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Report No.: PAD1266

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$80 MILLION

TO THE

REPUBLIC OF CONGO

FOR AN

URBAN DEVELOPMENT AND POOR NEIGHBORHOOD UPGRADING PROJECT

JANUARY 27, 2016

Social, Urban, Rural and Resilience Global Practice
Country Department AFCC2
Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2015)

Currency Unit = FCFA
FCFA 602 = US\$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFD	French Development Agency (<i>Agence française de Développement</i>)
AWPB	Annual Work Plan and Budget
CFAA	Country Financial Accountability Assessment
CO	Country Office
COLODE	Local Development Committees (<i>Comités locaux de développement</i>)
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
DA	Designated Account
ESMF	Environmental and Social Management Framework
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
FCFA	Franc of the Financial Cooperation in Central Africa (<i>Franc de la Coopération financière en Afrique centrale</i>)
FM	Financial Management
GRS	Grievance Redress System
ICB	International Competitive Bidding
IFR	Interim Financial Report
ISP	Implementation Support Plan
M&E	Monitoring and Evaluation
MFPW	Ministry of Facilities and Public Works
MCUDH	Ministry of Construction, Urban Development, and Housing
MPTPLSW	Ministry of the President responsible for Territorial Planning and Large-Scale Works
MTR	Midterm Review
NCB	National Competitive Bidding
NGO	Nongovernmental Organization
O&M	Operation and Maintenance
PCU	Project Coordination Unit
PDO	Project Development Objective
PEEDU	Water, Electricity, and Urban Development Project (<i>Projet Eau, Electricité et Développement Urbain</i>)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management

PIM	Project Implementation Manual
PSC	Project Steering Committee
RAP	Resettlement Action Plan
RED	Roads Economic Decision
RFP	Request for Proposal
RoC	Republic of Congo
RPF	Resettlement Policy Framework
SBD	Standard Bidding Document
TOR	Terms of Reference
TTL	Task Team Leader
UDPNUP	Urban Development and Poor Neighborhood Upgrading Project
VUUP	Vietnam Urban Upgrading Project

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

REPUBLIC OF CONGO
Urban Development and Neighborhood Upgrading Project

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PAD DATA SHEET*Republic of Congo**Urban Development and Poor Neighborhood Upgrading Project (P146933)***PROJECT APPRAISAL DOCUMENT***AFRICA**0000009348*

Report No.: PAD1266

Basic Information			
Project ID P146933	EA Category B - Partial Assessment	Team Leader(s) Mahine Diop	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 18-Feb-2016	Project Implementation End Date 18-May-2021		
Expected Effectiveness Date 18-May-2016	Expected Closing Date 18-May-2021		
Joint IFC No			
Practice Manager/Manager Sameh Naguib Wahba Tadros	Senior Global Practice Director Ede Jorge Ijjasz-Vasquez	Country Director Ahmadou Moustapha Ndiaye	Regional Vice President Makhtar Diop
Borrower: Republic of Congo			
Responsible Agency: Ministry of the President responsible for Territorial Planning and Large-Scale Works			
Contact:	M. Batounguidio	Title:	Coordinator of the Multilateral Partner Project Unit
Telephone No.:	242069568664	Email:	batoung123@gmail.com
Project Financing Data(in USD Million)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	120.00	Total Bank Financing:	80.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	40.00
International Bank for Reconstruction and Development	80.00
Total	120.00

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019	2020	2021
Annual	0.00	1.00	13.00	15.00	19.00	20.00	12.00
Cumulative	0.00	1.00	14.00	29.00	48.00	68.00	80.00

Institutional Data

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Sub-national government administration	10		
Health and other social services	Other social services	10		
Transportation	Urban Transport	45		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	35	65	
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	%
Social dev/gender/inclusion	Participation and civic engagement	10
Urban development	Urban services and housing for the poor	80
Urban development	Urban planning and housing policy	10
Total		100

Proposed Development Objective(s)

The project development objectives are to: (1) improve access to infrastructure and basic services for people living in selected unplanned settlements in Brazzaville and Pointe Noire; and (2) strengthen government and municipal capacity for urban upgrading.

Components

Component Name	Cost (USD Millions)
Integration and Neighborhood Upgrading	97.80
Development of Institutions and Capacity	20.40
Project Management, Coordination and Evaluation	1.80

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
OVERALL	Substantial

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
External Auditor		18-Aug-2016	
Description of Covenant			
The Borrower shall, no later than three (3) months after the Effective Date, recruit external auditors with qualifications, experience and terms of reference acceptable to the Bank.			
Name	Recurrent	Due Date	Frequency
Record Keeping		18-Aug-2016	
Description of Covenant			
The Borrower shall no later than six (3) months from the Effective Date, establish within the PCU, a Project records keeping system, satisfactory to the Bank, and train relevant staff.			
Name	Recurrent	Due Date	Frequency
Accounting Software and Training		18-Aug-2016	
Description of Covenant			
The Borrower shall, no later than three (3) months from the Effective Date, install, within the PCU, a computerized financial management and accounting system satisfactory to the Bank and train the fiduciary staff in the use of the software.			
Name	Recurrent	Due Date	Frequency
Procurement Training		18-Aug-2016	
Description of Covenant			
The Borrower shall, no later than three (3) months from the Effective Date, ensure the training of the PCU staff on World Bank procurement procedures, in specialized training institutions.			
Name	Recurrent	Due Date	Frequency
Midterm Review		18-Nov-2018	
Description of Covenant			

The Borrower shall (a) carry out, no later than 30 months after the Effective date, a Midterm Review to assess the overall progress in implementation of the Project; (b) prepare and furnish to the Bank, at least one (1) month prior to such review, a progress report on the implementation of the Project; and (c) review with the Bank such report, and take prompt measures required to ensure efficient completion of the Project, taking into account the Bank's comments thereon.

Name	Recurrent	Due Date	Frequency
Staffing of PCU		18-Aug-2016	

Description of Covenant

The Borrower shall, no later than three (3) months from the Effective Date, recruit a procurement specialist, an accountant, and a safeguards specialist, all with qualifications, experience and terms of reference acceptable to the Bank.

Name	Recurrent	Due Date	Frequency
Task Force		18-Aug-2016	

Description of Covenant

The Borrower shall, no later than 3 months after the Effective date, establish and maintain a task force in the MCUDH, with composition and terms of reference acceptable to the Bank, to assist the PCU to assure transfer of competences and provide adequate incentives for civil servants therein to participate fully in Project implementation.

Conditions

Source Of Fund	Name	Type
IBRD	Project Implementation Manual (PIM)	Effectiveness

Description of Condition

The Borrower has adopted a Project Implementation Manual, in form and substance satisfactory to the Bank.

Source Of Fund	Name	Type
IBRD	Delegated Contract Management Agreement	Effectiveness

Description of Condition

The Borrower has entered into the Delegated Management Contract with each of the Project Cities, in accordance with the provisions of Section I.B.1 of Schedule 2 to the Financing Agreement.

Source Of Fund	Name	Type
IBRD	Payment of Front-end Fee	Disbursement

Description of Condition

No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Mahine Diop	Team Leader (ADM)	Senior Municipal Engineer	Municipal Engineer	GSU13

	Responsible)			
Clement Tukeba Lessa Kimpuni	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO07
Bella Lelouma Diallo	Financial Management Specialist	Sr Financial Management Specialist	Financial Management	GGO25
Abdoulaye Gadiere	Safeguards Specialist	Senior Environmental Specialist	Environment and safeguards	GEN07
Abdoulaye Kane	Team Member	Consultant	Urban development	GSU19
Aissatou Diallo	Team Member	Senior Finance Officer	Disbursement	WFALA
Antoine V. Lema	Team Member	Senior Social Development Specialist	Social development	GSU01
Carine-Reine Mbedo Ngassia	Team Member	Team Assistant	Project processing	AFMCF
Christian Vang Eghoff	Team Member	Consultant	Urban development, M&E, economic analysis	GSU13
Dina Nirina Ranarifidy	Team Member	Urban Specialist	Urban development	GSU13
Ernestina Attafuah	Team Member	Senior Program Assistant	Project processing	GWA07
Jonas Ingemann Parby	Team Member	Urban Specialist	Urban development	GSU19
Karine N. Mouketo-Mikolo	Team Member	Program Assistant	Project processing	AFMCG
Kishor Uprety	Counsel	Senior Counsel	Legal	LEGAM
Linh X. Le	Team Member	Research Analyst	Economic analysis, lessons learned	GSU08
Martin Henry Lenihan	Safeguards Specialist	Senior Social Development Specialist	Social Development and safeguards	GSU04
Sidy Diop	Team Member	Senior Procurement Specialist	Procurement	GGO07
Sung Heng C. Kok Shun	Team Member	Senior Program Assistant	Project processing	GSU13
Extended Team				
Name	Title	Office Phone	Location	

Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Congo, Republic of	Brazzaville	Commune de Brazzaville	X		
Congo, Republic of	Pointe-Noire	Pointe-Noire	X		
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required ? Consultants will be required					

I. STRATEGIC CONTEXT

A. Country Context

1. Following a series of civil conflicts in the 1990s, the Republic of Congo successfully held presidential, senatorial, and legislative elections between 2002 and 2014. The country environment remains fragile with a Country Policy and Institutional Assessment (CPIA) rating of 3.0 (out of 6.0). However, relative peace and stability since 2002 offer the RoC a unique opportunity to focus its full attention on strengthening its still fledgling institutions and stimulating economic growth to alleviate poverty and inequality.

2. The country's current economic growth, at 4.2 percent from 2011 to 2014, is lower than the 8.5 percent needed to achieve the 2012–16 National Development Plan development objectives. This is mainly due to the volatility of oil prices and underperformance of the oil sector, which has also resulted in substantial loss of revenue to the government. The sharp drop in oil revenues (accounting for 73 percent of total government revenue in 2013) is putting the economy under pressure. The Bank estimates that if the oil price settles to an average of US\$50 per barrel in 2015, it would lead to a substantial decline in the government's oil revenues (–59 percent) and ultimately the total government revenues (–38 percent). The latest budget revision decreased recurrent expenditure sharply (8.9 percent down from previous year) and increased investment in infrastructure projects by 5 percent. Economic growth is expected to reach about 5.3 percent from 2014 to 2017, supported by projected growth in the nonextractive industries. This follows the government's diversification policies and investments in infrastructure, stabilization of oil production with the discovery of new deposits (but with the price of oil pulling in the opposite direction), and the prospect of implementing effective mining activities. Foreign trade levels resulted in a narrowing of the trade balance, as exports gradually declined while imports consolidated. As the income balance also trended downward, it is likely that the current account deficit will deteriorate further in the short and medium term owing primarily to low commodity prices.

3. The RoC continues to struggle to transform its growth into significant poverty reduction. Resources are distributed unevenly between infrastructure and the social sectors, and investment projects have suffered from poor targeting, preparation, and planning, with resulting low efficacy and efficiency. Indeed, according to the 2011 household survey, the poverty rate dropped only by 4 percentage points, to 46.5 percent, from 50.7 percent in 2005. As in other countries in Central Africa, the incidence of urban poverty in 2011 was relatively lower than rural poverty: 25.5 percent in Pointe-Noire and 29.4 percent in Brazzaville, against 57.8 percent in semi-urban areas and 74.8 percent in rural areas. Therefore, the main challenge for the country is to use its oil resources effectively to continue to develop the non-oil sector, which is better equipped to turn growth into inclusive growth and shared prosperity.

B. Sectoral and Institutional Context

High Level of Urbanization and Unplanned Settlement Pattern

4. The RoC has a population of about 4.4 million with an annual population growth of 2.1 percent. More than 70 percent of the population lives in urban areas, making the RoC one of the

most urbanized countries in Sub-Saharan Africa. Brazzaville, the capital, has a population of about 1.6 million, representing 36 percent of the total Congolese population, while the population of Pointe-Noire is close to 1 million (another 23 percent of the population). The remaining urban population of about 500,000 lives in secondary urban centers.

5. Efforts to manage, regulate, and facilitate productive and balanced urban development have been inhibited by lack of effective urban planning, limited investment, and inadequate institutional capacity of key stakeholders at the national and local levels. This has resulted in a gradual deterioration of the living and working environment in the country's main urban areas, with urban sprawl and land speculation displacing poor urban residents to areas unsuitable for settlement, land grabbing, increased gaps in access to services, and increased incidence of unplanned settlements with substandard housing. The population living in unplanned neighborhoods is estimated at approximately 1.5 million for the two main cities of Brazzaville and Pointe-Noire. The proportion of unplanned settlements in these two cities is around 60 percent of the land area, or about 10,000 ha, with a high proportion of housing stock (35 percent in Pointe-Noire) made from fragile materials. In 2005 (latest figures available), these areas hosted 64 percent of households in Brazzaville and approximately 50 percent in Pointe-Noire.

Limited Access to Urban Services and Housing

6. A 2009 study of poverty carried out in the two cities, in preparation for the 2010 Bank co-financed Water, Electricity, and Urban Development Project (*Projet d'eau, d'électricité et de développement urbain*, PEEDU), revealed a significant lack of access to basic infrastructure and services. This was confirmed by more recent data (2012) from UN-Habitat on Pointe-Noire and PEEDU-funded socioeconomic studies of the two cities (2015). Although the RoC has abundant water resources, only about 53 percent of the urban population has access to safe drinking water. The percentage of connected households is higher, but the water resources are not considered reliable due to irregular supply. Based on the 2009 poverty studies and the most recent Bank statistics in the Databank, in 2012 an estimated 20 percent of urban households had access to adequate sanitation and 55 percent to electricity. However, the 2015 socioeconomic studies for the two cities sets the number of households connected to the electricity network as low as 22 percent for Brazzaville and 39 percent for Pointe-Noire. Access to transport is also problematic as entire neighborhoods in both cities become inaccessible during the rainy season. Estimates made by the government and the Bank during preparation of the proposed Urban Development and Poor Neighborhood Upgrading Project (UDPNUP) indicate that a total investment of US\$1.3 billion would be required to upgrade these areas to acceptable standards.¹ The government of the RoC has recently launched social housing programs, but the service standard is too high and consequently the poorer part of the population does not have access to affordable housing.

Problematic Urban Land Management

¹ The estimate of US\$1.3 billion million is based on just over 10,000 ha to upgrade. The cost per hectare was estimated at US\$130,000, based on recent numbers for upgrading available from the Cities Alliance for upgrading in Dakar and N'Djamena and considering the current rates of access to various services.

7. Land administration in the RoC is characterized by a lack of land reserves for the development of economic activities and habitat and disconnect between the modern system for land regulation and the customary law. Cities are affected by rapid, unmanaged urban expansion that commenced at the end of the period of conflict and has been exacerbated by unplanned public and private land allocation. On the basis of the recognition of the constitutional right to private property, the RoC has undertaken major legislative reforms since 2000 to promote land security and the regulation of urban occupancy. Most land is privately owned, but so far, the reforms have not translated into a more effective and transparent land market, mainly because the proportion of landowners with formal titles remains low in an effort to avoid land taxes. Informal housing development and land titling is carried out, most often based on irregular procedures, ranging from noncompliance with urban planning rules to improper transfer of property, compounded by the absence of adequate and implementable construction standards. There is very low level of knowledge of basic planning instruments and their application, even in public agencies involved in urban planning.

Incomplete Urban Policies and Decentralization Processes

8. Due to rapid and unplanned urbanization and uneven geographical distribution of the urban population, the urban sector has not become a driving force of the national economy despite the RoC's great economic potential. The sector policies prevailing since independence in 1960 have not provided a balanced development of municipalities and local communities. Under sector legislation, municipalities are responsible for elaborating urban master plans and for planning and implementing neighborhood upgrading on the basis of development options defined in those plans, in full consultation with the population. However, existing legislation has never been fully enacted and implemented, and previously well-functioning urban planning committees (which coordinated urban development at both central and local government levels) are no longer operational. Responsibility for urban planning and urban development at the national level is split among several ministries and agencies and the municipalities, making coordination difficult. The government has recently updated the urban planning legislation, but it is not yet operational due to lack of application decrees.

9. Since 2002, the government has been implementing a decentralization process to set the stage for development-oriented administration, promoting local democracy and achieving national unity. The new constitution, adopted by referendum on October 25, 2015, affirms that the RoC is a decentralized state and provides a non-limitative list of functional mandates to transfer to local governments. However, there are still major impediments to effective decentralization: (a) ineffective management capacity and organization of local governments for service delivery, (b) inefficient generation and use of municipal resources, (c) inefficient mechanisms to involve citizens in the management of local affairs, and (d) limited and sporadic transfer of financial resources. Taxes on developed and undeveloped properties constitute a major part of potential municipal resources—the principal of these is property taxes. Unfortunately, the collection rate of these taxes is very low since only landowners with titles are obliged to pay and the proportion of landowners with titles is 5–8 percent in Brazzaville and Pointe-Noire. In the RoC, local revenues are mostly collected by the central government because of the highly centralized management of the fiscal chain. In addition, transfer of local revenues from the central to local governments takes place only occasionally. In 2014, a new urban local occupancy tax of FCFA 1,000 (US\$1.6) per household was introduced, with the majority (85

percent) of revenues going to municipalities. This holds some promise of providing revenue for the municipalities, but collection has to be strengthened.

Commitment from the Government to the Urban Sector and Increasing Support from Donors

10. In 2004, the government launched the Accelerated Reconstruction of Municipalities Program (*Programme de municipalisation accélérée*), which is an infrastructure investment program aimed at stimulating local economies and improving living conditions. This program has already been implemented in nine of twelve departments (first administrative subdivision) but lacks a substantial component dedicated to institution building and is primarily implemented directly by the central government. In 2012, latest year with available data, more than FCFA 500 billion (about US\$1 billion) of the investment budget was devoted to financing restoration or construction of large-scale urban infrastructure and access to basic services.

11. The Bank supported the government's program, starting in 2010, through the PEEDU. The US\$125.5 million project is funded at 80 percent (US\$100 million) by the government and 20 percent by the Bank (US\$25.5 million). An additional financing for the project of US\$150 million for the electricity sector was approved in 2014 (US\$60 million blend IDA/IBRD and US\$90 million government financing). It is an example of the new partnership program with the RoC, whereby the role of the Bank was to assist the country to improve selectivity and efficiency in its own programs, with the government providing the major part of investment funds. A more detailed description of the PEEDU activities and links with the proposed UDPNUP can be found in Section III - Project Description and Annex 2.

12. Given the current macroeconomic tendencies, the Bank's role in the RoC is reverting to that of a more principal source of funding for development projects. As a result of the country's macroeconomic stress, the government requested a change in co-financing amounts of the proposed UDPNUP. The project was initially appraised in April 2015 for a total amount of US\$250 million (with US\$170 million government financing and US\$80 million Bank funding). However, due to the macroeconomic situation and the subsequent dialogue between the government and the Bank on the options for overcoming counterpart funding problems affecting the Bank's portfolio of projects in the RoC, the government requested its financing amount to be revised to US\$40 million, for a total project amount of US\$120 million. This revised project was appraised in October and November of 2015.

13. Other donors also contribute to the urban development agenda. In particular, the French Development Agency (*Agence Française de Développement, AFD*) is currently supporting storm water drainage and solid waste management in Brazzaville. The activities relate to rehabilitation of nine main storm water drains and improving the collection and disposal of municipal solid waste. The AFD is preparing a similar operation in Pointe-Noire and has expressed interest in providing parallel financing to the proposed UDPNUP for an amount of US\$80 million, which would make up a substantial part of the reduced UDPNUP financing envelope. The EU is also poised to support comparable interventions in urban areas, but the details are yet to be worked out.

