department, security forces (especially border police), the port authority and district council in the case of Zambia. The preparatory study and the project identification mission conducted in May 2016 identified key institutional issues affecting service delivery: (i) staff administrative capacities and knowledge of operations and regulations are generally weak; (ii) there are behavior issues vis-à-vis traders and passengers; and (iii) some border stations and ports are understaffed relative to the volume of trade. Although those issues are generally common in all four countries, the level of problems appears to be more acute in DRC and Burundi than in Tanzania and Zambia. It affects not only delivery of services but also seems to lead to mistrust of public services by traders and create tension between traders and officials. In addition, lack of coordination among agencies is another major constraint to providing faster and harmonized services to traders. The customs agency in DRC (DGDA) and the revenue authority in Burundi have therefore introduced performance based management as a way of improving their services, but the systems and mechanisms seemingly need to be further strengthened.

### **Relationship to CAS**

The project is consistent with distinct pillars of the Country Assistance Strategies/Country Partnership Frameworks of all the project countries as well as with the Regional Integration Assistance Strategy (RIAS) for Africa as outlined below:

DRC: The current Country Assistance Strategy (CAS) of the DRC was approved by the Board in April 2013 for the period FY2013-FY2016 and was extended in April 2016 to FY17 in the Performance and Learning Review (PLR) of the CAS. The CAS has four strategic objectives: (1) increase state effectiveness and improve good governance; (2) boost competitiveness to accelerate private-sector-led growth and job creation; (3) improve social services delivery and increase human development indicators; and (4) address fragility and conflict in the eastern provinces. This project primarily seeks to support Objective 4 by addressing the causes and consequences of fragility and conflict in the eastern provinces. The project would also contribute to Objective 1 by improving governance at border crossings and Objective 2 by facilitating trade and supporting private sector development in border areas. Gender is a cross-cutting theme of the CAS and key element of this project. The PLR recognized the importance of the GLI and committed the WBG to scale up its efforts in eastern DRC, leveraging regional initiatives.

Burundi: The Burundi CAS was approved by the Board in September 2012, covering FY 2013-16, and the Systematic Country Diagnostic (SCD) is currently in its concept phase. This project would directly support the first of the CAS's strategic objectives which is to improve competitiveness by establishing an enabling environment for inclusive growth and poverty reduction. Furthermore, the project would contribute to the long term goals set out in the SCD, particularly the goals of fostering economic diversification (by promoting exports) and strengthening institutions (by improving the delivery of public services at the borders and building trust between traders and border officials). The Project investments in border-related infrastructure and trade procedures are consistent with WBG focus on reducing infrastructure-related bottlenecks and improving the business climate.

Tanzania: The proposed project is consistent with the FY 2012-15 Country Partnership Strategy (CPS) and the 2016 SCD (currently under development) for Tanzania. In particular, through interventions that enhance trade and employment opportunities arising from regional integration, particularly in key sectors such as agriculture that are important for poverty reduction, this project would contribute to the Spatial Transformation pathway set out in the SCD and address constraints relating to business environment and infrastructure by improving connectivity with external markets and enhancing regional integration. Further, interventions to improve performance and public service delivery by border officials would respond to the binding constraint identified in the SCD related to governance, institutions and public finance, particularly with respect to the low quality of service delivery. The Government of Tanzania has affirmed its commitment to improve regional connectivity and in the recently launched Second Five Year Development Plan (FYDP-II) on industrialization, regional integration and scaling up related infrastructure investments are seen as playing a critical role.

Zambia: The project would further support the Government of Zambia in implementing its overall economic strategy contained in its Vision 2030. This is in line with the World Bank CPS approved in 2013 for the period FY13-16 and was extended to FY17 in the July 2015 PLR. The CPS aims to contribute to poverty reduction and support Zambia's transition to a middle income country. The GLTFP would contribute to all three of the key objectives of the CPS: (1) reducing poverty and the vulnerability of the poor; (2) improving competitiveness and infrastructure for growth and employment; and (3) improving governance and strengthening economic management. This project recognizes the priority of poverty reduction in border areas and is consistent with the special

attention given in the CPS to promoting greater regional integration and cooperation in matters of trade. These priorities are reinforced in the PLR which emphasizes the need for scaling up opportunities that allow land-locked Zambia to benefit from regional interventions.