14. Under the PEEDU, a new urban policy was elaborated and detailed in a sector policy letter. The policy letter provides a reference framework for 2012-22 with regard to urban sector

actions and investments. It defines strategies to promote sustainable development of urban centers, accounting for challenges related to urban organization, land administration, taxes, infrastructure, and service delivery. With the proposed UDPNUP, the government is moving from the PEEDU's sectoral approach and seeking the Bank's support to scale up interventions, with increased focus on an integrated approach to urban upgrading, through a co-financed program of US\$120 million to address issues of underserved settlements in Brazzaville and Pointe-Noire.

C. Higher Level Objectives to which the Project Contributes

15. The proposed project directly contributes to the Bank's twin goals of ending extreme poverty and promoting shared prosperity and to reaching the Sustainable Development Goals regarding cities. This will be achieved by focusing project investments in some of the poorest areas of the two project cities, which currently do not benefit from PEEDU or other support. While city residents are on average less poor than rural populations, the high level of urbanization means that about an equal number of people in rural and urban areas are living in poverty (about 1 million in rural areas and about 900,000 in urban areas). By targeting investments toward the cities' poor and marginalized residents, the proposed UDPNUP promotes reintegration of less affluent urban areas into the cities' urban fabric. Further, recalibrating the government investments toward the most needy creates economic opportunities for the poorest of the cities' populations. The Bank funding will contribute to improving targeting and increasing efficiency of spending overall. The strategy that will be set in place by the project will allow the government to continue to invest after the closing of the project, based on improved safeguards procedures—to the benefit of especially the most vulnerable part of the population in primary and secondary cities. Regarding the recently adopted Sustainable Development Goals, the UDPNUP will contribute directly to achieving goal 11 (sustainable cities and communities), in particular the targets on access to services and slum upgrading but also the targets related to inclusive urbanization and participatory planning.

16. The project is fully aligned with the Country Partnership Strategy (CPS) for the RoC (2013–16) and the country's Poverty Reduction Strategy Paper (2012–16). Both strategies identified the urban sector as having a high potential for shared economic growth and poverty reduction. In addition, the CPS defines the Bank's role in the framework of a partnership with RoC to assist the government in effectively using its revenues to transform its economy and reduce poverty. Bank-funded projects and programs will be developed to maximize synergy, demonstrate best practices, and encourage the transfer of knowledge. The proposed operation is part of this strategy. It will contribute to the implementation of Pillar 3 of the CPS—strengthen the capacities of public authorities and governance—and particularly in the improvement of management and programming of investments. The aim is also to develop a platform to advocate and test principles and mechanisms that take account of specific needs of low-income populations in urban planning.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

17. The project development objectives (PDOs) are to: (1) improve access to infrastructure and basic services for people living in selected unplanned settlements in Brazzaville and Pointe-Noire; and (2) strengthen government and municipal capacity for urban upgrading.

Project Beneficiaries

18. The main beneficiaries of the project will be the 65,000 residents of poorer neighborhoods of Brazzaville and Pointe-Noire. The main benefits will stem from improved living conditions, as well as strengthened community organization and ability to voice needs. Benefits will also come from job opportunities in labor-intensive construction activities and, to some extent, permanent employment opportunities from local economic development. The two targeted municipalities will benefit from increased capacity to implement their mandate of service delivery and inclusive upgrading programs and decision making. The government will benefit from improved policies and regulation and capacity to implement an inclusive upgrading program on the national level. Finally, private sector enterprises will benefit from contracts to construct and maintain infrastructure.

PDO Level Results Indicators

19. Expected results are as follows:

- Neighborhood upgrading plans for which UDPNUP activities implemented (number)
- Municipal infrastructure asset management system in place and municipalities' key assets managed according to asset management plans (percentage)
- Beneficiaries that feel project investments reflected their needs (percentage) (Core)
- People in urban areas provided with access to all-season roads within a 500 meter range under the project (number) (Core)
- Direct project beneficiaries (number), of which female (percentage) (Core)

III. PROJECT DESCRIPTION

20. This proposed project is a direct follow-on to the PEEDU, which is being implemented in the cities of Brazzaville and Pointe-Noire. The objective of the PEEDU is to increase access to basic infrastructure services, safe drinking water, and electricity for the inhabitants of targeted areas in the two cities. Besides funding access to a broad package of urban infrastructure and services, with a substantial part of investments going to the water and electricity sectors, the PEEDU also funds capacity-building initiatives in the two municipalities and reform of the water and electricity sectors and the respective public utility companies.

21. The proposed project, the UDPNUP, will complement the intervention areas of the PEEDU but make a shift from a predominantly sector-based approach to access to services, as under the PEEDU, to a more geographically focused and integrated approach to upgrading. It is intended that the government will be able to continue the upgrading process after the project. The project strategy is both adaptive and proactive. The approach favors in situ upgrading to minimize resettlement, reduce cost, and keep the approach as simple as possible to allow the government to scale up the approach after the project and continue to make improvements in other neighborhoods with its own funds. At the same time, the project contains elements that will help reduce the emergence of unplanned settlements in the future (although a complete stop of emergence is unrealistic given the time frame and budget of the proposed project).

22. A poverty study carried out in 2009 as preparation for the PEEDU has informed the selection of project neighborhoods based on monetary poverty and living conditions (see details in annex 2). Selection of neighborhoods was made by city mayors and agreed with the government and with elected officials of each city during the project. The total population of the targeted neighborhoods is 65,000 and the area about 420 ha. During implementation, other neighborhoods will be selected and will benefit from support under Subcomponents 2.1 and 2.2, described below, to develop neighborhood upgrading plans.

A. Project Components

23. The project components are designed around two mutually reinforcing elements, namely (a) interventions in some of the most vulnerable neighborhoods, focusing on providing basic infrastructure and access to services, and (b) development of the capacity and institutional foundations for implementing a multisectoral strategy and action plan for upgrading vulnerable neighborhoods not targeted by the project and for avoiding unplanned urban development in the future.

Component 1: Integration and Neighborhood Upgrading (US\$97.8 million, of which IBRD: US\$65.2 million, RoC: US\$32.6 million)

24. The component objective is to provide access to infrastructure and basic services in targeted neighborhoods and improve connectivity and network integration with the rest of the city. Creation of temporary work during construction through use of labor-intensive construction techniques will be an integral part of bidding documents, to the extent possible.

1.1: Connectivity and Network Investment Program (US\$43.2 million)

25. The project will fund investments in network infrastructure to connect beneficiary neighborhoods. Actual selection will be based on the need to create access to beneficiary neighborhoods, density and poverty, synergy with other investments, concentration of resources, and economic viability of investments. The following investments are foreseen: (a) upgrading about 18 km of road selected from a list of 70 km of investments for which engineering designs are available. The priority program was narrowed down during appraisal, based on the above criteria and additional economic studies using the Road Economic Decision (RED) model; (b) about 10,000 m² of anti-erosion works in Brazzaville; and (c) expansion of primary and/or secondary infrastructure to connect beneficiary neighborhoods to water and electricity networks.

1.2: Upgrading Investments (US\$54.6 million)

26. This subcomponent will finance investments to rehabilitate or construct a wide array of socioeconomic infrastructure in the targeted neighborhoods, as determined with the beneficiary populations during the processes outlined under Subcomponents 2.1 and 2.2. Without being limitative, the project is targeting the following types of infrastructures: (a) neighborhood roads and lighting; (b) drainage works and environmental and anti-erosion work; (c) water and electricity networks and access; and (d) commercial facilities, health centers, primary schools, and other municipal infrastructure. The total area of the beneficiary neighborhoods to be upgraded is 420 ha, and the cost is estimated at about US\$130,000 per ha (estimate based on recent comparable upgrading investments in Dakar and N'Djamena). The investments resulting from the second round of upgrading planning in Subcomponents 2.1 and 2.2 will not be funded by the UDPNUP but will present a bank of projects that the stakeholders (the government, cities, and future beneficiary neighborhoods) will have at their disposal to be financed on a rolling budgetary basis.

Component 2: Development of Institutions and Capacity (US\$20.4 million, of which IBRD: US\$13.6 million, RoC: US\$6.8 million)

27. The component objective is to institute an integrated approach to upgrading existing unplanned settlements and to reduce the emergence of new unplanned settlements.

2.1: Community Facilitation (US\$3.6 million)

28. The subcomponent will fund (a) hiring community facilitators to assist the residents of targeted neighborhoods (and subsequently other neighborhoods, to be identified) to fully participate and engage in all aspects of upgrading design, from data collection and needs identification over investment planning and implementation to operation and maintenance (O&M); (b) training neighborhood representatives and city focal points; (c) community facilitation activities, for example, workshops, focus group discussions, and communication campaigns on socio-environmental issues; and (d) training and assistance to develop new income-generating activities for project-affected persons.

2.2: Neighborhood Upgrading Plans (US\$8.6 million)

29. This subcomponent will fund consultant services to (a) establish site conditions; (b) elaborate feasibility studies and upgrading plans; and (c) elaborate engineering designs. Consultants hired to assist the project cities will carry out feasibility studies and engineering designs in an iterative process with beneficiary communities to ensure that investments reasonably respond to criteria of cost-effectiveness, equity of costs and benefits to the stakeholders, sustainability, O&M, potential employment impact, and consideration of vulnerable groups.

2.3: Urban Sector Organization and Regulation (US\$3.2 million)

30. The subcomponent funds activities to improve the overall sector regulation and complement this with urban planning tools, in continuation of the activities already supported by the PEEDU. Activities to be funded are (a) institutional diagnostic of the urban sector to

reorganize and determine the role and responsibilities of each actor in the sector; (b) study on decrees to apply and operationalize the updated urban and housing legislation to simplify regulation and focus on aspects that the government and municipalities will realistically be able to implement; (c) development of a neighborhood upgrading strategy; (d) institutional support and capacity building for the Ministry of Construction, Urban Development, and Housing (MCUDH), including organizational and functional reorganization, training and equipment, and a communication strategy on urban planning tools; (e) support for the elaboration of a land strategy, land use plans, and district plans for Brazzaville and Pointe-Noire to lay out an urban grid for extension areas for the next 10 years for the two cities, with demarcation of rights-of-way; and (f) improvement of environmental and social safeguards in national legislation, including a grievance mechanism.

2.4: City-level Institution Building (US\$5.0 million)

31. The subcomponent funds activities designed to strengthen the institutional role and capacity of city administrations and elected officials in financing, planning, implementing, and maintaining infrastructure and managing the upgrading process. The following activities are included in the subcomponent: (a) implementation and training in management (O&M) of key municipal assets and investments financed by the proposed project; (b) technical assistance in project management; (c) support to the two municipalities to improve management and increase in revenues from commercial infrastructure; (d) updating of the municipal tax database and revenue collection, with focus on the newly instituted local occupancy tax; (e) extension of street addressing in Brazzaville and Pointe-Noire with additional training and equipment to the city administrations to help further improve land management and tax collection and complement the PEEDU street addressing activities; (f) support for city administrations to establish procurement units and potentially take on some procurement responsibility for investments funded by the proposed UDPNUP; (g) support for the implementation of the Simba financial management (FM) software beyond municipal financial departments to other municipal departments and to districts; (h) support for continued municipal capacity to work with communities to implement upgrading programs after the UDPNUP; (i) training and technical assistance for municipal staff and elected officials in community involvement in neighborhood upgrading, urban planning, and investment programming as well as demand-driven capacity building; and (j) exchanges or study trips to allow officials, key staff, and neighborhood representatives to learn from successful upgrading activities elsewhere.

Component 3: Project Management, Coordination, and Evaluation (US\$1.8 million, of which IBRD: US\$1.2 million, RoC: US\$0.6 million)

32. This component will fund incremental operating costs for the Project Coordination Unit (PCU). The Ministry of the President responsible for Territorial Planning and Large-Scale Works (MPTPLSW) will pay all costs related to staffing of the PCU, which is not part of the component amount. The government will establish a task force in the MCUDH to work with the PCU in the MPTPLSW to ensure transfer of competences. Specific activities funded by the component include (a) audits, (b) monitoring and evaluation (M&E) system, (c) a communication plan, (d) baseline and impact assessments, (e) workshops, and (f) monitoring of safeguards implementation.

B. Project Financing

33. The project will be co-financed by the Bank and the RoC.

Lending Instrument

34. The project will be an Investment Project Financing in the amount of US\$80 million on IBRD terms, to be implemented over 5 years. After considering the alternative financing products, the borrower has chosen a fixed spread loan with level repayment linked to disbursements and repayment frequency of six months. The loan has a maturity of 24 years including a grace period of 10 years. The Borrower will pay the front-end fee of 0.25 percent upfront from own resources. The loan is denominated in U.S. dollars.

Project Cost and Financing

Project Components	Project cost (US\$, millions)	IBRD Financing (US\$, millions)	% of Bank Financing
1. Integration and Neighborhood Upgrading	97.8	65.2	81.50
2. Development of Institutions and Capacity	20.4	13.6	17.00
3. Project Management, Coordination, and Evaluation	1.8	1.2	1.50
Total Costs	120.0	80.0	100.00
Front-end Fees	0.0	0.0	0.00
Total Financing Required	120.0	80.0	100

C. Lessons Learned and Reflected in the Project Design

35. The project has integrated a number of lessons learned from successful urban upgrading projects in Africa, Asia, and South America, as well as those from the ongoing PEEDU, into project design.

36. In situ upgrading instead of clearance and redevelopment helps minimize resettlement and simplify project implementation. Minimized resettlement leads to lower project costs for land acquisition and supports the social capital of the existing community. Examples from recently closed successful urban upgrading projects in Vietnam and Indonesia also show that resettlement and land acquisition are two leading causes of implementation delays. In situ upgrading will therefore help mitigate this risk to project implementation.

37. Selectivity and focusing interventions on a narrow scope of results or geographical area help avoid spreading resources too thin and complicating the upgrading process. Learning from some investments under the Vietnam Urban Upgrading Project (VUUP), which proved too small to have an impact, the project will finance a wide range of tertiary infrastructure in the targeted neighborhoods based on communities' expressed needs. Community facilitators will help the community select investments that will have a real impact in their neighborhoods, to avoid spreading the resources too thin, and for which O&M, arrangements can be developed under the project scope.

38. Community participation and relationship building are crucial to project success and sustainability. Evaluations of urban upgrading projects in Indonesia (National Program for Community Empowerment-Urban) and Thailand (Baan Mankong) have found higher quality and better maintenance of built infrastructure where community participation is strong. Experience from social screening in projects in South America (Jamaica Inner Cities Basic Services Project) and from community profiling activities supported by Slum Dwellers International show the importance of including beneficiaries in needs identification and M&E. A key aspect of community planning activities is that communities own the information and are able to create new relationships that make them integral role players in the decisions that affect their lives. Some of the biggest barriers to participation are, however, the time and cost of the process and the sometimes inefficient facilitation of community meetings, which can make residents feel disregarded. The PEEDU attempted to set in place Community Development Support Units in the two project cities, but the novelty of collaborating with communities and the low level of social capital meant that the approach fell short of the objective of creating a strong working relationship. The proposed UDPNUP will put the beneficiary communities more squarely at the center of the upgrading process, from needs identification to selection and implementation of upgrading subprojects. Learning from the PEEDU, community facilitators will be part of the new operation to provide ongoing support to communities to analyze and voice their needs, participate in planning and implementation, and help strengthen community ownership.

39. Successful upgrading also relies on support from both government and community-based stakeholders. In Indonesia's National Program for Urban Community Empowerment, relations between the project units and local governments were considered important for maximizing impacts on the ground. The proposed UDPNUP will seek to provide relatively quick impacts on the ground, through the connectivity and network investment program, to guard against 'participation fatigue' and to ensure continued participation throughout implementation. The government has gained first-hand experience, through the PEEDU, in mobilizing different stakeholders for common objectives. Further capacity strengthening and empowerment will be provided under the project, including for relevant governmental bodies and community-based stakeholders that are crucial for successful program implementation. The VUUP showed the importance of women's organizations' involvement in implementing a successful microcredit program to complement and enhance upgrading efforts. While the proposed project does not seek to directly implement microcredit, the involvement of women's organizations will be key to ensuring that economic benefits accrue to the most vulnerable groups.

40. Phasing and sequencing of projects and reforms are critical to success. While the objective of supporting a gradual decentralization process is clear, a phased approach helps local governments learn by doing, incrementally strengthening their capacity to implement complex neighborhood upgrading activities. Experience from the VUUP showed that in the implementation process, local government capacity was gradually enhanced to take on new decentralized responsibilities. Such a phased approach also allows time to integrate adequate safeguards into national regulation to ensure protection of vulnerable groups in the upgrading process, before scaling them up.

41. Bank safeguards policies can be used as a basis for constructive dialogue on management of social and environmental impacts of development efforts, bringing about changes beyond the project context. Experience from the Rwanda Urban Infrastructure and City Management Project

demonstrated the benefits of a market-based land valuation and participatory approach to determining compensation, with a focus on the needs of the affected populations. As a result, the Rwandan government took the initiative to mainstream market-based compensation into land management laws and the land agencies were established to implement this government policy.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

42. The institutional and implementation arrangements are designed to support the longer-term vision of increasing municipalities' role and responsibilities in urban development and service delivery, with consultative community collaboration on future upgrading activities. After the initial appraisal of the project in April 2015, whereby the PEEDU PCU in the Ministry of Facilities and Public Works (MFPW) was to implement the UDPNUP, the government has decided that instead the MPTPLSW will be responsible for implementing the project. This ministry is implementing the Accelerated Reconstruction of Municipalities Program and the government is seeking to increase its role in urban development. The approach is to learn from the implementation arrangements of the PEEDU, implemented by the MFPW, keep the arrangements simple, and make certain adjustments to the approach that will support increased municipal responsibility and community participation in project implementation and post-project O&M.

43. A Project Steering Committee (PSC) will be set up based on the PEEDU PSC. This PSC will also be overseeing the UDPNUP, with stronger representation of beneficiary communities and will include the MPTPLSW. The main responsibilities of the PSC are to (a) guide the overall direction of the project and ensure respect of the Loan Agreement, (b) facilitate coordination of activities, (c) ensure consistency with other programs financed by the government or other donors, and (d) define annual performance targets. The PSC will meet on a semiannual basis.

44. The implementation capacity of the MPTPLSW was evaluated following the decision of the government to attribute implementation to this ministry. A PCU is established in the MPTPLSW for the implementation of road projects (asphalting of the Ketta-Djoum and Ndendé-Dolisie roads) financed by the African Development Bank (AfDB). The MPTPLSW has determined that this unit will be assigned the task of implementing all donor-funded projects under the responsibility of the ministry. This PCU will be the project implementation and coordination agency and will manage all project funds. It will be reinforced with additional staff to implement the proposed UDPNUP and will rely on the contributions of the MCUDH. The MCUDH will receive technical assistance to ensure effective involvement in M&E of sector investments. A task force consisting of three sector specialists will ensure the contribution of the MCUDH to the PCU.

45. In each city, a Coordination Committee will be established, chaired by the mayor and including district mayors, representatives of decentralized government ministries mentioned above, the municipal technical services departments, the private sector, nongovernmental organizations (NGOs) and community-based organizations, and neighborhood representatives. This will ensure adequate coordination of preparation, planning, and monitoring of the implementation of project activities. In principle, according to the existing sector legislation, the

municipalities are responsible for implementing project activities. However, in the absence of effective transfer of competencies according to the new constitution and given the municipalities' limited capacities for project implementation, technical and fiduciary responsibilities will be delegated to the PCU in the MPTPLSW through a delegated contract management arrangement to be signed between the PCU and municipalities. The project will provide municipalities with technical assistance in project management to help them organize their activities in service provision and clarify the role of various stakeholders (for example, delegated project management, community facilitation, and provision of services). With time, it is expected that municipalities will take on gradually increasing project implementation responsibility, as determined by a pilot investment experience. Certain criteria (to be detailed in the Project Implementation Manual (PIM)) related to staffing and budgeting and implementation of asset management will need to be fulfilled by the municipalities as a condition of transfer of implementation responsibility, to ensure the necessary capacity for implementation and sustainability. To help municipalities to better involve populations in upgrading activities, the project will fund recruitment of community facilitators, to be supervised by a focal point in each municipality.

46. Local development committees (*Comités Locaux de Développement*, COLODEs) are established informally in each project neighborhood benefiting from PEEDU financing. They will be replicated in neighborhoods targeted by the UDPNUP and will serve to channel community participation in the selection and design of infrastructure and services, supported by community facilitators. Community representatives will be elected by the neighborhoods and will receive training to enable them to participate fully in project activities on daily basis.

B. Results Monitoring and Evaluation

47. The project's M&E system will be established in the PCU and will involve beneficiary neighborhood residents. Many indicators can be monitored directly in reports from works supervisors and community facilitators or through site visits. This monitoring will be complemented by small surveys as needed (for example, by community facilitators and communities themselves) and by more substantial assessments for the midterm review (MTR) and at project closing. This impact assessments will cover a broad spectrum of qualitative and quantitative issues, such as beneficiary satisfaction, achievement of poverty reduction, and sustainability of access to services.

48. A key aspect of the project M&E system is strong involvement of beneficiary neighborhood residents in self-evaluation and needs analysis. The project will support community-based M&E as a means of strengthening community skills and increasing social capital and ownership of project interventions. The information and knowledge generated will support the PCU to (a) develop and submit progress reports on a quarterly basis to the PSC and the Bank, (b) take timely corrective actions, and (c) disseminate information about project achievements to stakeholders and the general public on time.

49. The project M&E system will be managed by the PCU M&E specialist and will be linked to the FM system to allow the monitoring of activities against disbursement. The PIM will provide detailed step-by-step guidelines on M&E methodology, including baseline references and indicator calculation. Training and technical assistance will be carried out to build capacity

for relevant stakeholders such as municipalities, beneficiary neighborhoods, and ministries. It is expected that the project activities will help build good practices regarding data collection to improve project and sector M&E.

C. Sustainability

50. The sustainability of project investments will come from (a) secured funding for O&M through improved mobilization and utilization of local resources; (b) improved municipal management capacity, with a clearer definition of responsibilities; (c) better transparency and accountability of city managers to urban residents and involvement of civil society organizations; (d) stakeholder engagement and ownership; (e) developing of plans for rolling out activities to other neighborhoods and cities; and (f) strong commitment from the government to provide future funding to continue upgrading activities.

51. The project contains activities designed to strengthen municipal asset management, including O&M of investments. The proposed UDPNUP will require screening of upgrading investments for adequate O&M before approval (as part of a light socioeconomic screening exercise), which will increase the likelihood of investments continuing to deliver benefits after the project closes. The screening process will include allocating O&M responsibility to the stakeholder that is best placed to take on this responsibility (government, utility companies, municipalities, or neighborhood communities). The proposed project will support the municipalities to raise and budget the revenues necessary for adequate O&M and support neighborhood maintenance crews, in close association with local inhabitants. Procedures for community participation in O&M will be established and set out in the PIM.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

52. The overall risk rating is Substantial (S).

Systematic Operations Risk- Rating Tool	
Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
OVERALL	Substantial

53. The main risks associated with the project and mitigation measures are as follows:

- (a) **Political and governance as well as macroeconomic risk: Substantial.** The level of government counterpart funds was reduced during appraisal, as agreed between the government and the Bank, due to fluctuations in oil revenues and related government revenues. The residual risk is mainly due to future cash flow constraints. As a mitigation measure and to avoid any delays due to counterpart funding, it has been agreed that the government's counterpart funding will be agreed each year in connection with the approval of the Annual Work Plan and Budget (AWPB), rather than having a fixed percentage of counterpart funds for all activities. This is in line with the Bank's approach to accommodate more flexibility for the government to plan expenditures in the prevailing circumstances. There is an additional risk that funding for post-project upgrading activities could be restricted. This risk is mitigated by developing an upgrading strategy that can be scaled according to the available funding (pace of upgrading activities, number of neighborhoods upgraded in parallel, and technical specifications).
- (b) **Institutional capacity for implementation and sustainability: Substantial.** Upgrading existing unplanned settlements does not in itself prevent the emergence of new unplanned settlements. The proposed project includes activities to simplify urban planning legislation and regulation to focus on key aspects of urban planning, which is accompanied by institution building and generation of revenues for the municipalities to increase the chance of the new planning paradigm and service delivery mechanisms taking hold. It should be stressed that the proposed project does not aim to stop emergence of unplanned settlements but to contribute to reducing their emergence.
- (c) **Fiduciary: Substantial.** The FM risk is substantial due to the country's inadequate capacity context. The procurement risk is also substantial. The main mitigation measures include assigning all fiduciary aspects to the PCU, assuring adequate staffing, and strengthening ex ante and ex post control of project activities.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

54. About 65,000 people living in the neighborhoods targeted by the project will benefit directly or indirectly from upgrading activities. The investments will comprise complementary infrastructure investments (in roads, water and drainage systems, and access to electricity, and so on.) that together enhance the overall benefits for the communities. Expected quantifiable and unquantifiable benefits include (a) reduced time and cost related to transport and to fetching water; (b) improved protection against natural disasters, including floods; (c) reduced unemployment through creation of jobs (both temporary in construction and more permanent in markets and in the informal economy); (d) improved health conditions from lower incidence of waterborne diseases and better access to health facilities; (e) increased social capital and reduced crime; (f) improved environmental conditions and living conditions more generally; and (g) increased land and property values and higher revenue potential for the municipality. The project is expected to contribute to local economic development in the targeted neighborhoods. Other people living adjacent to the targeted neighborhoods will also benefit from increased road connectivity and from reduced incidences of flooding due to improved drainage.

55. The proposed project adopts demand-driven planning and design that will help ensure that investments respond to identified needs and support optimization of welfare benefits to residents of the beneficiary neighborhoods. The specific composition of investments in

Component 1 (accounting for US\$98 million or 82 percent of total investments) is not known and hence an ex ante economic and financial analysis cannot be carried out. Previous experience, for example, from the VUUP and the Emergency Urban and Social Rehabilitation in the neighboring Democratic Republic of Congo, indicates that neighborhood upgrading and urban road rehabilitation have economic rates of return above the opportunity cost of capital (5 percent) and as high as 50 percent or more in the case of tertiary infrastructure and some roads. Economic and financial analysis or screening will be used to support selection of investments, as described in the paragraphs below.

56. For connectivity and network investments under Subcomponent 1.1, cost-benefit analysis will be used to support investment selection but will not be entirely discriminatory to ensure the implementation of investments that are essential to connectivity and network integration of targeted neighborhoods. For roads, which will make up about US\$36 million of the program, the RED model will be used to estimate net present value (NPV) and economic rates of return (ERR) based on capital, maintenance, and rehabilitation cost weighed against economic gains with regard to reduced transport time and vehicle maintenance cost from improved transport infrastructure. A long list of potential investments exists, corresponding to investments in rehabilitating and constructing about 70 km of roads, while the project will only be able to finance works on about 18 km of roads under Subcomponent 1.1. The RED model was run on a sample of roads in the two cities (6 road sections with a total length of 16 km and an estimated investment cost of US\$34 million) to estimate ERR. The results show ERRs ranging from 4 percent to 69 percent for the individual road investments in the sample (with the variation mainly explained by difference in vehicle load); thus, not all roads in the sample are economically viable (ERR below 5 percent) with the given parameters. For investments in water and electricity networks and in anti-erosion works, other methodologies will be used for cost-benefit analysis. The results will be used to complement the other criteria, detailed in annex 2: (a) focus on access to neighborhoods targeted by the project; (b) focus on heavily populated, poor neighborhoods; (c) integration with other infrastructure investments; and (d) concentration of resources on a few main investments for increased impact.

57. The selection of investments under Subcomponent 1.2 will make use of a socioeconomic screening tool to be included in the PIM, with simple and transparent criteria to allow beneficiary participation. Selection will follow the iterative process implemented as part of Subcomponents 2.1 and 2.2 (detailed in annex 2), supported by community facilitation consultants and in close collaboration with design engineers. Since the selection pool will be large and comprise mainly small tertiary infrastructure investments, cost-effectiveness analyses will be the principal tool for screening of economic alternatives. This will be complemented by a simplified cost-benefit analysis to introduce the basic concepts of costs and benefits to the stakeholders and incorporating considerations of sustainability of investments, their O&M, equity, potential employment impact, and considerations of vulnerable groups. This latter part of the exercise will help identify key costs and benefits of proposed investments, both individually and collectively. This type of approach has been demonstrated to support increased efficiency of project investments (for example, in the West Bank and Gaza Municipal Development Program). The guidelines for the socioeconomic screening exercise were developed during project preparation and will be incorporated in the PIM. The involved stakeholders will be provided with training and technical assistance to use the screening tool.

58. To capture the full picture of economic costs and benefits and estimate NPV and ERR for the project investments, economic analysis will be carried out for a sample of investments at the MTR and project closing.

Rationale for Public Sector Provision

59. Restructuring neighborhoods is a long process that requires broad consultation between populations and various stakeholders, and needs strong government involvement both at the central and local levels. In most countries where this process is successful, the government agencies initiated and carried out operations with the help of NGOs or community-based organizations. Due to weak revenue mobilization, the necessary resources to finance such interventions are not available at city level and therefore central government support is required to provide financing for critical investments to meet the investment gap and accelerate the pace of reforms.

Value Added of Bank's Support

60. The Bank has substantial experience in urban poverty alleviation and slum upgrading that it brings to the table. These experiences gained in African countries like Mauritania, Kenya and Tanzania and in other regions (see Lessons Learned section) contribute to sound design and implementation of the project. Furthermore, the Bank is present in the sector through the PEEDU. That project currently operates in the cities targeted by the proposed project and the proposed project will be able to complement the PEEDU by addressing the problems of unplanned neighborhoods, which hitherto do not benefit from funding, and deepen the capacity-building activities for better prospects of sustainability of investments and processes.

B. Technical

61. The solutions proposed give due consideration to the needs expressed by the municipal officials and confirmed by the local population during public consultations. The proposed project opted to address some of the poorest neighborhoods not already being assisted by the PEEDU, offering them access to infrastructure and services that can significantly improve their living conditions. The proposed UDPNUP will comply with technical standards for the design of storm drain systems, water supply, and urban roads. Work on urban roads will continue to make use of the labor-intensive paving techniques used by the PEEDU, thus helping to reduce youth unemployment. The use of such techniques makes it possible for small and medium enterprises to bid and win contracts and will contribute to development of the construction industry in Brazzaville and Pointe-Noire. The advantage of these techniques is reduced maintenance costs, as small and medium enterprises can carry out tasks at lower costs. The training program developed under the PEEDU will be replicated to neighborhoods benefiting from the proposed UDPNUP. The good experiences from the PEEDU on drainage maintenance will be implemented by the UDPNUP. A particular focus will be on the consideration of potential climate change effects in the design of envisaged physical investments (particularly roads and drainage).

C. Financial Management

62. As part of project preparation, an FM assessment of the PCU has been carried out. The objective of the assessment was to determine whether (a) this unit has adequate FM

arrangements to ensure that the above-mentioned 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 FM assessment was conducted in accordance with the Financial Management Practices Manual issued by the Financial Management Sector Board on November 3, 2005, 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) has been carried out. **The assessment concluded that, the overall residual FM risk is Substantial.**

63. **Disbursements.** The IBRD funds (US\$80 million) and RoC counterpart funds (US\$40 million) will be managed through two bank accounts to be opened and maintained by the PCU in a commercial bank acceptable to the Bank as follows: (a) a designated account (DA) in FCFA to receive IBRD advances and to pay for project expenditures eligible for IBRD financing and (b) a project counterpart account in FCFA to receive counterpart deposits and replenishments and to record payments eligible for government resources. All bank accounts will be reconciled with bank statements by the PCU financial manager. The project will use the traditional Statement of Expenditures (SOE) method. Other disbursement methods such as reimbursement, direct payment, and special commitment may be applicable.

64. **Counterpart funding.** Due to risk of delay in releasing counterpart funds on time, government contributions will be determined in the PIM and the related amount deposited in the Government Counterpart Account according to the agreed disbursement schedule. Subsequent replenishments will be made by the government based on the disbursement schedule to be agreed upon each year at the same time as the AWPB is approved. No later than the project MTR date, the government should have disbursed at least 40 percent of its expected contribution, with the remaining 60 percent to be disbursed before project closing.

65. Detailed FM arrangements, including the status of conditions of effectiveness, are presented in annex 3.

D. Procurement

66. **Rules and procedures.** Procurement will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers', published by the Bank in January 2011, revised July 2014; "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011, revised July 2014; and the provisions stipulated in the Loan Agreement. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and updated January 2011, shall apply to the project.

67. A draft procurement plan was finalized during negotiations and will be updated at least annually or as required. All works, goods, and consultancy services to be procured under this project will be carried out using the Bank's Standard Bidding Documents (SBDs) or standard Request for Proposals (RFP) for all International Competitive Bidding (ICB) for goods and works and recruitment of consultants, respectively. For National Competitive Bidding (NCB), while waiting for the Bank to give its no objection on the national bidding documents being

developed and implemented under the 2009 Procurement Law, the borrower will use the Bank's SBD for ICB for goods and works and the Bank's standard RFP for recruitment of consultants.

68. **Institutional arrangements.** The PCU in the MPTPLSW will be responsible for coordinating and implementing all UDPNUP project activities. The capacity of municipalities to implement procurement (that is, establishment and adequate staffing of a procurement function, satisfactory implementation of a procurement plan, and successfully passing a procurement audit) will be evaluated during the project with a view to transferring responsibility for smaller project implementation tasks to project cities if adequate capacity has been demonstrated and with adequate fiduciary safeguards.

69. **Procurement capacity.** As a result of the assessment carried out during project preparation, following the decision to attribute implementation responsibility to the MPTPLSW, it was concluded that **the overall residual procurement risk is Substantial.**

E. Social (including Safeguards)

70. Neighborhood upgrading will take place in situ and investments will be chosen based on consultation with local populations to minimize resettlement and other adverse social impacts. However, the proposed infrastructure investments may entail displacement of households and economic activities. For this reason, the project triggers OP 4.12 - Involuntary Resettlement. Because project activities will not be selected until implementation, it is not possible to identify the resettlement impact before appraisal. Therefore, a Resettlement Policy Framework (RPF) was prepared and disclosed in country on December 18, 2014, and at the Bank's InfoShop on February 9, 2015. This document has been reviewed by the Bank and adheres to the requirements of OP 4.12. The relatively low density of the two cities and the targeted neighborhoods means that upgrading can take place with rather limited negative social impacts, as rights-of-way are mostly unoccupied. The RPF estimates that at most 700 households will be affected by project activities, the majority of whom will experience temporary displacement of economic activities during construction, while at most 100 households will be affected by the relocation of a residential structure. These are cumulative estimates for all possible project activities in a range of geographical locations, and because there will be no major infrastructure works, there will be no large-scale collective resettlement of households.

71. Project consultation activities will take place at times that will allow women and youth to participate, and the terms of reference (TOR) for the community facilitators will require particular attention to gender aspects in the community mobilization, needs-determination process, and awareness campaigns on climate change adaptation. The concerns of youth, women, and vulnerable/marginalized groups will be fully integrated by involving representatives of these groups (as individuals or through existing civil society organizations) in both the participatory planning process and in key decision-making structures. Also, where possible, project results indicators and impact assessments will be disaggregated by gender. Improved access to water will relieve daily burden on women, while improved roads also facilitate access to markets and essential services such as health centers. The impacts will be evaluated through the impact assessments.

72. The capacity of the MPTLPLSW to implement the requirements of the RPF will be enhanced through the recruitment of a safeguards specialist, who will receive implementation support and guidance from the task team social development specialist. The RPF describes the procedures for identifying and compensating any project-affected persons. The consultation process for the project includes a range of formal and informal on-site interviews and meetings with participation of the COLODE and local residents, as well as other stakeholders. Overall, the process of screening for each investment will determine the likely impacts and, where necessary, Resettlement Action Plans (RAPs) will be prepared and approved by the Bank before the launch of works. Compensation and resettlement assistance will be determined during the process of RAP preparation and delivered before the launch of works. Loan funds will not be used to cover the cost of compensation and resettlement assistance, which is estimated at FCFA 1.8 billion (about US\$2.8 million) as these will be financed by the RoC in addition to its counterpart funds under the project.

73. The Loan Agreement will require the government to prepare and submit to the Bank for approval and disclosure all RAPs as required by the RPF before the launch of any works. Before commencing any works, the government will take all actions required by the respective RAP and obtain the Bank's confirmation that the works may commence. Finally, the government, through the PCU, will report quarterly to the Bank on the social safeguard measures taken.

74. Communities and individuals who believe that they are adversely affected by a World Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

F. Environment (including Safeguards)

75. The proposed project will finance physical infrastructure investments and triggers OP 4.01 - Environmental Assessment and OP 4.11 - Physical Cultural Resources. It will likely entail site-specific and largely reversible environmental impacts, and for this reason the project is rated Environment Category B. The project will finance the construction of drainage facilities for storm water originating in the two targeted neighborhoods in Brazzaville, which will not necessitate any treatment nor alter the quality of the water in the Congo River or its tributaries. The PCU arrangements for management of environmental aspects have been evaluated and will be detailed in the PIM. The Bank's supervision missions will also include an environmental safeguards specialist to make sure that all safeguard issues are properly addressed, complemented by follow-ups as needed between missions.

76. The Environmental and Social Management Framework (ESMF) contains a specific chapter to address all issues related to OP 4.11 - Physical Cultural Resources. After its elaboration, local consultations were held on the ESMF and it was disclosed in-country on December 18, 2014, and at the Bank's InfoShop on January 22, 2015. The ESMF outlines an environmental and social screening process, including institutional responsibilities for screening, review and clearance, and implementation of mitigation and monitoring measures for future investments. This screening process consists of (a) an environmental and social screening form to determine potential adverse environmental and social impacts and record the outcome of consultations; (b) an environmental and social checklist with generic mitigation measures to be adapted to the specific investment; (c) a summary of the Bank's safeguard policies; (d) an Environmental and Social Management Plan (ESMP) including environmental monitoring indicators and capacity-building activities; (e) environmental guidelines for contractors; and (f) generic environmental impact assessment TOR. It is also designed to serve as a guide for developing Environmental and Social Impact Assessments (ESIAs) and ESMPs as needed, when the exact sites are known.

77. The Loan Agreement will require the government to prepare and submit to the Bank for prior approval and disclosure any required ESIAs and ESMPs in accordance with the ESMF, for the activities proposed to be carried out under the project. Before commencing any works, the government will take all actions required by the ESMP and obtain the Bank's confirmation that the works may commence. Finally, the government, through the PCU, will report quarterly to the Bank on the environmental safeguard measures taken through a specific Safeguard Monitoring Report and a summary of this report is to be included in the periodic project progress reports.

Annex 1: Results Framework and Monitoring

Country: Republic of Congo

Project Name: Urban Development and Poor Neighborhood Upgrading Project (P146933)

Results Framework

Project Development Objectives

PDO Statement

The project development objectives are to: (1) improve access to infrastructure and basic services for people living in selected unplanned settlements in Brazzaville and Pointe Noire; and (2) strengthen government and municipal capacity for urban upgrading.