The proposed project is also closely aligned with WBG's 2008 Regional Integration Assistance Strategy (RIAS) for Africa. While the RIAS is currently being updated the project is consistent with the long-term objective of improving regional infrastructure and elements of Pillar II that seek to remove both at- and behind-the-border constraints to regional trade. The project would thus support the RIAS by reducing nontariff barriers to intraregional trade, by improving regional business environment, and by supporting measures to improve governance at borders.

#### The Series of Projects Approach of the Great Lakes Trade Facilitation Project

The proposed project is the second in a series of projects (SOP) focusing on trade in the Great Lakes Region. It follows the first project, the Great Lakes Trade Facilitation Project (GLTFP) SOP 1 that was approved by the Executive Board in September 2015 and has been under implementation from early 2016. The first project is currently being implemented by DRC, Rwanda, Uganda, and COMESA. The second project is motivated by the same aspirations as the first, of promoting peace and security through cross-border trade. The geographic coverage of this proposed project complements that of the first in the series, with a focus on DRC's southern and south-eastern boundaries with Burundi, Tanzania, and Zambia.

GLTFP-SOP2 will build on SOP1 but be tailored to the specific economic and social context of the targeted geographic region. SOP2 is structured to complement SOP1, taking advantage of the structure and administrative capacities established in the first phase of the project while adapting to the unique priorities and characteristics of trade between the SOP2 countries (DRC, Burundi, Tanzania and Zambia). A key feature distinguishing SOP2 is the prevalence of lake-based trade across Lake Tanganyika. The dynamics of lake trade, as well as the infrastructure needs and policy issues associated with lake trade, require the GLTFP to adopt new modalities compared with land borders which were solely covered in SOP1. The broad objectives, target beneficiaries, structure of project components, and implementation arrangements, however, are expected to be similar across the two phases. This will allow SOP2 to utilize implementation capacities already in place in the DRC and COMESA, as well as systems, approaches, and materials established in SOP1.

The design of this project will incorporate the key lessons being learned from the preparation and implementation of SOP1. It is clear from the experience of SOP1 that every border and lake crossing point is different. While there are general principles and approaches that can be pursued these need to be tailored to the particular situation and context at each location. The preparation of SOP1 has reinforced the need to carefully coordinate interventions to build appropriate infrastructure with measures to simplify border crossing procedures and support for programs to improve the performance of agencies operating at the border. It is also apparent that adequate time should be allowed for the timely preparation of relevant designs and safeguard studies and to build capacity in implementing units. This is essential to ensure implementation readiness. A key objective is to facilitate peer learning between countries on what works best and that this learning filters across both projects in the series.

#### Link to the Great Lakes Initiative

The project is consistent with the WBG strategy for the Great Lakes Region and builds upon the



Bank's comparative advantages. Analytical work by the World Bank and others points to the need for the type of interventions that are proposed under the project. The activities are designed to address underlying sources of conflict, poverty, and under-development in vulnerable, conflict affected areas and would contribute directly to the Bank's Great Lakes Strategy and regional commitments under the regional Peace, Security and Cooperation Framework (PSCF). The expected interventions under the project were identified through consultations with governments, traders, civil society organizations, other donors, and UN agencies on how the project could best enhance trade connectivity and promote peaceful relations in the region. The Bank has a comparative advantage to undertake this type of multi-sectoral and multi-country project being the only major development agency in the GLR engaged in all project countries.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

The development objective is to enhance the capacity for commerce and improve processes and conditions for cross-border trade at targeted border locations in the GLR

The "Capacity for commerce" in the context of this project is defined as the capacity of core trade infrastructure, such as border markets, border facilities, and ports, to handle an increased flow of goods, services, and people, and the capacity of government agencies at the border to provide high quality and efficient services. Service providers include those individuals who directly support the immediate cross-border trade value chains, including, among others, market vendors in border markets, transporters, and government agents. The assumption is that improving the adequacy of trade infrastructure, simplifying and improving border processing procedures (including standards for treatment), and enhancing the knowledge and capacity of traders and border officials would lead to reduced trade costs (be they material and immaterial, the latter related to harassment and waste of time) that the target-groups have to bear each time they cross the border. Taken together, and in the absence of any other factors of influence that are not under the control of the project (such as conflict, disaster, major political and/or economic crisis), these project outcomes would help increase the volume of goods traded through the respective border posts/crossing points and improve the livelihoods of those involved in the cross-border value chains in the sub-region.