These results are at

Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Neighborhood upgrading plans for which the UDPNUP activities implemented (Text)	0	0	1 plan prepared	4 plans prepared	2 plans implemented	4 plans implemented	4 plans implemented
Municipal infrastructure asset management system in place and municipalities' key assets managed according to asset management plans (Text)	0	n/a	Asset management system in place	Asset management plans implemented at 30%	Asset management plans implemented at 50%	Asset management plans implemented at 70%	Asset management plans implemented at 70%
Beneficiaries that feel project investments reflected their needs (Percentage) - (Core)	0.00	0.00	75	75	75	75	75
Beneficiaries that feel project inv. reflected their needs - female	0	0	25,043	38,160	58,433	74,531	74,531

(Number - Sub-Type: Supplemental) - (Core)							
Beneficiaries that feel project inv. reflected their needs – male (Number - Sub-Type: Supplemental) - (Core)	0	0	22,208	33,840	51,818	66,094	66,094
Total beneficiaries - female (Number - Sub-Type: Supplemental) - (Core)	0	0	33,390	50,880	77,910	99,375	99,375
Total beneficiaries - male (Number - Sub-Type: Supplemental) - (Core)	0	0	29,610	45,120	69,090	88,125	88,125
Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project (Number) - (Core)	0	22,500	60,000	90,000	135,000	187,500	187,500
Direct project beneficiaries (Number) - (Core)	0	22,500	60,000	90,000	135,000	187,500	187,500
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	53	53	53	53	53	53	53

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Number of people in urban areas provided with access to Improved Water Sources under the project (Number) - (Core)	0	0	3,000	6,000	12,000	60,000	60,000
Roads rehabilitated, non-rural (Kilometers) - (Core)	0	3	8	12	18	18	18
New piped household water	0	0	500	1,000	2,000	4,000	4,000

connections that are resulting from the project intervention (Number) - (Core)							
Person-days of temporary employment created in construction. (Number)	0	350,000	1,000,000	1,300,000	1,700,000	2,400,000	2,400,000
Urban sector legislation and regulation operationalized through adoption of decrees (Yes/No)	No	No	No	Yes	Yes	Yes	Yes
Grievances registered related to delivery of project benefits addressed (%) (Percentage) - (Core)	0	0	80	95	95	95	95
Grievances related to delivery of project benefits that are addressed (Number - Sub-Type: Supplemental) - (Core)	0	0	80	95	95	95	95
Neighborhood upgrading strategy adopted and operational (Yes/No)	No	No	No	No	No	Yes	Yes
Increase in municipal own source revenue (Percentage)	0	0	3	8	15	20	20
Project investments with O&M arrangement in place and functioning one year after completion (Percentage)	0	0	0	80	85	95	95
Intended beneficiaries aware of project info. and project investments (%) (Percentage) - (Core)	0	40	50	70	75	75	75
Intended beneficiaries aware of project info. and project investments – female (Number - Sub-Type: Supplemental) - (Core)	0	13,780	17,225	24,115	25,838	25.,838	25,838

Intended beneficiaries aware of project info. and project investments –male (Number - Sub-Type: Supplemental) - (Core)	0	12,220	15,275	21,385	22,913	22,913	22,913
Intended beneficiaries – female (Number - Sub-Type: Supplemental) - (Core)	0	34,450	34,450	34,450	34,450	34,450	34,450
Intended beneficiaries - male (Number - Sub-Type: Supplemental) - (Core)	0	30,550	30,550	30,550	30,550	30,550	30,550
Annual training program activities implemented (Percentage)	0	60	70	80	80	80	80

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Neighborhood upgrading plans for which the UDPNUP activities implemented	Indicator measures implementation of upgrading according to plans defined by beneficiaries in the four project targeted neighborhoods.	Annual	M&E reports, impact evaluation for MTR and project closing.	PCU, community representatives
Municipal infrastructure asset management system in place and municipalities' key assets managed according to asset management plans	Implementation of asset management plan to be measured based on municipal budget ratios for implemented maintenance and physical verification.	Annual	M&E reports, surveys at MTR and project closing, technical audits.	PCU, Municipalities
Beneficiaries that feel project investments reflected their needs	This will measure the extent to which decisions about the project reflected community preferences in a consistent	Annual	Reports of community facilitators and surveys for MTR (satisfaction with	PCU, community representatives

	manner.		process) and project closing. Indicator will be disaggregated by gender.	
Beneficiaries that feel project inv. reflected their needs - female	Subtype for the above indicator.		Subtype for the above indicator.	PCU, community representatives
Total beneficiaries - female	Subtype for the above indicator.		Subtype for the above indicator.	PCU, community representatives
Total beneficiaries - male	Subtype for the above indicator.		Subtype for the above indicator.	PCU, community representatives
Beneficiaries that feel project inv. reflected their needs - male	Subtype for the above indicator.		Subtype for the above indicator.	PCU, community representatives
Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project	All-season road is defined as a road that is motorable all year by the prevailing means of transport. Predictable interruptions of short duration during inclement weather (for example, heavy rainfall) are acceptable. Data on the number of people provided with access will be measured by multiplying the length of roads upgraded with the estimated population density along the road, with any double counting excluded.	Annual	M&E reports, impact evaluation for MTR and project closing, community self-surveys. The number of beneficiaries is higher than the number of neighborhood residents, as the beneficiaries outside of targeted neighborhoods are not considered as direct beneficiaries. It is estimated that the catchment areas for roads are partially superimposed, and although the access is considered as provided within 500 m, only half of this area is included to avoid double counting. The results are to be verified through the impact assessments.	PCU, community representatives

Direct project beneficiaries	Primary direct beneficiaries are the people benefiting from improvements in infrastructure and basic services in the targeted neighborhoods (65,000 persons) but people benefiting from roads outside the targeted neighborhoods are also included as direct beneficiaries.	Annual	M&E reports, impact assessments for the MTR and project closing, and community self-surveys. It is considered that the entire populations of project neighborhoods will benefit from project interventions since the roads will serve the entire neighborhoods. The projection of number of beneficiaries is done by counting the beneficiaries from roads plus the people benefiting from access to water, with a ceiling corresponding to the number of beneficiaries of roads. As exact investments are not known at appraisal, the impact assessments and community self-surveys will serve to verify the actual number of beneficiaries and if project outputs are actually used by neighborhood residents.	PCU, community representatives, municipalities
Female beneficiaries	The percentage of female beneficiaries is estimated based on the composition of the population of the Republic of Congo.	No description provided.	More detailed estimates will be made in connection with project impact assessments.	PCU, community representatives, municipalities

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data
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				Collection
Number of people in urban areas provided with access to Improved Water Sources under the project	<p>This indicator measures the actual number of people in urban areas who benefited from improved water supply services that have been constructed under the project.</p> <p>Guidance on 'improved water sources': Improved water sources include piped household connections (house or yard connections), public standpipe, boreholes, protected dug well, protected spring and rainwater collection. Hence, "Improved Water Sources" do not include, inter alia, water provided through tanker truck, vendor, unprotected well, unprotected spring, surface water (river, pond, dam, lake, stream, irrigation channel), or bottled water. The definition of what is considered an 'improved water source' follows the UNICEF-WHO Joint Monitoring Program definition. Note that "Improved Water Sources" does not refer to the question of new versus rehabilitated water sources, but is the standard definition used to track progress on the Millennium Development Goals. Guidance on people with access: The data on the number of people provided with access can be estimated by TTLs by multiplying i) the actual number of piped connections with an estimate of the number of people per household connection; and/or ii) the actual number of community water points with an estimate of the number of people per community water point. The assumptions made regarding number of people per connection made should be carefully</p>	Annual	M&E reports, impact evaluation for MTR and project closing, community self-surveys	PCU, community representatives

	documented in the 'comments' section of the indicator when data is entered in the ISR. Guidance on urban classification: The classification should follow the official definition used in the country.			
Roads rehabilitated, non-rural	Kilometers of non-rural roads rehabilitated under the project. Non-rural roads are roads functionally classified in various countries as trunk or primary, secondary or link roads, or sometimes tertiary roads. Typically, non-rural roads connect urban centers/towns/settlements of more than 5,000 inhabitants to each other or to higher classes of road, market towns and urban centers. Urban roads are included in non-rural roads.	Annual	M&E reports (expected ratio of road rehabilitation: 60%/40% for Brazzaville/Pointe-Noire)-	PCU
New piped household water connections that are resulting from the project intervention	Number of new piped household water connections, which result from the project intervention. A piped household water connection is defined as a connection that provides piped water to the consumer through either a house or yard connection. Hence, they do not include, inter alia, standpipes, protected well, borehole, protected spring, piped water provided through tanker trucks, or vendors, unprotected wells, unprotected spring, rivers, ponds and other surface water bodies, or bottled water.	Annual	M&E reports	PCU
Person-days of temporary employment created in construction.		Annual	M&E reports. The reports of works supervisors will keep track of daily use of manual labor on works sites.	PCU

Urban sector legislation and regulation operationalized through adoption of decrees	Indicator measures whether the urban sector legislation, in the process of being adopted, is fully operationalized through adoption of relevant decrees.	Annual	M&E reports.	PCU, MCUDH
Grievances registered related to delivery of project benefits addressed	This indicator measures the transparency and accountability mechanisms established by the project so the target beneficiaries have trust in the process and are willing to participate, and feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow grievance or redress mechanisms to be established in all projects.	Annual	M&E reports, community facilitator reports. Methodology to be detailed in the PIM according to core indicator definitions.	Community facilitators, community representatives, PCU
Grievances related to delivery of project benefits that are addressed (number)	Subtype for the above indicator.		Subtype for the above indicator.	Community facilitators, community representatives, PCU
Neighborhood upgrading strategy adopted and operational	Indicator concerns the strategy to be developed with support from the project.	Annual	M&E reports and project impact assessment to determine if the strategy is fully operational	PCU, MCUDH
Increase in municipal own source revenue	Indicator covers own source investment and operating revenue.	Annual	M&E reports. Increase to be measured compared to baseline year 2015.	PCU, municipalities
Project investments with O&M arrangement in place and functioning one year after completion		Annual	M&E reports, surveys at MTR and project closing and technical audits. For infrastructure completed less than one year before project closing, the indicator will measure whether they have O&M arrangements in place and are functioning at the time	PCU, municipalities

			of project closing.	
Intended beneficiaries aware of project info. and project investments	This indicator intends to measure the effectiveness of consultation and communication mechanisms in terms of ensuring that information about the project and project supported investments have been communicated effectively.	Annual	Community facilitators' reports and impact assessments at MTR and project closing. The indicator measures the percentage of primary direct beneficiaries (the 65,000 beneficiaries of neighborhood upgrading).	PCU, community representatives, community facilitators
Intended beneficiaries aware of project info. and project investments - female	Subtype for the above indicator.	No description provided.	Subtype for the above indicator.	PCU, community representatives, community facilitators
Intended beneficiaries aware of project info. and project investments –male	Subtype for the above indicator.	No description provided.	Subtype for the above indicator.	PCU, community representatives, community facilitators
Intended beneficiaries - female	Subtype for the above indicator.	No description provided.	Subtype for the above indicator.	PCU, community representatives, community facilitators
Intended beneficiaries - male	Subtype for the above indicator.	No description provided.	Subtype for the above indicator.	PCU, community representatives, community facilitators
Annual training program activities implemented	Indicator measures percentage of annually planned training activities that are implemented.	Annual	M&E reports.	PCU, municipalities, MCUDH

Annex 2: Detailed Project Description

REPUBLIC OF CONGO: Urban Development and Poor Neighborhood Upgrading Project

1. The proposed UDPNUP is a follow-on to the PEEDU² (US\$275.5 million) approved in 2010 and under implementation in Brazzaville and Pointe-Noire. The PDO of the PEEDU is to increase access to basic infrastructure services, safe drinking water, and electricity for the inhabitants of targeted areas in the cities of Brazzaville and Pointe-Noire. In addition to the PDO, the PEEDU aims to contribute to the consolidation of the water and electricity sectors and reform of the national utility companies in these two sectors. The PEEDU has also already supported the municipal administrations of Brazzaville and Pointe-Noire in FM, investment programming, and monitoring of investments for greater ownership of the results (results are presented more in detail in the description below).

2. Some progress has been made in addressing the urban sector issues described in the background section, supported by the PEEDU and the government's Accelerated Reconstruction of Municipalities Program (*Programme de municipalisation accélérée*), but a more coherent and integrated approach to link investments and institution building is needed to induce systemic changes in urban sector management. Despite the progress that has been made, the two municipalities started from very low technical, financial, and organizational capacity, and large unmet needs in all aspects of city administration remain to be addressed if the city officials and administrations are to play a substantial role in urban and municipal management.

3. The proposed UDPNUP will build on the achievements of the PEEDU to develop a more cohesive and inclusive approach to urban development. The proposed project will focus on upgrading some of the poorer neighborhoods of the two cities that are not already targeted by the PEEDU, linking this upgrading process to development and implementation of a national strategy for restructuring of unplanned neighborhoods. The participatory approach that has been developed under the PEEDU (for investment programming and maintenance) will be strengthened and developed into a more integrated approach that creates a higher level of synergy between investments and institution building. The proposed UDPNUP will focus more on involvement of beneficiary communities throughout the process of diagnosing neighborhood needs, selecting and implementing investments and ensuring their maintenance and operation. The proposed UDPNUP will also further strengthen city administrations' capacity for community outreach and improve collaboration between city authorities and technical services on the one hand and the beneficiary communities on the other.

4. The proposed UDPNUP will make a shift from the PEEDU's predominantly sector-based approach to access to services (with focus on the water and electricity sectors) to a more geographically focused approach to integrated upgrading. The project strategy is both adaptive and proactive. The upgrading approach favors in situ upgrading to minimize resettlement, reduce cost, and keep the approach as simple as possible to allow the

² The PEEDU is an IDA/IBRD blend operation. The original IDA financing was approved in 2010 for US\$25.5 million (with US\$100 million RoC co-financing) and was scheduled to close in 2015. An additional financing was approved in 2014 as a US\$60 million IDA/IBRD blend operation (with US\$90 million government co-financing). The closing date was extended to 2019 in conjunction with approval of the additional financing, which is targeted exclusively toward the electricity sector. The capacity-building activities included in the original financing are largely finalized or on the way as described below.

government to scale up the approach after the project and continue to make improvements in other neighborhoods on its own funds. At the same time, the project contains elements that will contribute to reducing the emergence of unplanned settlements in the future (although a complete stop of emergence is not realistic given the time frame and budget of the proposed project).

5. The project is thus designed to help realize a long-term vision of increased municipal responsibility for urban development and delivery of services to the city residents and doing so with high levels of inclusion and participation by the urban population. This also represents a move away from current centralized implementation arrangements for infrastructure investment and service delivery. The project is designed to develop the necessary capacity for the central government and city administrations to be able to replicate the upgrading process to other neighborhoods after the project, in collaboration with neighborhood residents.

6. Based on the above analysis and to address some of the main challenges of urban upgrading and capacity building, identified in the context section of the main text, the components are designed around two mutually reinforcing elements: (1) Investments to provide basic infrastructure and access to services in some of the most vulnerable neighborhoods. In the long term, this will contribute to reducing large disparities in living conditions within the two cities, assure better integration of beneficiary neighborhoods into the urban fabric, and contribute to economic growth and densification of low-density neighborhoods by encouraging investment in new housing stock. While the latter is not part of the PDO, project impact assessments will be designed to provide qualitative information on progress; and (2) Developing governmental capacity and institutional foundations to continue inclusive upgrading in unplanned neighborhoods not targeted by the project (including those neighborhoods situated in riverbeds or areas of advanced erosion, which the proposed project does not address) and to avoid future unplanned urban development.

7. The basic principle underlying the identification of investments is the need to focus on some of the poorest neighborhoods of Brazzaville and Pointe-Noire. A poverty study carried out in 2009 as preparation for the PEEDU has served as a starting point for selecting beneficiary neighborhoods based on monetary poverty and living conditions. The guiding principles for selection were economic poverty, regularity of road grid to avoid resettlement, and vulnerability of the population, including insecurity of housing, population density, risk of waterborne diseases, and lack of access to infrastructure and basic services (health, education, water, transport, solid waste management, and economic infrastructures). Neighborhoods situated in a riverbed (*non-aedificandi*) or in areas of advanced erosion were not included due to the complexity of upgrading these neighborhoods or resettling the population.

8. Selection of neighborhoods was discussed with the government and elected officials of each city during project preparation. As a result, the proposed project includes the following neighborhoods in Brazzaville: Mukoundzi-Ngouaka (Baongo Arrondissement) and Monkondo-Soukissa (Moungali). In Pointe-Noire the neighborhoods are Tchiniambi 1

(Loandjili), and Mboukou (Tié-Tié).³ The total population in these neighborhoods is around 65,000 and the area is about 420 ha, with a population density of about 155 habitants per ha.

9. During implementation, other neighborhoods will be selected and will benefit from support under Subcomponents 2.1 and 2.2, described below, to develop neighborhood upgrading plans. The project will develop plans and engineering studies for the selected infrastructures, develop a budget for the entire program as well as programming of works, and definition of responsibilities for implementation of planned activities. The stakeholders (government, cities, and future beneficiary communities) will thus have at their disposal a bank of projects to be financed on rolling budgetary basis, based on the government's future budgetary allocations for upgrading and any available city and community co-financing.

Component 1: Integration and Neighborhood Upgrading (US\$97.8 million, of which IBRD: US\$65.2 million, RoC: US\$32.6 million)

10. The component objective is to provide access to infrastructure and basic services in targeted neighborhoods and improve connectivity and network integration with the rest of the city. There are two subcomponents: (1) connectivity and network investment program and (2) upgrading investments. The costs presented include engineering designs, safeguards studies, and works supervision.

1.1: Connectivity and Network Investment Program (US\$43.2 million, including unforeseen expenses)

11. Through the connectivity and network investment program, the project aims to provide access to transport and primary water and electricity networks to link selected neighborhoods to the rest of the city. The primary objective is to enhance physical integration of the neighborhoods into the urban fabric and reduce marginalization of these areas. In conjunction with upgrading activities (Subcomponent 1.2), the currently saturated urban transport network will struggle to absorb the new flow of transport to or from these neighborhoods. Hence the importance of a connectivity program to build a secondary network to decongest main roads around the neighborhoods to improve urban mobility in these areas and more generally in the city. The related storm water drainage benefits of road construction and rehabilitation will improve neighborhood accessibility in the rainy season. The component will also fund some anti-erosion works with an amount set aside for needed primary infrastructure investments to connect neighborhoods to water and electricity networks (based on residents' expressed needs and upgrading preferences). This will directly contribute to reinforcing results attained in the PEEDU.

12. Creation of temporary work during construction through use of labor-intensive construction techniques will be integrated into bidding documents. This is in continuation of the labor-intensive road construction technique already supported by the PEEDU (road

³ These neighborhoods were retained after reappraisal of the project in October–November 2015 after the original project had targeted four neighborhoods in Brazzaville and three neighborhoods in Pointe-Noire. The mayors of Brazzaville and Pointe-Noire confirmed the neighborhoods that were actually retained by letters dated November 13 and 27, respectively. The AFD currently intervenes in urban upgrading in the Baongo and Makélékélé Arrondissements in Brazzaville and is planning a drainage and solid waste management project. Interventions by the AFD in drainage and solid waste management are also being planned in Pointe-Noire. The proposed UDPNUP is fully coordinated with these interventions. The upgrading activities to be potentially financed in parallel by the AFD will target other neighborhoods.

construction with interlocking concrete elements and anti-erosion works with gabions) by which unskilled labor, young people in particular, benefits from temporary employment opportunities.

13. **Roads.** The proposed project will allocate about US\$36 million to upgrade about 18 km of road works (with an expected cost of about US\$2 million per kilometer). These roads are to be selected from a long list of 70 km of possible investments for which engineering designs are available. Final selection of priority roads will be made on the basis of the following criteria, in order of importance: (a) focus on access to neighborhoods targeted by the project which currently have no all-season road access to the center of the city; (b) focus on heavily populated, poor neighborhoods; (c) integration with existing infrastructure investments to amplify the impacts and to improve their functionality through better integration in the urban fabric; (d) concentration of resources on a few main roads (rather than dispersion across many sections) to allow for the restoration of access and traffic in a comprehensive manner along key axes; and (e) economic viability of investments (that is, economic rates of return above the opportunity cost of capital at five percent), which will need additional but light economic studies using the RED model. In addition to the above criteria, readiness for implementation will play a discriminating role; that is, roads included in the road connectivity program with existing engineering studies are given the highest priority, as this will speed up implementation and increase efficiency due to lower cost of studies.

14. **Anti-erosion.** Urgent action is also needed to limit the erosion that worsens with each rainy season, causing substantial human harm and material damage. Unplanned neighborhoods suffer the most from these effects, which contributes to their isolation. Of 15 identified sites of erosion, one will be selected for funding as part of this subcomponent. The funds will suffice for rehabilitating about 10,000 m² of anti-erosion works in Brazzaville, to be selected based on the same criteria as road rehabilitation works (with different methodology for economic analysis). The component allocation for anti-erosion works is US\$3.2 million.

15. **Water and electricity.** To cater to the need to expand water and electricity networks to the targeted neighborhoods (some of which are not presently connected to the networks), US\$4 million is reserved for these works. The selection criteria are similar to those governing selection of investments in road connectivity.

1.2: Upgrading Investments (US\$54.6 million, including unforeseen expenses)

16. This subcomponent will finance investments to rehabilitate or construct socioeconomic infrastructure in the targeted neighborhoods, as determined with the beneficiary populations during the consultative processes outlined under Subcomponents 2.1 and 2.2. Without being limitative, the project is targeting the following list of infrastructures: (a) neighborhood roads and lighting; (b) drainage works and environmental and anti-erosion work; (c) water and electricity networks and access; and (d) commercial facilities, health centers, primary schools, and other municipal infrastructure. The guiding principles for selection of investments are presented under Subcomponent 2.2. The project will coordinate with relevant sector ministries to harmonize activities and ensure full O&M after the works are completed, and the modalities for coordination between Bank-funded sector operations were agreed during appraisal.

17. The total area to be upgraded is 420 ha, and the cost is estimated at about US\$130,000 per hectare (estimate based on recent comparable upgrading investments in Dakar and N'Djamena). Specifically concerning access to electricity and water, synergy will be established with the PEEDU, which provides funding for 50,000 social connections for the population in unplanned neighborhoods, including those targeted by the UDPNUP. The PEEDU also has 30,000 household connection kits available for water connections (reducing connection cost from FCFA 112,000 (about US\$190) to FCFA 50,000 (about US\$85) for beneficiaries). The investments resulting from the second round of upgrading planning in Subcomponents 2.1 and 2.2 will not be funded by the UDPNUP but will present a bank of projects that the stakeholders (government, cities, and future beneficiary neighborhoods) will have at their disposal to be financed on a rolling budgetary basis, based on the government's future budgetary allocations for upgrading (plus potentially any available future city and community co-financing).

Component 2: Development of Institutions and Capacity (US\$20.4 million, of which IBRD: US\$13.6 million, RoC: US\$6.8 million)

18. The component objective is to institute an integrated approach to upgrading urban neighborhoods and reduce emergence of new unplanned settlements. The proposed project will support the development and institutionalization of the approach, to allow the government and cities to continue implementing neighborhood upgrading using own funds after the project. The component includes the development of tools and approaches that will contribute to preventing further growth of unplanned neighborhoods. The component is divided into four subcomponents: (1) community facilitation, (2) neighborhood upgrading plans, (3) urban sector organization and regulation, and (4) city-level institution building. Strong synergy will be developed between Subcomponents 2.1 and 2.2, with community facilitation and elaboration of neighborhood upgrading plans taking place in an iterative process.

2.1: Community Facilitation (US\$3.6 million, including unforeseen expenses)

19. This subcomponent will fund costs related to social intermediation activities and provide beneficiary neighborhoods with capacity support to fully engage in all aspects of restructuring activities. The component takes into account city administrations' limited capacity to carry out community outreach. The community facilitation activities will be implemented first in the selected project neighborhoods to develop upgrading plans. The exercise will then be repeated in new neighborhoods to be selected during project implementation. The second exercise will result in elaboration of neighborhood upgrading plans for these neighborhoods, which the government and cities can then implement using their own funds after the UDPNUP closes. During this second exercise, the lessons learned from the first exercise will be incorporated and direct involvement by city administrations in community facilitation activities will be increased to lessen the reliance on consultants in the community facilitation process.

20. The subcomponent will fund the following activities, to be included in the contract with the community facilitators:

- (a) Community facilitators. Hired consultants or NGOs will assist residents of targeted neighborhoods (and subsequently other neighborhoods, to be identified) to fully participate and engage in all aspects of upgrading design, from data collection and needs identification in investment planning and implementation to O&M. The

intensity of the facilitation support provided will vary according to the level of advancement of activities. While the facilitators will support the beneficiaries, they will not replace the residents in dialogue with the municipalities and central government, and the residents will remain fully in the driver's seat throughout the process. It will be part of the community facilitators' mandate to (i) ensure the involvement of vulnerable groups in selection of investments and (ii) contribute to developing the capacities of municipal staff involved in the process.

- (b) **Training for neighborhood representatives and city focal points.** Neighborhoods will select resident representatives to participate to all aspects of upgrading activities. These representatives will receive training to understand basic planning concepts and technical, financial, and economic aspects of infrastructure design and maintenance. Each project city will nominate a focal point person to participate in the same training activities and provide adequate incentives and logistical means to their nominated focal points to participate in project activities, especially given that many consultative activities will take place outside of normal working hours.
- (c) **Community facilitation activities.** These activities include workshops, press releases/conferences, and other mass communication activities, meetings and focus group discussions, and production of information materials and publications as well as communication campaigns on socio-environmental issues, hygiene, and sanitation.
- (d) **Training and assistance to develop new income-generating activities for project-affected persons.** This training and assistance does not include resettlement compensation, which is financed by the government.

2.2: Neighborhood Upgrading Plans (US\$8.6 million, including unforeseen expenses)

21. This subcomponent will fund consultant services for studies leading to plans for upgrading activities and restructuring as well as the engineering designs of works to be implemented. Consultants hired to assist the project cities will carry out feasibility studies and engineering designs in an iterative process with beneficiary communities. The activities will be carried out in conjunction with the community facilitation activities in Subcomponent 2.1. They will be implemented first in neighborhoods already selected for inclusion in the project at appraisal and then repeated in new neighborhoods selected during project implementation, with incorporation of lessons learned from the first exercise. The stakeholders (government, cities, and future beneficiary communities) will thus have at their disposal a bank of projects to be financed on a rolling budgetary basis, based on the government's future budgetary allocations for upgrading and any available city and community co-financing. The following activities will be implemented:

- (a) Establishment of site conditions (aerial photography and topographic surveys)
- (b) Elaboration of feasibility studies and upgrading plans
- (c) Elaboration of engineering designs and bidding documents of selected investments

22. The community facilitators hired as part of Subcomponent 2.1 will facilitate the process of subproject selection by helping residents identify investments that reasonably respond to criteria of cost-effectiveness, equity of costs and benefits to the stakeholders, sustainability, O&M, potential employment impact, and considerations of vulnerable groups.

Communities will select their initial investment needs, which the technical design consultants will then develop into feasibility studies to help the communities refine their initial selection. This will then lead to engineering designs, to be presented to and adjusted and approved by the beneficiary neighborhoods.

23. The process is designed to support efficient use of resources and maximize the community's welfare by identifying key costs and benefits of proposed investments, both individually and collectively. A socioeconomic screening tool was developed during project preparation to support this process, with simple and transparent screening criteria to allow for beneficiary participation. The results of the screening will serve to guide—but not exclusively determine—investment selection. For revenue-generating investments such as markets, a financial analysis will be required as part of feasibility studies.

2.3: Urban Sector Organization and Regulation (US\$3.2 million, including unforeseen expenses)

24. The subcomponent funds activities to improve the overall sector regulation, complemented by urban planning tools, with a focus on Brazzaville and Pointe-Noire. The PEEDU funded activities in this area, updating more-than-20-year old urban master plans for Brazzaville and Pointe-Noire and various legislative and regulatory provisions pertaining to the urban planning regulation, implementing decrees, land management provisions, and so on. This subcomponent contains activities designed to strengthen results.

25. Under this subcomponent, the proposed project will fund the following:

- (a) **Institutional diagnostic study of the urban sector (US\$0.2 million).** This study will support decisions on how to reorganize and determine the role and responsibilities of each actor in the sector with a view to reorganizing the sector and improving coordination (for example, by reinstating a system similar to previously rather well-functioning urban planning committees at various levels of central and local government or other means).
- (b) **Application of updated urban and housing legislation and regulation (US\$0.5 million).** The subcomponent will fund a comprehensive study on the application decrees necessary to apply and operationalize the updated urban and housing legislation and regulation, funded under the PEEDU. The objective will be to substantially simplify the way regulation is implemented in practice and focus on aspects that the government and municipalities will realistically be able to implement, including issuance of construction permits.
- (c) **Development of a neighborhood upgrading strategy (US\$0.3 million).** In extension of the updated legislation and its application, the project will fund the elaboration of a strategy to continue to implement upgrading programs developed under the proposed UDPNUP.
- (d) **Institutional support and capacity building to the MCUDH (US\$1 million).** This will include an organizational audit to develop a new organizational and functional structure with definition of human resource needs at the central and deconcentrated levels, a training and equipment plan, and purchase of equipment. In addition to the communication plan financed as part of Component 3, the MCUDH will receive support to developing a communication strategy dedicated to the various urban master

plans, land use plans, and district plans already developed under the PEEDU or to be developed under the proposed UDPNUP.

- (e) Elaboration of a land strategy, land use plans, and district plans for Brazzaville and Pointe-Noire and demarcation of rights-of-way (US\$1 million). This activity will take outset in the urban master plans for Brazzaville and Pointe-Noire, to be completed in July 2016 with PEEDU funds, to develop district plans to operationalize the master plans. These planning documents will lay out an urban grid for extension areas for the next 10 years for the two cities, and rights-of-way will be demarcated. The municipality is the legal entity responsible for developing these plans and municipal administrations will be associated to the elaboration of the plans, gradually building urban planning capacity in the municipal administrations.
- (f) **Incorporation of environmental and social safeguards in national legislation, including grievance mechanism (US\$0.2 million).** The project will fund a study on the incorporation of adequate redress and compensation mechanisms in national legislation and regulation. The grievance mechanism will be piloted under the proposed UDPNUP to ensure that any justified concerns of the population in targeted neighborhoods are adequately addressed. Technical assistance will be provided to implement study recommendations and institutionalize the piloted grievance mechanism.

2.4: City-level Institution Building (US\$5.0 million, including unforeseen expenses)

26. The subcomponent funds activities designed to strengthen the institutional role and the capacity of city administrations and elected officials to enable them to play a bigger role in funding, planning, implementing, and maintaining infrastructure and managing the upgrading process. The cities' collaboration with communities and local-level involvement in all aspects of upgrading and service delivery will also be strengthened, and the city administrations will receive the necessary support to use and implement the planning tools elaborated by the project. As the Accelerated Reconstruction of Municipalities Program is essentially an infrastructure investment program, the component will provide support to the cities to increase their revenues and gain more financial autonomy to allow them to maintain the UDPNUP investments, with outset in the municipal asset management system implemented as part of this subcomponent, and to take on an increasing role in service delivery. The municipal administrations will be associated with elaboration of TOR for all activities, to ensure their involvement and that specifications are in line with their needs.

27. The following activities are included in the component:

- (a) **Municipal infrastructure asset management (US\$1 million).** The PEEDU supported the city administrations of Brazzaville and Pointe-Noire to implement municipal audits and budget ratios as programming tools for preparation, monitoring, and implementation of maintenance programs. The proposed UDPNUP will further strengthen asset management by the municipalities. This will be done by establishing a more comprehensive asset management system, based on the existing asset database (urban land register) in Pointe-Noire and a new urban land register to be created in Brazzaville. At the outset, this database will comprise key municipal assets (roads and drainage, street lighting), as well as any investment funded by the project and for which the municipality has a role in O&M. The database will, if feasible, be integrated with the Simba FM software

and will be conceived to enable incorporation of all types of municipal assets (markets, municipal buildings, parks and recreational facilities, and so on). Staff of the municipal administrations will be trained to update the asset database yearly and to use the database to derive maintenance programs and budgets for O&M. The programmed activities are to be financed through the municipal budgets and the database and maintenance programs can be expanded in line with gradually increasing capacity to maintain the database and finance and execute maintenance programs (supported by the activities described below). Maintenance of drains by neighborhood maintenance crews implemented by the PEEDU will be integrated into the approach and training provided to the crews.

- (b) **Technical assistance to project management (US\$0.5 million).** The project will fund technical assistants to help the municipalities implement the upgrading activities. Consultants' TOR will clearly specify that knowledge transfer is a main objective of their mission. In return, the cities will nominate focal points to participate fully in project activities alongside the consultants (at least two engineers or planners) and will engage in providing adequate incentives and logistical means to their nominated focal points to participate in project activities.
- (c) **Improving management of commercial infrastructure (US\$0.25 million).** The proposed project will fund a study on an improved system for the management of commercial facilities (markets and bus stations) by the private sector and provide technical assistance to municipalities to implement the study recommendations. This will help ensure that the revenue-generating potential of these infrastructures is fully exploited.
- (d) **Updating the municipal tax database and revenue collection (US\$0.7 million).** The PEEDU has already provided support to identifying the tax base and preparation of a local tax manual for collecting the property tax, and performance is expected to improve going forward. The proposed UDPNUP will build on this to provide continued training on the tools, update the municipal tax database, and accompany the municipalities to collect the newly instituted local occupancy tax. This will include assessment, evaluation, and updating of tax registers and assistance with collection efforts.
- (e) **Street addressing (US\$0.8 million).** The proposed UDPNUP will fund street addressing activities in Pointe-Noire, to complement PEEDU activities and address at least 30,000 lots in total. The proposed UDPNUP will provide additional training and equipment to Brazzaville and Pointe-Noire city administrations to help further improve land management and tax collection.
- (f) **Procurement (US\$0.2 million).** The city administrations will be supported to strengthen their procurement units, including equipment and training. Although the resources currently managed by the cities are quite limited, this activity will allow the cities to implement procurement planning and follow national procurement procedures for the activities they currently fund with their own resources and for the procurement of works and services for maintenance of infrastructure assets in the future. The successful operationalization of a procurement unit (as demonstrated by a procurement audit) will be a condition for the city administrations to take over some procurement responsibility for investments funded by the proposed UDPNUP.

- (g) **Financial management (US\$0.5).** The municipal financial administrations are using the Simba accounting software (provided free by the *Association internationale des municipalités francophones*). The project will fund rollout of the Simba software to other municipal departments and districts (which are also revenue centers), including an FM manual and provide equipment and training on FM.
- (h) **Community outreach (US\$0.15 million).** The PEEDU aimed to set in place dedicated community development support units in the two targeted municipalities but the novelty of consultative collaboration with communities and the low level of social capital meant that the approach fell short of the objective of creating a strong working relationship. The proposed UDPNUP will work with the municipal administrations to set in place the required capacity for the municipalities to continue to work with communities to implement upgrading programs, including necessary budgeting and contracting for arrangements similar to the community facilitators included as part of Subcomponent 2.1.
- (i) **Training and technical assistance for municipal staff and elected officials (US\$0.5 million).** The PEEDU has funded training in implementation of environmental and social safeguards. The proposed project will support municipalities to develop and implement a regularly updated training program for staff in areas such as neighborhood upgrading, urban planning, and investment programming, to ensure that city officials have adequate skills at their disposal to continue to take on increasing responsibility in delivering services to the urban populations. As the needs of the municipal administrations are expected to evolve over the course of the proposed project, this subcomponent also includes funding for technical assistance in any aspect where the municipalities might need additional assistance, for example, for updating and expanding the municipal infrastructure asset database, improving organograms of the municipal administrations, and improving revenues from specific taxes or other revenues.
- (j) **Exchange of experience (US\$0.4 million).** This activity will allow officials, key staff, and neighborhood representatives to participate in exchanges with other municipalities, South-South exchanges, or study trips to learn from successful upgrading activities elsewhere.

Component 3: Project Management, Coordination, and Evaluation (US\$1.8 million, of which IBRD: US\$1.2 million, RoC: US\$0.6 million)

28. This component will fund incremental cost related to project implementation. The MPTPLSW will pay all costs related to staffing of the PCU and for the contribution of the PEEDU, which is not part of the component amount. The government will be required to second personnel (in the form of a ‘task force’) from the MCUDH to the PCU in the MPTPLSW to ensure transfer of competences. In addition to the government counterpart financing counted as part of the proposed project, the government will be required to provide adequate incentives for these civil servants to participate fully in project implementation. The component will further fund the following:

- (a) External financial audits and technical audits;
- (b) M&E system;

- (c) **Communication plan.** Development and implementation of an overall plan for communicating with the project's internal and external stakeholders;
- (d) **Baseline and impact assessments.** A baseline survey will be carried out to establish conditions in project intervention areas and comparative areas (control group). Two impact assessments (at MTR and project closing) will be commissioned to evaluate the impacts of the project and provide qualitative information on achievement of PDOs to complement the project results indicators. Specifically, the evaluations will look at the beneficiaries' perception of the project and the project's contribution to poverty reduction for poor households in the project areas, using a multidimensional definition of poverty. The study will also look at the sustainability of infrastructure constructed under the project, as well as the possibility and readiness to scale up urban upgrading activities. Baseline and progress data feeding into the studies will be collected throughout the project life by the M&E system;
- (e) Workshops; and
- (f) Supervision costs for environmental and social safeguards activities.

Annex 3: Implementation Arrangements

REPUBLIC OF CONGO: Urban Development and Poor Neighborhood Upgrading Project

I. Project Institutional and Implementation Arrangements

1. The institutional and implementation arrangements are designed to support the longer-term vision of increasing municipalities' role and responsibility in urban development and service delivery generally, and for future upgrading activities in particular, in strong collaboration with communities. After the initial appraisal of the project in April 2015, whereby the PEEDU PCU in the MFPW was to implement the UDPNUP, the government has decided that instead the MPTPLSW will be responsible for implementing the project. This ministry is implementing the Accelerated Reconstruction of Municipalities Program and the government is seeking to increase its role in urban development. The approach is to learn from the implementation arrangements of the PEEDU, implemented by the MFPW, keep the arrangements simple, and make adjustments to the approach that support increased municipal responsibility and community participation in project implementation and post-project O&M.

A. Project Coordination Committee

2. A PSC is already set up at the national level for the PEEDU. Due to sector overlaps and to minimize duplication of PSCs, the existing PSC will also be charged with coordinating the UDPNUP, with some changes to ensure stronger representation of beneficiary communities and to include the MPTPLSW. The participants are the MFPW; the MCUDH; the Ministry of Economy, Finance, Plan, Public Portfolio and Integration (President of the Committee); and the Ministry of the Interior and Decentralization, as well as the national water and electricity utility companies (*Société Nationale de Distribution d'Eau* and *Société Nationale d'Electricité*, respectively) and representatives of the two project cities, the private sector, and civil society organizations. The PSC will be expanded with the Ministry of Land Affairs and representatives of beneficiary communities. The main responsibilities of the PSC will be to (a) guide the overall direction of the project and ensure respect of the Loan Agreement, (b) facilitate coordination of activities, (c) ensure consistency with other programs financed by the government or other donors, and (d) define annual performance targets. The committee will meet on a semiannual basis. The existing circular creating the PEEDU PSC will be amended to reflect these changes.