### Key Results (From PCN)

The expected results indicators for the project include:

- (€ Average time for traders to complete border crossing
- (€ Volume of goods traded through core trade infrastructure (targeted border crossings, lake ports, and border markets)
- (€ Perception of traders of services provided by officials performing trade related duties
- (€ Number of direct project beneficiaries (of whom are women) ➤( required indicator

## III. Preliminary Description

### Concept Description

#### Project Description

The proposed project will be financed by Investment Project Financing (IPF) credits to the Democratic Republic of Congo, Zambia, Burundi, Tanzania, and a grant to COMESA. The IPF is suggested as the most appropriate and realistic instrument, as all four countries need significant investment into physical infrastructure and Technical Assistance (TA) to improve border

infrastructure and to strengthen border management and capacities for coordination in border administration. Additionally, the team will explore the possibility of introducing Results-Based Financing (RBF) with Disbursement Linked Indicators (DLIs) for desired policy change such as an introduction and application of the STR for small scale traders. The most appropriate financing tool will be selected during appraisal as project preparation and policy dialogue with clients advance. Project Preparatory Advances (PPAs) will be pursued, as needed, in Tanzania, Zambia and Burundi to finance necessary designs and safeguards assessments in advance of planned infrastructure interventions. In the DRC, provisions and resources are included in SOP1 for the preparation of such assessments.

The proposed project would leverage regional IDA and meets the eligibility criteria under IDA 17. The project includes two FCV countries, DRC and Burundi, there is clear evidence of country and regional ownership through COMESA and it will contribute to achieving high-level policy harmonization with regard the treatment of small-scale traders.

Like SOP1, SOP2 will combine investment in hard and soft improvements due to their complementary and mutually reinforcing benefits. While the majority of project costs will go for hard infrastructure that facilitates trade and, in particular, supports small-scale trade, these investments must be backed by procedural reforms and institutional changes to be effective and maximize socio-economic returns. The project is therefore structured around four operational components: (i) improvements to core trade and commercial infrastructure; (ii) implementation policy and procedural reforms and capacity building; (iii) performance based border management; and (iv) strategic implementation support and Monitoring and Evaluation (M&E).

#### Determination of Project Intervention Sites

Objective criteria have been used to determine specific sites for possible project interventions. In discussions with client governments, it was agreed that the selection of project sites must be consistent with the PDO and guided by the following criteria:

- (i) Volume of trade, especially small scale trade: Border posts with a high volume of small scale trade and large number of small scale traders are the priority. The analysis also seeks to assess the potential for future trade growth;
- (ii) Complementary investments in connecting infrastructure: Such investments can be through other World Bank financed projects or by other development agencies; attention to the potential risk of overlap or crowding out from other Bank or development agency projects is also taken into account;
- (iii) Interest and complementary investments in the neighboring country: To be effective, there should be demand for project support on both sides of the border at any particular site or link. The scale and scope of interventions need not be the same on both sides, but they need to be complementary; and
- (iv) Development impact on the surrounding area, especially the borderlands: Preference is given to project sites with the greatest potential for high economic returns and improved resilience to fragility, particularly at the local level. Attention will also be paid to candidate sites that help alleviate traffic congestion and bottlenecks at existing hubs.

Based on these criteria, and in consultation with various project stakeholders, several priority sites have been identified for investment under this project. This has been undertaken in the context of the project's funding envelope (in total and for each country) and to maximize project impact by keeping the project simple and practical to implement. Final determination of project sites will be

made during project preparation. For now, the priority locations/links that have been identified are:  
 Kalemie (DRC) ➤( Kigoma (Tanzania)  
 Kasenga (DRC) - Kashiba (Zambia)  
 Mokambo (Zambia) ➤( through DRC to Chembe (Zambia)  
 Gatumba (Burundi) ➤( Kavimvira (DRC).

The specific border posts for improvement will be determined based on further analysis and stakeholder dialogue during preparation including detailed feasibility and assessments of cross-border and cross-lake value chains and conflict dynamics and the possibility to build on positive community market dynamics.

Based on the above, the project is designed with four main components.