B. Project Coordination Unit

3. A PCU is already established in the MPTPLSW for the implementation of a road project (asphalting of the Katte-Djoum and Ndéndé-Dolisie roads) financed by the AfDB and the MPTPLSW has determined that this unit will be assigned the task of implementing all donor-funded projects under the responsibility of the ministry, including to assure representation of the PCU in Pointe Noire. The necessary changes to the decree establishing this PCU has been agreed between the government and the Bank during project preparation. The MPTPLSW has experience in implementing large-scale projects but has limited experience in involving beneficiaries and in following Bank fiduciary or safeguards procedures. The option to move implementation to the MCDUH was reviewed but not retained, as there are serious capacity constraints in the MCDUH, which has no prior

experience implementing large-sale investments or in applying Bank fiduciary or safeguards procedures. Instead, the PCU in the MPTPLSW will be the project implementation and coordination agency and will manage all project funds. To ensure clear repartition of responsibility, a delegated contract management agreement will be signed between the municipalities and the PCU to delegate project implementation responsibility to the PCU. These responsibilities are to (a) ensure day-to-day coordination of project implementation; (b) ensure the timely availability of funds; (c) manage all project activities at the central level (preparation of TOR, bidding documents, and so on); (d) maintain records and accounts of project activities and produce financial reports; (e) monitor and evaluate program implementation and impacts; and (f) report results to various stakeholders.

4. The MCDUH has very limited project management capacity and will receive technical assistance to ensure effective involvement in M&E of sector investments. The ministry will set in place a task force of three sector specialists constituting the MCDUH contribution to the work of the PCU. Given the low level of capacity and incentives for civil servants to fully perform their duties, the government has committed to providing adequate incentives for these staff to participate in project activities, some of which will take place outside of regular working hours. The payment of these incentives will be in addition to the government's counterpart funds.

C. City-level Implementation Arrangements

5. The cities of Brazzaville and Pointe-Noire will be at the heart of the project, in that the mayors are responsible for selecting the neighborhoods to upgrade and the municipal administrations are to lead the dialogue with beneficiary populations. The UDPNUP aims to push for more involvement of the municipalities in urban development planning and implementation, in line with existing sector legislation, but with transfer of competencies according to the new constitution not yet effective. However, given the municipalities' limited capacities for project implementation, technical and fiduciary responsibilities will be delegated to the PCU in the MPTPLSW through a delegated contract management arrangement to be signed between the PCU and municipalities. The project will provide municipalities with technical assistance in project management to help them organize their activities in service provision and clarify the role of various stakeholders (for example, delegated project management, community facilitation, and provision of services). As part of the TOR of this assistance, special emphasis will be placed on strengthening municipal capacities in investment planning, elaboration of technical studies, construction supervision, and maintenance scheduling. With time, it is expected that municipalities will gradually take on increasing project implementation responsibility, as described below.

6. To help municipalities to better involve community stakeholders in upgrading activities, the project will fund recruitment of community facilitators. They will support communities to organize in the COLODE and accompany residents in dialogue with municipalities and the consultants in charge of developing restructuring plans (as described in the component description). The community facilitators will also assist in ensuring that the recruitment of local labor is prioritized. Organizational costs of consultative meetings will be covered by the project. The community facilitators will be housed at the municipal offices and supervised by a focal point in each municipality.

7. Granting increased responsibility to municipalities in the neighborhood upgrading process hinges on increased organizational, technical, and financial capacity in municipal administrations. This is, in turn, determined by political will and an ability to develop a

unifying vision. The project will set up an incentive system to encourage municipalities to take on responsibility for implementing some investments flowing from the upgrading planning process, with priority to infrastructure that the municipalities will subsequently maintain and operate. The responsibilities granted to municipalities in this regard will be determined by a pilot investment in which the municipalities will be fully accompanied by the project management technical assistants. Certain criteria (to be detailed in the PIM) related to staffing, budgeting, and implementation of asset management will need to be fulfilled by the municipalities as a condition of transfer of implementation responsibility, to ensure the necessary capacity for effective sustainability. As part of project activities, the municipalities will receive a full package of support to meet these criteria. It is expected that with experience municipalities can gradually develop their capacities to implement projects.

8. In each city, a coordination committee will be established, chaired by the mayor and including district mayors, representatives of decentralized government ministries mentioned above, the municipal technical services departments, the private sector, NGOs and community-based organizations, and neighborhood representatives. This will ensure adequate coordination of preparation, planning, and monitoring of the implementation of project activities.

D. Community-level Implementation Arrangements

9. An information relay system exists in each project city, by which the mayor can share information on city matters with residents through a cascading system from the municipality to neighborhood and block-level leaders (*maires d'arrondissement, chefs de quartier and chefs de block*) but which is not currently suited to generate and pass information the other way. COLODEs are established informally in each project neighborhood benefiting from PEEDU financing. They will be replicated to neighborhoods targeted by the UDPNUP and serve as relay for information, building on the existing cascading information system, and serve to facilitate and organize participation of beneficiaries. Their role will be formalized and serve to channel community participation in the selection and design of infrastructure and services, including service standards for tertiary infrastructure in the beneficiary neighborhoods. The community facilitators recruited as part of project activities will assist the COLODE in all aspects of project-related activities. Community representatives (or resource persons), residing in the targeted neighborhoods, will be elected by the neighborhood residents. They will play a prominent role in the COLODE and will receive training so they can fully participate in project activities on a regular basis, supported by the community facilitators. Cities have not historically had this level or intensity of community consultation and thus city-level coordination committees will be supported to guide and help implement the process. Procedures for community participation in O&M will be established and set out in the PIM.

II. Financial Management, Disbursements, and Procurement

A. Financial Management

10. An FM assessment of the PCU in the MPTPLSW was carried out as part of project preparation. The objective of the assessment was to determine whether (a) this unit has adequate FM arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (b) project financial reports will be prepared in an accurate, reliable, and timely manner; and (c) the project's assets will be safeguarded. The FM

assessment was carried out 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) in the PCU was conducted.

11. The PCU has already implemented a road project (asphalting of the 170 km Ketta-Sembé road) and is implementing two other road projects (asphalting of the Ketta-Djoum and Ndendé-Dolisie roads) financed by the AfDB. The FM staff includes a financial and administrative officer, an accountant who is handling the overall accounting and reporting aspects. An additional accountant will be recruited to handle the UDPNUP transactions. The PCU maintains proper books of accounts, which include a cashbook, ledgers, journal vouchers, and a contract register. They prepare the necessary records and books of accounts, which adequately identify, in accordance with accepted international accounting standards and practices. This existing FM system will incorporate the implementation of the UDPNUP. The assessment concluded that the overall residual FM risk is substantial (see table 3.1) due to the country's inadequate capacity context.

12. To better strengthen the FM system going forward, the following actions will need to be implemented: (a) updating the manual of procedures and upgrading the software to take into consideration the specificity of the new project; (b) recruitment of one additional accountant to work exclusively on this new project; (c) recruitment of one internal auditor; (d) recruitment of an independent external auditor based on acceptable TOR; (e) agreeing on the format and content of unaudited interim financial reports (IFRs); and (f) organizing a launching workshop for all beneficiaries right after project effectiveness.

13. The overall project funding will consist of US\$80 million from IBRD and US\$40 million counterpart funds to be provided by RoC. The funds will be managed through two bank accounts to be opened and maintained by the PCU in a commercial bank acceptable to IBRD as follows: (a) a DA in FCFA to receive IBRD advances, and to pay for project expenditures eligible for IBRD financing and (b) a Project Counterpart Funds Account in FCFA to receive counterpart deposits and replenishments and to record payments eligible for RoC resources.

Country Issues

14. The RoC has enjoyed considerable economic growth in recent years, though it still depends too narrowly on the oil sector. The country reached the Highly Indebted Poor Countries completion point in 2009, but its institutions are still ineffective. Structural reforms have been launched in the areas of economic governance, public expenditure management, and transparency. The ongoing Transparency and Governance Capacity Building Project financed by the Bank is helping the country strengthen capacity in public administration and tackle corruption and mismanagement.

15. Although there is cause for cautious optimism (significant improvements have been made in public finance management and oil revenue management through the Bank-funded project on transparency and governance support as well as other donor-financed projects), it will take a long time for these reforms to yield substantial improvement in the management of public funds. Given the fragility of the fiduciary environment, the government has requested the use of a ring-fenced approach to implement this project, similar to the other Bank-financed projects in the country, by which government and Bank project funds are

managed by the same procedures and all expenditures are co-financed pro rata, with the exception of resettlement compensations, which are funded entirely by the government.

Risk Assessment and Mitigation

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

Table 3.1. Risk and Risk Mitigation

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Inherent risk				
Country level: According to questions 13 and 16 of the CPIA, the RoC is a high-risk country from the fiduciary perspective. The CPIA, Public Expenditure Review, Public Expenditure and Financial Accountability (PEFA) reports, and the ongoing Public Expenditure Management and Financial Accountability Review each outlined Public Financial Management (PFM) weaknesses at all levels in relation to governance and public funds management.	H	None. Beyond the control of the project. The government is committed to a reform program that includes strengthening of PFM. A Bank-financed PFM Reform Project (PRCTG-II) has helped to make some achievement before its closure in June 2015. The use of Bank FM procedures is required for this project.	N	H
Entity level: The assessment of some ministries during the PEFA, the Use of Country Systems study, and the ongoing Public Expenditure Management and Financial Accountability Review revealed internal control weaknesses and weak fiduciary environment.	S	The existing PCU for the AfDB-financed project will be used for this project, relying on a dedicated FM team at the PCU, and the use of Bank FM requirements is critical for the mitigation of fiduciary risk of this project. The PCU FM manual will be developed by effectiveness and will help mitigate internal control weaknesses.	N	M
Project level: The project will be implemented across different levels in Brazzaville and Pointe-Noire and will face coordination challenges. Ensuring funds are used for purposes intended both at the central and the decentralized levels will be a challenge. The project will entail numerous contracts; ensuring that procurement procedures will be followed will be a challenge.	S	The PCU will strengthen ex ante and ex post control of project activities. Training on fiduciary procedures will be conducted for all FM staff throughout the life of the project. Clear TOR for each responsibility will be agreed between the parties involved to ensure clear understanding to include time frames for reporting.	N	S
Control Risk	S			S
Budgeting: The AWPBs will be prepared by the PCU and approved by the	S	The FM manual will define the arrangements for budgeting, budgetary control, and the requirements for	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
PSC. Ensuring that the AWPB will be prepared and validated by the PSC could be a challenge.		budgeting revisions and provide annual detailed disbursement forecasts and budget requirements. IFRs will provide information on budgetary control and analysis of variances between actual and budget. The PCU is familiar with the overall preparation of the AWPB.		
Accounting: The project will use the same accounting software as all other Bank-financed projects in the RoC. The risks will relate to poor policies and procedures and delay in keeping reliable and auditable accounting records.	S	The project will adopt the standards of the Organization for Harmonization of Business Law in Africa (<i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires</i>) accounting standards. Accounting procedures will be documented in the manual of financial procedures. The FM functions will continue to be carried out by a qualified consultant; the existing software will be customized to take into consideration the need for this new project. Staff will continue to be trained on the use of the accounting software.	N	S
Internal Control: Internal control systems may be ineffective due to inadequate FM capacity of the implementing agency in Brazzaville. Insufficient safeguards and controls may result in misuse of funds and affect the implementation of the project.	S	Revision and adoption of an FM manual and training on the use of the manual by the consultants recruited for this purpose. Expansion of the TOR of the PCU internal audit who will be recruited to also cover the UDPNUP will ensure that FM procedures are followed.	N	M
Funds Flow: A DA will be opened in a reliable commercial bank for IBRD funds; a separate account will be opened at the same bank for the counterpart funds. All project activities will be financed through these bank accounts. Risk of misuse of funds and delays in disbursements of funds to the implementing agency and beneficiaries; delays in the release of government contributions (mainly the subsequent tranches after initial deposit).	S	The following are the mitigating measures: Payment requests will be approved by the FM specialist before disbursement of funds. The TOR of the external auditors will include physical verification of goods and services acquired. Close follow-up will be made to ensure that all tranches of counterpart funding will be disbursed according to the schedule in the Loan Agreement.	N Y (counterpart funds)	S
Financial Reporting: The PCU will provide a quarterly IFR (45 days after the end of each quarter) and annual financial report (within six months after the year-end) to the Bank to monitor the utilization of funds for the project. The risk	M	(a) A computerized accounting system will be used. (b) IFR and financial statement formats were agreed during negotiations. The formats used for the PEEDU will be used by the UDPNUP PCU.	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
relates to inaccuracies and delays in submission of IFRs to the Bank due to delays by the implementing agency or inadequate capacity of the FM team.				
Auditing: The national audit capacity is inadequate and not reliable. Delays in submission of audit reports or qualified opinion and delays in the implementation of audit reports recommendations.	S	The project's institutional arrangements allow for the appointment of adequate external auditors (independent auditors) and the TOR will include physical verification and specific report on finding of physical controls of goods and services acquired or delivered. An annual audit will be carried out during the project implementation period in accordance with International Standards of Auditing.	N	S
Governance and Accountability: Possibility of circumventing the internal control system with colluding practices, such as bribes, abuse of administrative positions, misprocurement, and so on, is a critical issue.	M	(a) The TOR of the external auditor will comprise a specific chapter on corruption auditing. (b) FM procedures manual approved before project effectiveness. (c) Robust FM arrangements (qualified individual FM staff recruited under TOR acceptable to the Bank, quarterly IFR including budget execution and monitoring). (d) Measures to improve transparency such as providing information on the project status to the public and to encourage participation of civil society and other stakeholders are built into the project design.	N	M
OVERALL FM RISK	S			S

17. The overall residual FM risk rating is deemed Substantial.

Implementing Entity

18. The existing PCU will have the overall responsibility of implementing this project. It will oversee the project's fiduciary aspects (FM and procurement). The existing FM team has been reevaluated to ensure that it is suitable to handle the fiduciary aspects of the projects. The fiduciary team will receive training, on an ongoing basis, on the use of Bank procedures as well as the project's software.

Planning and Budgeting

19. The AWPB, along with the disbursement forecast, will be consolidated into a single document by the FM unit of the project. This document will be submitted to the PSC for approval, and thereafter to the Bank for approval no later than June 30 of the year proceeding the year the work plan should be implemented. The PCU will monitor its execution with the accounting software in accordance with the budgeting procedures specified in the manual of procedures and report on variances in the quarterly IFR. Only budgeted expenditures would be committed and incurred so as to ensure the resources are used within the agreed-upon

allocations and for the intended purposes. The quarterly IFRs will be used to monitor the execution of the AWPB.

Information and Accounting System

20. The RoC is a member of Organization for Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) and adheres to its accounting standards, Syscohada (which are in line with the international accounting standards), which will apply to this project. An integrated financial and accounting system is in place and will be updated to accommodate this project. The project code and chart of accounts will be developed to meet the specific needs of the project and documented in the manual of procedures. The chart of accounts should be prepared according to the wording used in tables for sources and uses of funds for the accepted eligible expenditures as agreed during project negotiations. These books and records should be maintained with the support of FM software that should be operational no later than three months after project effectiveness. Financial management staff at the PCU will also have refresher training in the use of the software by the same date.

Internal Control and Financial, Administrative, and Accounting Manual

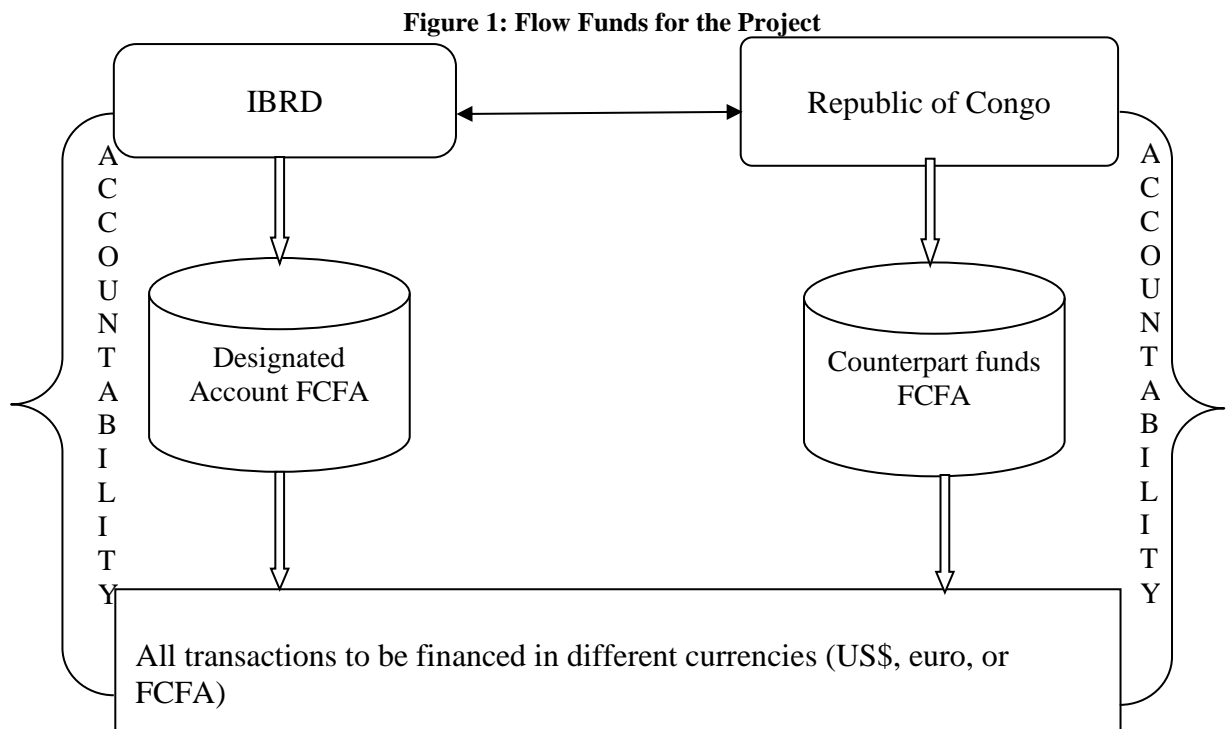
21. The internal control system of the project will be described in the financial procedures manual. The manual should be flexible enough to allow for improvement and changes as necessary during project implementation and be fully aligned with the accounting elements mentioned above as well as the modules of the FM software. The PCU already has an FM and accounting procedures manual that was prepared for the PEEDU. The procedures manual will be subject to revision to account for the specific aspects of the proposed project. Such revision will be carried out by the project fiduciary team. The mandate of the PEEDU internal auditor will be expanded to cover the UDPNUP to help and ensure that fiduciary procedures will be applied.

Flow of funds

22. **Disbursements.** The IBRD funds (US\$80 million) and RoC counterpart funds (US\$40 million) will be managed through two bank accounts to be opened and maintained by the PCU in a commercial bank acceptable to the Bank as follows: (a) a designated account (DA) in FCFA to receive IBRD advances and to pay for project expenditures eligible for IBRD financing and (b) a project counterpart account in FCFA to receive counterpart deposits and replenishments and to record payments eligible for government resources. All bank accounts will be reconciled with bank statements by the PCU financial manager.

23. The DA will be managed according to the disbursement procedures described in the FM manual and disbursement letter for the project. The ceiling of the account will be decided by the disbursement services of the Bank and should take into account the disbursement capacity of the various structures implementing the project. The PCU should also manage counterpart funds, which will be deposited in the same commercial bank. The ceiling of the DA will be set at FCFA 1,400 million. Additional advances to the DA will be made on a monthly basis against withdrawal applications supported by Statements of Expenditures or records and other documents as specified in the disbursement letter. The flow of funds is depicted in the below figure.