#### Component 1: Improvements to Core Trade and Commercial Infrastructure

The project would seek to improve core trade infrastructure, facilities, and ICT connectivity at selected land border crossing points and lake ports. In addition, the project would finance the development of border markets to facilitate cross-border exchanges. The infrastructure improvements will be supported under two main sub-components:

##### Sub-component 1.1: Border and Lake-port Facilities

Nearly all the ports of entry and land customs stations between the proposed project countries are in need of improvement to enhance their capacity for trade and to create a safe environment for small scale traders. Consequently, the demands are much greater than the available resources. As such, a final list of the specific border posts to be improved will be determined based on ongoing discussions with the authorities in each country, and cost estimates following detailed studies.

The project will finance improvements to facilities at some of the following border posts and lake ports:

##### Border facilities:

- i) DRC: Kasenga, Mokambo and Kavimvira
- ii) Burundi: Gatumba
- iii) Zambia: Chembe, Kashiba and Mokambo

##### Lake ports:

- i) DRC: Kalemie
- ii) Tanzania: Kibirizi (Kigoma)

The design of each border post or port to be improved would reflect the needs of small scale traders, especially women, and provide onsite facilities for all agencies involved in clearing and processing of goods. In addition, the project would invest in IT connectivity at border offices to expedite the process of clearing documents, issuing trade permits and improving communication of trade regulations and requirements (e.g. Sanitary and Phytosanitary (SPS) regulations for clearance of agriculture products).

##### Sub-component 1.2: Border Markets

Support for border markets would allow consolidation and storage of goods and to facilitate cross-border market exchanges by reducing the physical distance between traders and buyers. The markets would also help reduce the number of traders working on road sides and so contributing to greater safety. Potential market sites are Kalemie in DRC, Kigoma in Tanzania, Kasumbalesa in

Zambia, and Gatumba in Burundi.

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## Component 2: Policy and Procedural Reforms and Capacity Building

Experience from other trade projects shows that infrastructure investments need to be accompanied by policy and procedural reforms and capacity building. For border and market infrastructure to be used effectively, interrelated challenges and constraints faced by cross-border traders need to be tackled simultaneously to improve overall efficiency in border and port services. These issues will be addressed under the main sub-components described below. The component will finance the provision of activities such as awareness raising, training of both traders and officials, support to authorities on simplification and capacity support to local institutions such as joint border committees. The first sub-component will be implemented at national levels and the second sub-component will be implemented at the regional level.

### Sub-component 2.1: Policy and Procedural Reforms at Targeted Borders

This sub-component would focus on improvement of trade policies and procedures in order to speed up crossing and lower the costs for traders and passengers. This sub-component could be addressed through the aforementioned RBF with DLIs, if deemed most appropriate during technical appraisal.

Specifically, the component would include support for following policy and procedural changes:

- (i) Implementation of the *Traders Charter*. The Charter for Cross-Border Trade in Goods and Services defines a basic set of rights and obligations for traders and border officials needed for the formalization of cross-border trade. Initially developed to facilitate trade in goods, the current version of the Charter includes both trade in goods and trade in services. The Charter was formally adopted by COMESA as Regional Regulations in December 2014 and is also being promoted in Tanzania at Tunduma and other border crossings. With project support, awareness and use of the Charter would be extended to all borders/crossings targeted by the project.
- (ii) Introduction and/or application of the Simplified Trade Regime (STR). The COMESA and EAC STRs provide for simplified customs clearance of small consignments of agreed-upon goods between neighboring countries. However, STR agreements are negotiated on a bilateral basis and sometimes involve different lists of goods for each border crossing. While the STR between Rwanda and DRC was issued, the negotiations on the list of STR commodities between Zambia and DRC is still ongoing. The project would support implementation of the STR in those countries.
- (iii) Simplification of immigration procedures. While informal arrangements such as the *jeton system* (one day border crossing ticket) sometimes exist that allow local residents to cross at land borders without using passports, they are neither formalized nor rolled out at different border stations and ports. Complex and costly DRC visa procedures discourage traders from entering the territory. Elsewhere in the region the SOP1 is supporting simplified systems for issuing border passes to registered traders and service providers and the project would support formalizing and easing procedures amongst project countries, including through ICT solutions (facilitated by possible connectivity improvements envisioned under Component 1).
- (iv) Streamlining of agriculture trade procedures. Agriculture has many special trade requirements and the project would work with local and national authorities to simplify the issuing of agriculture trade permits and introduce risk based approaches to sanitary and phytosanitary (SPS) inspection to speed clearance times and make it attractive for small traders to use formal procedures.
- (v) Support to Joint Border Committees. JBCs that bring together all stakeholders involved in border crossing and border regulation to address problems and identify effective solutions, have been shown to be useful institutions for stakeholder engagement and for improving border management. The project would support JBCs at the main border crossings/lake ports to fulfill this role.

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To achieve these changes, this sub-component would, inter alia, support necessary dialogue at the national and local level on the reform agenda, build awareness of the reforms through publicity and information campaigns, train border officials, traders, and trader associations in the content and objectives of the procedural changes, and provide essential materials and equipment needed to implement the changes. The capacity building programs include not only application of the standards and regulatory rules to cross-border service providers, but also address gender awareness and ethics issues. To ensure consistency, training materials will be developed by a regional body under sub-component 2.3 as described below.

#### Sub-component 2.2: Strengthening Regional Coordination

Regional coordination will be provided by the COMESA Secretariat or other appropriate regional body. COMESA has played a leading role in the introduction of the STR and Regulations on Minimum Standards for the Treatment of Small-Scale Cross-Border Traders. Although Tanzania is not a member of COMESA, the country maintains close relations with COMESA and is strengthening these relations through work on the Tripartite Free Trade Agreement between COMESA, the East African Community (EAC) and Southern Africa Development Community (SADC). COMESA is providing regional coordination in SOP1 and, ideally, could serve in a similar capacity in SOP2. Given that Tanzania is not a member of COMESA, this arrangement would be subject to discussions and agreements with the Government of Tanzania.

Under this component, and in close collaboration with the main implementation agencies in each of the recipient countries, the regional body would:

- (i) Provide regional training for peer learning. To ensure consistency, training sessions will be held at regional level for those who provide training in each of the four countries to traders and officials. COMESA is now developing training materials under SOP1 that will provide the foundation for SOP2 trainings with adjustments to account for local circumstances as needed.
- (ii) Support the establishment of Trade Information Desks (TIDs). The project would support the establishment or reinforcement of TIDs at targeted border/port locations that provide on-the-spot information to traders, support the clearance process, seek to resolve disputes between traders and officials, and collect relevant data on cross-border trade.

#### Component 3: Performance-Based Border Management and Citizen Engagement

Beyond the strengthening of technical capacities, change management of officials and engagement of traders in improving border management will be key to success. Adaptive challenges must be seen alongside technical and behavioral challenges, especially when introducing the new procedures and innovative changes in border management. An absence of discipline in the organization of work and management is one of the fundamental problems that leads to an insecure environment at the border and inefficiency. Such changes can lead to resistance which can be mitigated through an incentive mechanism, and strengthened coordination and communication among stakeholders. Furthermore, corruption and ethics problems can be potentially solved and eradicated only when those cases are raised, and institutionally addressed. To this end, voice of victims must be captured, and provided to service providers. Their direct feedback and involvement in tackling pervasive corruption appears to be a key for improving efficiencies in border and port services.

#### Sub-component 3.1: Professionalization and Behavior Changes in the Border Agencies

This sub-component would support an initial functional review of the border agencies. The assessment would determine the existing organizational functions and staff skills and identify any

functional and skills gaps to meet defined institutional targets. The results would support senior management in the relevant agencies to develop strategic organizational functions and staffing plans at each border post. Building on the functional review, the project would propose appropriate changes in staffing planning and human resource management systems, and elaborate the training program that will be financed under Sub-component 2.2. To back these investments, this sub-component would provide a hands-on coaching program with a change management approach based on the principles of empowerment, integrity, discipline, customer-oriented services, and collaboration among stakeholders.

The project will support the use of Performance-Based Management (PBM) as an incentive for enforcing the application of sound border management rules and regulations. The ultimate goal of PBM is to provide improved border services and a safer trade environment, reduce non-tariff barriers, and increase fiscal revenues through greater flows and increased volume of trade. The project would provide technical support to introduce or enhance PBM at the other border agencies, and include the key indicators related to improvement of the cross-border environment as part of performance measurement of officials in all of these agencies. These indicators will measure both technical aspects such as crossing and clearing time and collection of fees, and behavioral changes such as integrity, courtesy, and respect of ethics. As a way of motivating staff, the project will also provide support to develop appropriate incentive mechanisms, which could be either positive (compensation and reward) or negative ones (sanction).