24. **Counterpart funding.** Due to risk of delay in releasing counterpart funds on time, government contributions will be determined in the PIM and the related amount deposited in the Government Counterpart Account according to the agreed disbursement schedule. Subsequent replenishments will be made by the government based on the disbursement schedule to be agreed upon each year at the same time as the AWPB is approved. No later than the project MTR date, the government should have disbursed at least 40 percent of its expected contribution, with the remaining 60 percent to be disbursed before project closing.



Disbursement Arrangements (Disbursement Methods)

25. 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. An initial advance up to the ceiling of the DA (FCFA 1,400 million) will be made to the DA and subsequent disbursements will be made on a monthly basis against submission of Statements of Expenditures or records as specified in the disbursement letter. Hereafter, the option to disburse against submission of quarterly unaudited IFR (also known as the report-based disbursements) could be considered subject to the quality and timeliness of the IFRs submitted to the Bank and the overall FM performance as assessed in due course. 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 these methods is 20 percent of the DA ceiling. The project will have the option to sign and submit withdrawal applications electronically using the eSignatures module accessible from the Bank’s Client Connection website.

26. The following table sets out the expenditure categories and percentages to be financed out of the credit proceeds.

Table 3.2: Allocation of Loan Proceeds to be Financed for Eligible Expenditures in Each Category (IBRD)

Category	Amount of the Credit Allocated US\$	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for the Project	80,000,000	66.7 percent
TOTAL AMOUNT	80,000,000	

Financial Reporting

27. The PCU will prepare the unaudited IFRs on a quarterly basis. These reports will be submitted to the Bank within the 45 days from the end of each quarter. The reports will include (a) a table with sources and use of funds, (b) a table with use of funds per activity, (c) a table regarding use of funds according to procurement methods and threshold, and (d) a table with M&E or physical advance of activities. Financial statements will be prepared for each financial exercise covering, in general, twelve months. Interim financial statements will also be prepared taking into account (a) certified statements of expenditures and (b) an analysis of DA management and counterpart funding. The format of such reports were discussed and agreed during project negotiations. The formats used for the PEEDU will also be used for the UDPNUP.

External Audit

28. The assessment of the Supreme Audit Institution (*Cour des Comptes et de Discipline Budgétaire*) during the PEFA and subsequent PFM evaluation revealed a need for improvement of its capacity and, thus, cannot not be used to audit the project accounts. Therefore, a qualified, experienced, and independent external auditor will be recruited on approved TOR, no later than three months after effectiveness. The external audit will be carried out according to the International Standards on Auditing and will cover all aspects of project activities implemented and include verification of expenditures eligibility and physical verification of goods and services acquired. The report will also include specific controls such as compliance with procurement procedures and financial reporting requirements and consistency between financial statements and management reports and field visits (for example, physical verification). The audit will be on an annual basis and the reports, including the project financial statements submitted to the Bank and the *Cour des Comptes*, six months after the end of each fiscal year.

29. The project will comply with the Bank disclosure policy of audit reports (that is, make publicly available) promptly after the receipt of all final financial audit reports (including qualified audit reports) and place the information provided on its the official website within one month of the report being accepted as final by the team.

30. **Governance and accountability.** The risk of fraud and corruption within project activities is high given the country context and inherent risks of activities. However, the proposed fiduciary arrangements will help to mitigate such risks.

Financial Management Action Plan

31. The FM Action Plan described below has been developed to mitigate the overall FM risks.

Table 3.3: Financial Management Action Plan

Issue	Remedial Action Recommended	Responsible Entity	Completion Date	FM Conditions
Staffing	Recruitment of additional accountant	PCU	Three months after effectiveness	No
Accounting software	Upgrade the existing software and train the fiduciary staff on the use of that software.	PCU	Three months after effectiveness	No
FM manual	Update the existing project financial manual, which will include FM and accounting aspects.	PCU	By effectiveness	No
Reporting (IFRs)	Agree on the format and content of unaudited IFRs. The formats used for the PEEDU will be used.	PCU	Completed.	No
External auditing	Selection of an external auditor on TOR (project accounts)	PCU	Three months after effectiveness	No

32. **Conclusion and supervision plan.** Supervision will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. Supervision will comprise, among others, the review of audit reports and IFRs and 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 Implementation Status and Results Report will include an FM rating of the project. An implementation support mission will be carried out before effectiveness to ensure the project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement, M&E, and disbursement colleagues.

33. Based on the outcome of the FM risk assessment, the following implementation support plan (ISP) is proposed:

Table 3.4: Financial Management Implementation Support Plan

FM Activity	Frequency
Desk reviews	
IFR review	Quarterly
Review of annual external audit report	Annually
Review of other relevant information such as interim internal control systems reports	Continuous as they become available
On-site visits	
Review of overall operation of the FM system	Annually (implementation support mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity-building support	
FM training sessions by Bank FM team	Before project start and thereafter as needed

34. The objective of the above ISP is to ensure the project maintains satisfactory FM systems throughout the project's life.

Financial Covenants

35. Upgrading the computerized system and completion of the configuration of the multiproject accounting system three months after effectiveness.

Other FM Standard Covenants

36. IFRs will be prepared on a quarterly basis and submitted to the Bank 45 days after each quarter. The AWPB, including disbursement forecasts, will be prepared each year by the end of June.

B. Procurement

37. **Applicable guidelines.** Procurement for the proposed project would be carried out in accordance with the Bank's 'Guidelines: Procurement under IBRD Loans and IDA Credits, dated January 2011 and revised July 2014; 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers', dated January 2011 and revised July 2014; and the provisions stipulated in the Loan Agreement. The various items under different expenditure categories are described below. For each contract to be financed by the loan, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are 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.

38. **Procurement documents.** Procurement would be carried out using the Bank's SBDs or standard RFPs, respectively, for all ICB for goods and international recruitment of consultants. For NCB, while waiting for the Bank to assess the implementation of the new procurement system based on experience gained from the government's use of these documents outside the context of this project, the borrower would use the Bank's SBD for ICB for goods and the Banks's standard RFP for recruitment of consultants.

National Procurement System and Ongoing Reforms

39. The main recommendations of the 2006 Country Procurement Issue Paper were to (a) prepare and approve a public procurement code, (b) carry out a survey of the existing capacity on procurement, (c) make a needs assessment of the institutional and human capacity requirements for public procurement in the country, (d) prepare an action plan for the procurement reform, and (e) implement the new procurement code in accordance with the agreed action plan. All these recommendations have been implemented.

40. Indeed, the government has finalized the major actions to implement the new procurement regulation, which has been applied by the government since September 2009. The most important steps achieved to date include the following: (a) the draft national procurement code finalized and approved by the national authorities; (b) the staff of the *Direction générale du contrôle des marchés publics* (prior review institution) is in place; (c) the board of the regulatory body (*Autorité de régulation des marchés publics*) is nominated by the government, the private sector, and civil society as recommended by the new

provisions; (d) the SBDs are reviewed and approved by the procurement reform committee; and (e) an action plan for training of main actors will be implemented. An independent audit has been done by the audit firm KPMG for the exercise's 2011–2012 and concluded that rules are not respected by the contract authorities.

41. **Conditions for use of the national procurement code.** Once the new procurement regulation has been reviewed and found satisfactory by the Bank on the basis of the conclusions of the audit referenced above, it will be applicable for all contracts, which are not advertised internationally. For this purpose, the Bank procurement team, in collaboration with the country lawyer, will identify and clarify clauses of the said regulation that are not entirely or partially applicable to Bank-funded projects and propose appropriate modifications. These modifications would be set out in an agreement between the government and the Bank. If the government modifies the procurement law itself or any regulation after the agreement on the clauses to modify or to neutralize regulation (as the case may be), the Bank has the right to review the modifications and verify compliance with Bank procurement rules and procedures. After its review, the Bank will simply notify the government of its recommendations on the clauses to modify or to neutralize. This exercise will be done any time the government modifies the procurement code or the texts of application.

42. **Advertising procedure.** General Procurement Notice, Specific Procurement Notices, Requests for Expression of Interest, and results of evaluation and contract award shall be published in accordance with advertising provisions in the following guidelines: 'Guidelines: Procurement under IBRD Loans and IDA Credits' dated January 2011 and 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers' dated January 2011.

Procurement Methods

43. **Procurement civil works.** Civil works procured under this project will mainly include (a) secondary and tertiary road rehabilitation works; (b) drainage works; (c) construction/rehabilitation of schools, economic infrastructure, health centers; and (d) rehabilitation and expansion of water distribution networks. Depending on the size of the contracts, procurement will be done either under ICB using Bank procurement rules that include the related SBDs or under NCB using National SBDs 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.

44. **Procurement of goods and non-consulting services.** Goods procured under this project will include equipment, office furniture, and vehicles. Nonconsulting services procured under this project will include office maintenance and guard contracts. Procurement will be done under ICB or NCB using the Bank's SBD for all ICB and National SBD satisfactory to the Bank. Small-value goods may be procured under shopping procedures.

45. **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.

46. **Selection of consultants.** Consultant services would include various advisory services, studies including engineering and design studies, construction supervision, training

and technical assistance in FM, and procurement. The selection method will be the Quality- and Cost-Based Selection method whenever possible. Contracts for specialized assignments estimated to cost less than US\$300,000 equivalent may be contracted through Consultant Qualification. The following additional methods may be used where appropriate: Quality-Based Selection, Selection under a Fixed Budget, and Least-Cost Selection.

47. Least-Cost Selection may be used for selecting consultants for assignments of a standard or routine nature, such as audit services, where well-established practices and standards exist.

48. Single-Source Selection 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.

49. Short lists of consultants for services estimated to cost less than the equivalent of US\$100,000 per contract 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.

50. **Training, workshops, seminars, and conferences.** Training activities will comprise the following: (a) workshops and training in the region and abroad, based on individual needs as well as group requirements, (b) on-the-job training, and (c) hiring consultants for developing training materials and conducting training. All training and workshop activities will be carried out on the basis of approved annual programs that will identify the general framework of training activities for the year, including (a) the training envisaged; (b) the personnel to be trained; (c) the selection methods of institutions or individual conducting such training; (d) the institutions conducting the training, if already selected; (e) the duration of the proposed training; and (f) the cost estimate of the training. Attendance at relevant project workshops and seminars will be treated as training and will need advance Bank's no objection.

51. **Operating costs.** The operating costs would include reasonable expenditures for office supplies, vehicle O&M, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for project staff for travel linked to the implementation of the project, and salaries of contractual staff of the project but excluding salaries of officials of the borrower's civil service.

Procurement Implementation Arrangements

52. The project will be implemented by a PCU under the MPTPLSW. The PCU has already implemented the road project financed by the AfDB. Given that the PCU has no experience with Bank projects and procedures, the PCU will be strengthened by an additional procurement specialist to better manage contracts and improve the procurement process.

53. In addition to daily responsibilities, the procurement expert will provide the following services: (a) develop and strengthen the capacity on procurement for all staff involved in project implementation; (b) reinforce the integrity and internal review of the procurement process; (c) oversee and advise on procurement-related matters; (d) ensure the quality of procurement activities; and (e) draft no objection requests for all procurement decisions

subject to prior review for the project coordinator. There will be specific performance criteria in the procurement expert's TOR to measure procurement quality and timeliness and how knowledge is transferred to staff in the line ministry.

54. **Midterm review.** An independent audit and evaluation will be carried out to assess the capacity for project execution when implementing activities funded under resources using the procurement law. The MTR report will integrate the results of the procurement activities performed during the period preceding the date of such a report and will set out the measures recommended concerning the use of the national procurement code for the remaining activities of the project if satisfactory to the Bank. If any exceptions to the procurement law will be needed to be acceptable to the Bank, an amendment to the Loan Agreement will need to be introduced before the Bank's accepting the use of the national procurement law. The MTR will further serve to evaluate capacity of project cities to implement procurement (with establishment and adequate staffing of a procurement function, satisfactory implementation of a procurement plan and successfully passing a procurement audit), with a view to transfer responsibility for smaller project implementation tasks to project cities, if adequate capacity has been demonstrated and with adequate fiduciary safeguards.

Assessment of the Procurement Unit's Capacity to Implement Procurement

55. An assessment of the existing procurement unit's capacity to implement procurement activities for the project was carried out by the Bank's procurement specialist during project preparation. The assessment reviewed the internal arrangements for handling procurement, the organizational structure for implementing the project, and the capacity of staff responsible for procurement activities under the proposed project. The assessment also reviewed the interaction between the project staff responsible for procurement and the new structures responsible for implementing the new procurement law.

Assessment of Risks and Mitigation Measures

56. The risk factors for procurement performance include the country context and the low procurement capacity of the MPTPLSW. This ministry will be in charge of project implementation with the support and technical assistance of experts of the existing PCU. In terms of the sector and country context, the Country Procurement Issue Paper and the experience of other Bank-funded projects indicate that procurement on the project is likely to involve the following risks:

- (a) An ineffective governance environment, weaknesses in accountability arrangements, and an overall lack of transparency in conducting procurement processes create significant risks of corruption, collusion, and fraud.
- (b) The administrative system as it operates in practice creates opportunities for informal interference in the procurement process by senior officials—creating opportunities for waste, mismanagement, nepotism, corruption, collusion, and fraud.
- (c) Government officials likely to be involved in project procurement through tender committees and the national control and regulation systems ensuring that the rules are respected and able to handle complaints from bidders may not be familiar with procurement procedures.
- (d) The control and regulatory system is not fully operating in an independent manner.

57. The overall project risk for procurement is substantial before risk mitigation.

Measures to Mitigate the Risks

58. The following measures have been developed to mitigate procurement risks identified:

- (a) To mitigate the risks of collusion, fraud, corruption, waste, and mismanagement, implementation arrangements will be geared toward achieving a high level of transparency in project implementation.
- (b) As there is a publicly accessible website at the country level dedicated to public procurement ('ARMP'), all relevant information to facilitate transparency and integrity of implementation, will be published on this website, including the following: Project Appraisal Document and Loan Agreement, advertisements, funding proposals, TOR for all activities, contract awards, progress reports from implementing entities, a procedure for handling complaints satisfactory to the Bank, and complaints received and action taken.
- (c) All consulting contracts above US\$300,000 and ICB contracts for goods will be published in the United Nations Development Business online and on the Bank's external website, in accordance with the Procurement Guidelines.
- (d) The PCU will apply a rigorous 'one-strike' policy to all contractors and consultants—any case of complicity in corruption, collusion, nepotism, and/or fraud will lead to dismissal, disqualification from all further project activities, and prosecution.
- (e) A project launch workshop will be conducted for the MPTPLSW staff and relevant staff of all other entities involved in project implementation.
- (f) For all procurement, the PIM includes procurement methods to be used in the project along with their step-by-step explanation as well as the standard and sample documents to be used for each method.
- (g) The MPTPLSW, in close relation with the PCU, will create a database of suppliers of the required goods and consultants (firms and individuals). The database will also include information on current prices of goods.

Table 3.5: Schedule of Risk Mitigation Action Plan to Be Carried Out

	Action	Responsibility	Due Date	Remarks
1	Recruitment of procurement expert	PCU	Before effectiveness	
2	Procurement plan for the first 18 months prepared and agreed with the Bank.	PCU	Finalized during negotiations	
3	Prepare a specific PIM that will include procurement methods to be used in the project along with their step-by-step explanation as well as the standard and sample documents to be used for each method.	PCU	No later than effectiveness date	To be maintained during the whole life of the project
4	Training of staff (at least two) on Bank procurement procedures in specialized institutions	PCU	No later than three months after project effectiveness	To improve project staff skills in Bank's procurement
5	A maximum period of 30 days after bid opening is allowed for contract award, to avoid delays and reduce the scope for corruption.	PCU	No later than six months after project effectiveness	To be maintained during the whole life of the project
6	Clear delegation of authorities to approve contract award decisions and contract signing to the Project Coordinator, reflected in the PIM	MPTPLSW	Not later than project effectiveness date	To be maintained during the whole life of the project

Implementation Readiness

59. The following actions were carried out during the preparation of this project:
- (a) A detailed procurement plan for the first 18 months of the project has been prepared and finalized during negotiations.
 - (b) The General Procurement Notice was prepared during negotiations and will be advertised locally and in the United Nations Development Business online and at the Bank's external website after Board approval.
 - (c) The TOR for the most important procurement activities for the critical studies and technical support of the first year were elaborated during appraisal.
 - (d) For investments in connectivity and network infrastructure, priority will be given to investments with available engineering designs to allow fast procurement and contract award.

Fraud, Coercion, and Corruption

60. All procuring entities, as well as bidders, suppliers, and contractors, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 1.16 and 1.17 of the Procurement Guidelines and paragraphs 1.23 and 1.24 of the Consultant Guidelines.

Frequency of Procurement Supervision

61. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the implementing agency has recommended supervision missions every six months to visit the field and at least one annual post-procurement review. Missions shall include a Bank procurement specialist or a specialized consultant.

Procurement Audit

62. A procurement audit (post procurement review) will be carried out at least every year during project implementation and report on the procurement process, contract management, fiduciary compliance, and so forth.

Procurement Planning

63. The borrower developed a draft procurement plan for project implementation, which provides the basis for the procurement methods. This plan was agreed during negotiations. It will be available in the project's database and on the Bank's external website. The procurement plan will be updated in agreement with the Bank annually or as required to reflect the project implementation needs and improvements in institutional capacity.

Procurement methods and World Bank Review requirements

Table 3.6: Procurement Methods and Bank Review

Expenditure Category	Contract Value Threshold (US\$)	Procurement Method	Contracts Subject to Prior Review
Works	≥10,000,000	ICB	All
	≥ 200,000	NCB	All above US\$5,000,000
	<200,000	Shopping	Post-review
	N/A	SSS	All
Goods and Services (other than Consultant's Services)	≥1,000,000	ICB	All
	≥100,000	NCB	All above US\$500,000
	<100,000	Shopping	Post-review
	N/A	SSS	All
Consultant's Services Firms	N/A	QCBS	Above US\$200,000
	N/A	QBS, FBS, and LCS	Above US\$200,000
	< 300,000	CQS	Above US\$200,000
Individuals	≥100,000	IC	All
		SSS	All
		ToR	All

(*) All TOR and justifications of Single-Source Selection/Direct contracting regardless of the value of the contract are subject to prior review.

64. The agreed and approved procurement plan will determine procurement methods and the contracts to be submitted to Bank review and no objection.

65. The Bank SBD for goods and the Bank standard RFP will be used for all ICB contracts and contracts for consultants advertised internationally. The same documents will be used for contracts advertised locally until the Bank has found acceptable the utilization of the SBD and RFP prepared under the national procurement system. For the purpose of Clause 2.7 of the Consultant Guidelines, and for all contracts estimated below the equivalent value of US\$100,000, the short list may comprise only local firms.

Table 3.7: List of Contract Packages to be Procured Following ICB and Direct Contracting for Goods and Non-consultant Services

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost 000 US \$	Procurement Method	Prequalification	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
1	Rehabilitation of urban roads in Brazzaville and Pointe Noire Phase 1	17,100	ICB	No	No	Prior	July 16	
2	Treatment of erosion zones in Brazzaville	2,500	NCB	No	No	Post	July 16	
3	Rehabilitation of urban roads in Brazzaville and Pointe Noire Phase 2	17,100	ICB	No	No	Prior	Dec 16	
4	Rehabilitation of water and electricity in Brazzaville and Pointe Noire	3,000	NCB	No	No	Post	Dec 16	
5	Office equipment	250	NCB	No	No	Post	Oct 16	
6	IT equipment for the PCU	60	NCB	No	No	Post	Oct 16	
7	Acquisition of vehicles for the PCU	500	NCB	No	No	Post	Oct 16	

66. All ICB contracts and NCB contracts estimated to cost the equivalent value of US\$5,000,000 or above for works and US\$500,000 or above for goods and non-consulting services per contract and all direct contracting will be subject to prior review by the Bank.