#### Sub-component 3.2: Citizen Engagement in Improving Border and Port Services

The project will support trader feedback mechanisms through introduction of a third party monitoring mechanism using information technology (IT) tools to improve performance and efficiency in border services. The current performance evaluation system, if it does exist, generally uses the traditional approach of annual evaluation by the immediate supervisors and managers of the officials. In order to make the PBM evaluation more meaningful, the project will support the use of a simple IT tool to monitor traders' satisfaction and performance of service at the borders and regularly provide feedback to the officials. The Happy or Not device has been successfully tested at the borders between Zambia, Malawi and Tanzania since 2015, and provides daily and weekly feedback from users to key officials and field workers, which encourage border agents in achieving their objectives and improving day-to-day services. In addition, an annual perception survey of traders will be conducted to provide more accurate feedback on the performance of border agencies and quality of services provided.

In addition, the establishment of a grievance mechanism will be supported by this component to tackle pervasive corruption, abuse and harassment of traders. The project will support the establishment of a toll-free reporting system to report any abuse, corruption and harassment cases with support from mobile phone operators. The mechanism can be managed by competent local authorities but also involve an independent third party to ensure safety of reporters and defend also the rights of those who are suspected as abusers. This is of particular importance to small traders, and especially women, who are typically more vulnerable given the asymmetry in power between the official and trader and the current lack of a functioning mechanism for addressing complaints and resolving disputes for small traders. The reported cases should be treated confidentially in the HR department of the respective institution, and properly addressed as part of HR management.

#### Component 4: Implementation Support and Monitoring and Evaluation

#### Sub-component 4.1: Implementation Support and Communications

Implementation support would be provided in a strategic and sustainable way. In addition to staffing, logistics, and financial contributions to support fiduciary management, the project would finance various training courses for service delivery, leadership and communication, and monitoring and evaluation to ensure sustainability. Throughout preparation, the project team would identify and work with potential champions to lead implementation.

Experience with similar Bank-funded projects indicates that innovative communication is a powerful way to raise awareness and encourage policymakers to take action. The project would thus finance various communication activities at the national and regional level as part of the implementation arrangements including short documentary videos that capture the essence of project reports and proposed reforms. Training modules, informal peer-to-peer discussions, and informal meetings of experts would also be used to transmit knowledge and increase awareness of project objectives.

#### Sub-component 4.2: Project M&E and Systems

The project would develop a robust monitoring and evaluation system and build capacity of government agencies to assess the cross-border trade environment. Key indicators would cover the efficiency of cross-border trade procedures, the relationships between officials and small cross-border traders and service providers and impact on conflict affected communities. The system would provide feedback to the implementing agencies to identify and make necessary adjustments over the life of the project. The joint border committees, which would be supported under Component 2, would also play a key role in M&E and as a platform for supervising and coordinating activities on the ground, notably reviewing performance indicators, and, when necessary, recommend procedural streamlining. Furthermore, the project would develop a set of socio-economic indicators to measure changing trade patterns and perceptions between traders and border officials.

The project would support systems for collecting data on cross-border trade flows as an input into policy and border management decisions. In addition to the project-specific M&E activities, this project would support coordinated information gathering on small-scale cross-border trade at focal borders. SOP1 provides support for the development of regional guidelines for monitoring small-scale cross-border trade as well as IT platforms to collect, report and share trade data. This project would build upon these efforts to support the establishment or expansion of small-scale trade monitoring programs in the project countries. This would include support for modernization of data collection and reporting on small-scale trade in the project countries through the use of tables and other modern IT systems that improve the efficiency, accuracy, standardization, and sustainability of the programs.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✘		
Natural Habitats OP/BP 4.04	✘		
Forests OP/BP 4.36		✘	
Pest Management OP 4.09		✘	
Physical Cultural Resources OP/BP 4.11		✘	

Indigenous Peoples OP/BP 4.10		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	

## V. Financing (in USD Million)

Total Project Cost:	61.00	Total Bank Financing:	61.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			61.00
Total			61.00

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