Table 3.8: List of Consulting Assignments with a Short-list of International Firms

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost, 000 US\$	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
1	Baseline survey	200	QCS	Prior	Jul 16	
2	Social and Environmental Impact Assessment of road upgrading, treatment of erosion zones and networks	200	QCS	Prior	Jul 16	
3	Feasibility studies and bidding documents for water and electricity networks	300	QCBS	Prior	Aug 16	
4	Feasibility studies and bidding documents for roads rehabilitation works phase 2	400	QCBS	Prior	Aug 16	
5	Community facilitation in Brazzaville and Pointe Noire	3,600	QCBS	Prior	Aug 16	
6	Supervision of road works phase 1	1,710	QCBS	Prior	Jul 16	
7	Supervision of erosion protection works in Brazzaville	250	QCBS	Prior	Jul 16	
8	Integration of social safeguards in national legislation	200	QCS	Prior	May 17	
9	Elaboration of neighborhood restructuring plans in Brazzaville and Pointe Noire	8,600	QCBS	Prior	Aug 16	
10	Recruitment of procurement specialist	150	IC	Prior	May 16	
11	Recruitment of safeguards specialist	100	IC	Prior	Aug 16	
12	Recruitment of accountant	65	IC	Prior	Aug 16	
13	Recruitment of external auditor	100	QCBS	Prior	Aug 16	
14	Supervision of road rehabilitation works phase 2	1,710	QCBS	Prior	Nov 16	
15	Elaboration of land use plans for Brazzaville and Pointe Noire	1,000	QCBS	Prior	Nov 16	
16	Technical assistance to Brazzaville and Pointe Noire	500	QCBS	Prior	Nov 16	
17	Recruitment of consultants for capacity building in municipal administrations	200	IC	Prior	Aug 16	
18	Consultant for project communication plan	200	IC	Prior	May 16	

19	Consultant to elaborate application decrees for the updated urban legislation	500	QCBS	Prior	Feb 17	
20	Technical assistance and capacity building of the MCUH	1,000	QCS	Prior	Oct 17	
21	Consultant for street addressing	1,000	QCBS	Prior	Jul 16	

67. Consultancy services estimated to cost the equivalent value of US\$200,000 and above for firms and the equivalent value of US\$100,000 and above for individuals and all Single-Source Selection of consultants (firms and individuals) will be subject to prior review by the Bank.

III. Environmental and Social (including safeguards)

68. **Institutional arrangements.** The UDPNUP follows a flexible design where investments to be financed will be demand driven and subjected to a screening process to ensure that technical selection criteria are met and environmental and social issues are adequately identified and addressed. The project is Environment Category B and triggers OP 4.01, OP 4.11, and OP 4.12. The capacity of the MPTLPSW will be enhanced through the recruitment of a safeguards specialist, who will receive implementation support and technical guidance from the Bank's environmental and social safeguard specialists to ensure screening, monitoring, and managing of potential adverse environmental and social impacts that the proposed project is expected to generate. This staff will be fully in charge of environmental and social issues of the UDPNUP. This new environment and social specialist will also coordinate and liaise with other relevant ministries and agencies, municipal staff, and neighborhood representatives; organize various capacity-building initiatives for government and municipal staff and neighborhood representatives; and facilitate regulatory and statutory clearances as required.

69. **Environmental and Social Management Framework.** The ESMF identifies and addresses environmental and social issues in project design and implementation, and was prepared and disclosed in-country on December 18, 2014, and at the Bank's InfoShop on January 22, 2015. It serves as a comprehensive and systematic guide for the following: (a) screening all investments to determine the nature and magnitude of issues and, where necessary, the scope of project-specific ESIA's, according to government regulations and the applicability of the Bank's environment and social safeguard policies; (b) development of ESMPs and guidelines to manage identified impacts along with budgetary provisions; (c) application of procedures for compliance with government laws, regulations, and Bank's safeguard policies; (d) identification of appropriate institutional arrangements for the implementation and monitoring of ESMPs; and (d) capacity-building needs. Environmental and social screening of investments to be determined during implementation will be prepared in accordance with the ESMF. For infrastructure projects requiring a limited ESIA, the preparation of the ESIA and ESMP will be integrated into the engineering design, bills of quantities, and contract documents before commencements of works. The project will finance the construction of drainage facilities for storm water originating in the four targeted neighborhoods in Brazzaville, which will not necessitate any treatment nor alter the quality of the water in the Congo River or its tributaries.

70. **Resettlement Policy Framework and Resettlement Action Plans.** The RPF has outlined the process for various pre-construction activities such as screening, social impact assessments, baseline census surveys, and preparation and implementation of RAPs for individual investments. The RPF was prepared and disclosed in-country on December 18, 2014, and at the Bank's InfoShop on February 9, 2015. The RPF describes the compensation for land acquisition and loss of other assets and assistance to be provided for different types of impacts. However, given the population density in most of the targeted neighborhoods, the proposed infrastructure investments may entail displacement of small numbers of people. Since this project involves multiple investments to be identified based on demand from the beneficiary population and selected municipalities, subject to meeting the pre-identified criteria, the exact nature and details of investments will not be known before the Board presentation. However, based on previous experience, it was possible to estimate that 700 households would be affected (350 in Brazzaville and Pointe-Noire, respectively). Estimated impacts include 100 households affected by the relocation of a residential structure, 100 affected by the permanent displacement of an economic activity, and 85 households requiring compensation for the loss of agricultural crops or fruit trees. However, the majority of households (415) will be affected in the form of the temporary displacement of economic activities during construction. Because most of the investments are likely to focus on infrastructure rehabilitation and improvement, rather than large-scale new works, there will be no large-scale collective resettlement of households. The relatively low density of the two cities and the targeted neighborhoods means that upgrading can take place with rather limited negative social impacts, as rights-of-way are mostly unoccupied.

71. Overall, the process of screening for each investment will determine the likely impacts and, where necessary, mitigation plans and RAPs will be prepared before issuance of bids for the respective investments. The capacity of the PCU to implement the requirements of the RPF will be enhanced through the recruitment of a safeguards specialist, who will receive implementation support and guidance from the task team social development specialist. In addition, the PCU will contract consultant social scientists as needed to conduct the necessary social assessments and prepare any RAPs required. Compensation and resettlement assistance will be determined during the process of RAP preparation and delivered before the launch of works. Loan funds will not be used to cover the cost of compensation and resettlement assistance, which is estimated at FCFA 1.8 billion (about US\$2.8 million), as these will be financed by the government of the RoC, in addition to its counterpart funds under the project.

72. **Stakeholder consultation and grievance redress.** In accordance with the applicable Bank policies, public consultations at the local level will be carried out for all investments. The consultation process for the project includes a range of formal and informal on-site discussions, interviews, and meetings with participation of stakeholders such as the COLODE and local residents, municipalities, other local civil society organizations, and selected government line departments. To discuss the draft ESMF and RPF, workshops were held at the national level. The objective was to obtain input on the draft ESMF and RPF and to seek views on the approach towards minimizing and mitigating potential negative impacts on people and environmental resources. Persons who believe they have been adversely affected by project activities may submit complaints to project-level grievance redress mechanisms, with grievance registers managed by local authorities and publicized through community and NGO networks. Complaints can also be submitted to the Bank's GRS or to the Bank's Inspection Panel, at www.inspectionpanel.org.

73. **Loan Agreement.** The Loan Agreement will require the government, as part of the annual project work plans agreed with the Bank, to prepare and submit to the Bank for prior approval and disclosure, ESIAAs (and any required ESMPs) in accordance with the ESMF and RAPs, if required pursuant to the RPF before the launch of any works. In addition, before commencing any works under the annual work plan, the government will take all actions required under the resettlement plan and obtain the Bank's confirmation that the works may commence. Finally, the government, through the PCU, will report quarterly to the Bank on the safeguard measures taken. Implementation measures specified in the safeguard instruments will be incorporated as a covenant in the legal agreement for the project.

IV. Policy Exceptions and Readiness

74. The proposed project does not require any exceptions to Bank policies. The UDPNUP complies with the regional criteria for readiness for implementation. A procurement plan for the first 18 months of project implementation was prepared and finalized during negotiations. Core staff are in place in the PCU, but the implementing agency needs to be strengthened as agreed with the government and included as dated covenants, to allow it fully ensure project implementation. Environmental and social safeguard documents were agreed and disclosed before appraisal.

V. Monitoring and Evaluation

75. The project's M&E system will be established in the PCU and will involve beneficiary neighborhood residents. As the PCU does not dispose of an M&E Specialist, one such specialist will be recruited to the PCU. Many indicators can be monitored directly through reports from works supervisors and community facilitators or through site visits.⁴ This monitoring will be complemented by small surveys as needed (for example, by community facilitators and communities themselves). A baseline study will be carried out to establish pre-project conditions and will be followed up with impact assessments for the MTR and at project closing. These assessments will cover a broad spectrum of qualitative and quantitative issues such as beneficiary satisfaction, achievement of poverty reduction, sustainability of access to services, and reduction of inequality in access to services.

76. A key aspect of the project M&E system is a strong involvement of residents of beneficiary neighborhoods in self-evaluation and needs analysis. The project will support community-based M&E as a means of strengthening community skills and increasing social capital and ownership of project interventions. To complement the data gathering and processing, communities will be directly involved in self-evaluation and at the MTR as well as at project closing to assess project impacts with respect to achievement of poverty reduction.

77. The information and knowledge generated will be shared widely among project stakeholders at all levels and will support the PCU to (a) develop and submit progress reports on a quarterly basis to the PSC and the Bank as per the structure defined in the PIM, (b) take timely corrective actions, and (c) disseminate information about project achievements to stakeholders and the general public on time.

⁴ Annex 1 provides the list of PDO indicators as well as the detailed list of result indicators for each of the three project components.

78. The M&E system will be managed by the PCU M&E specialist and will be linked to the FM system to allow the monitoring of activities against disbursement. The PIM will provide detailed step-by-step guidelines on the M&E methodology, including baseline references and indicator calculation. Training and technical assistances will be carried out to build capacity for relevant stakeholders such as municipalities, beneficiary neighborhoods, the MPTPLSW, Ministry of Energy and Water, the National Water Distribution Company, and MCUDH. It is expected that the project activities will help build good practices regarding data collection to improve project and sector M&E.

VI. Role of Partners (if applicable)

79. In addition to the partners involved in project implementation and monitoring (ministries, municipalities, local populations and civil society organizations, and the private sector), the project has benefited from coordination between the Bank and AFD during preparation. The AFD has expressed interest in providing parallel financing of US\$80 million to the proposed UDPNUP, which would likely take the form of upgrading activities in Brazzaville and Pointe-Noire neighborhoods not covered by the UDPNUP, following the same approach. At the time of negotiating the UDPNUP, the AFD was examining this potential parallel financing but no definite decision had been taken. Coordination will continue during implementation. For more general coordination, an infrastructure group is being established under the leadership of the AFD and AfDB) to coordinate infrastructure investments financed by donors, and the Bank will participate in the activities of the group.

Annex 4: Implementation Support Plan

REPUBLIC OF CONGO: Urban Development and Poor Neighborhood Upgrading Project

1. The ISP takes into account the nature of the project approach, which builds on the lessons learned from the PEEDU, maximizes synergies between the two projects, and takes into account the lack of experience of the MPTPLSW in implementing projects funded by the Bank.

Strategy and Approach for Implementation Support

2. Overall, the implementation of the project will depend on strong implementation support, especially regarding the interaction between city administrations and the residents of beneficiary neighborhoods and for capacity-building activities. Supervision of safeguards will also need to be strong to ensure that any resettlement issues are handled adequately. Technical advice will be necessary in neighborhood upgrading and urban development. The use of existing structures for implementation minimizes risks, and the ISP lays out the necessary activities for the Bank to meet its fiduciary obligations in this context. The Bank will devote around 44 staff weeks per year and a total of about 221 staff weeks through FY21 to help the government implement the project and supervise progress, plus additional Bank-hired short-term consultants to reinforce the task team in the Country Office (CO). Specific elements of the implementation support strategy are as follows:

- **Close implementation support.** The task team leader (TTL, senior municipal engineer), fiduciary staff, and communication and environmental specialists are based in the CO and the Senior Social Development Specialist is in the CMU in the Field. Any change to this would necessitate revisiting the ISP.
- Fiduciary risks with regard to management of funds by the PCU will be limited by the recruitment of additional staff to ensure high quality of documentation and monitoring of project activities. Missions, as well as direct involvement by the Brazzaville CO, will focus on the PCU's performance in managing contracts, procurement, and financial matters, as well as in completing the agreed implementation plans.
- In addition, close implementation support, procurement post reviews (yearly), and close Bank CO involvement will be critical to help mitigate fiduciary risks.
- Local consultative forums established in project cities will be formalized and play a key role in supervising project activities. Local populations will receive support to monitor project implementation through the recruitment of community facilitators.
- The Bank's fiduciary responsibility in relation to the involvement of municipalities, to the extent they will be directly involved in project implementation, will be ensured through implementation support missions to project cities twice a year. This will include a procurement specialist to verify the continued relevance of support measures in place and readiness of municipalities to take on responsibility for procurement. The procurement specialist will play a central role in early warning of bad practices. The TTL will also play a role in ensuring quality of works contracted by municipalities.

- The project cities will receive technical assistance as needed, but the Bank will need to play a role in supporting the establishment of working relationships between central and deconcentrated government ministries and municipal administrations, and to support the municipalities in fully taking on their role as providers of services.
- Strong implementation support will also be provided in sector reforms, as part of a partnership between the government and the Bank, as this requires ongoing and flexible interaction with the government.

Implementation Support Plan

3. Based on the above strategy, the ISP builds on the following elements to ensure adequate technical support and due diligence:

- Twice-yearly implementation support missions will be carried out.
- Support to implementation of environmental and social safeguards will need staffed missions to project cities at least once a year.
- The initial project phase will need support on M&E. The first missions should include an M&E specialist, or separate M&E support missions can be carried out.
- The MTR mission will require participation of the entire spectrum of specialists having participated in appraisal.

4. The following skills mix and resources needs are estimated:

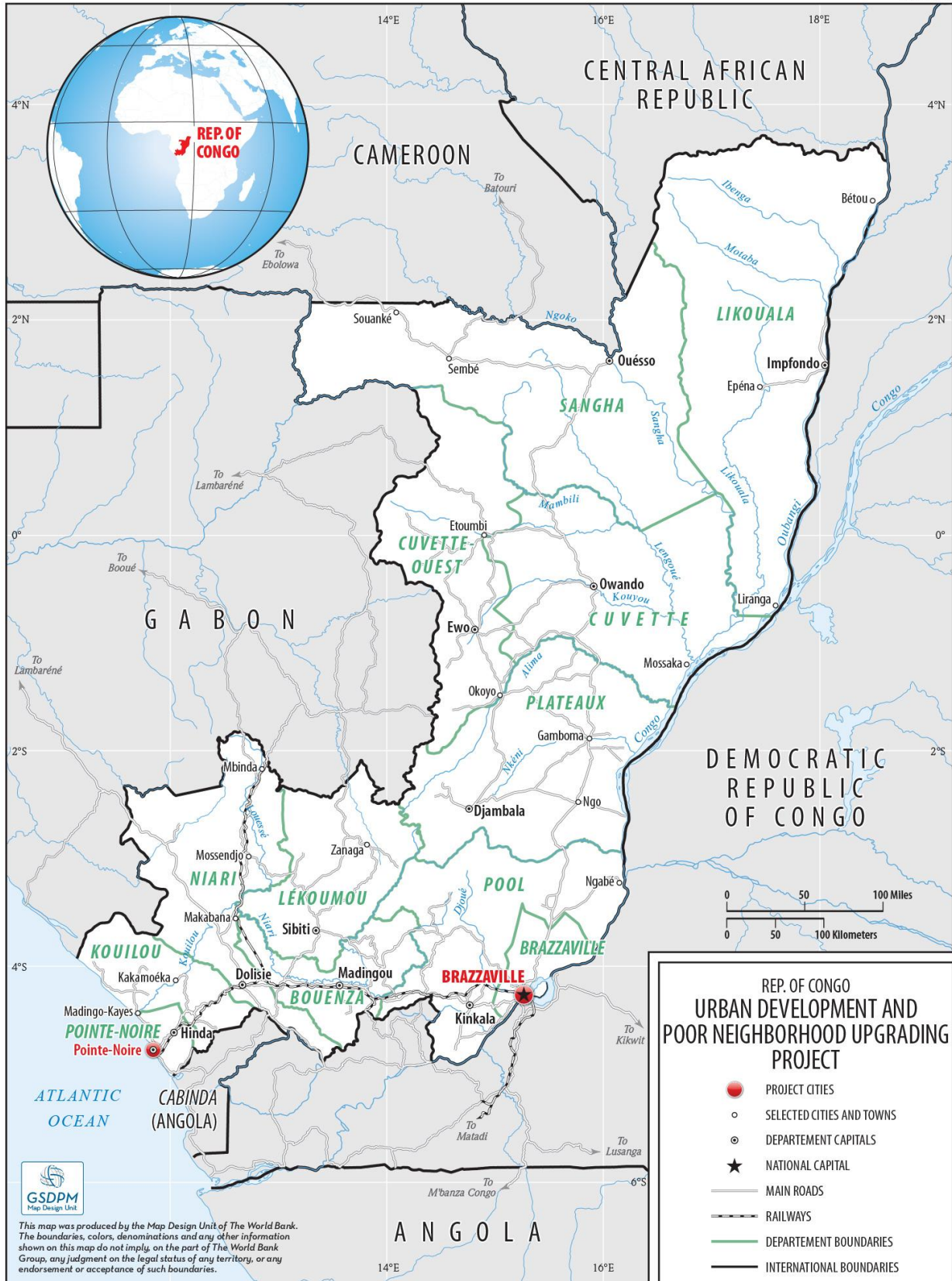
Table 4.1: Main Focus in Terms of Support to Implementation

Time	Focus	Skills Needed	Resource Estimate (US\$)	Partner Role
First twelve months	Start-up phase, preparation of neighborhood restructuring, and priority investments	Infrastructure, institutional development/upgrading, procurement, FM, safeguards, social development, M&E, economic analysis, communication	200,000	Coordination with AFD
Until MTR (yr. 2–3)	Start of neighborhood restructuring, capacity building, studies	Infrastructure, institutional development/upgrading, procurement, FM, social development	130,000/yr 260,000 total	Continued coordination with AFD
MTR (yr. 3)	MTR	Infrastructure, institutional development/upgrading, procurement, FM, social development, M&E	150,000	Participation of AFD

Following MTR (yr. 4–5)	Consolidation and rollout of upgrading strategy, implementation of study recommendations	Infrastructure, institutional development/upgrading, procurement, FM, social development, M&E, economic analysis	100,000/yr 200,000 total	Continued coordination with AFD
Total (5 years)			810,000	

Table 4.2: Skills Mix Required

Skills Needed	Number of Staff Weeks (for duration of Project)	Number of Trips	Comments
TTL (infrastructure, engineering)	80	CO based	Ongoing implementation support to the client, twice-yearly implementation support missions
Procurement	20	CO based	Twice-yearly missions for start-up phase, then yearly
Financial management	15	CO based	Twice-yearly missions for start-up phase, then yearly
Institutional aspects, upgrading strategy	15	5	Start-up (3 weeks), MTR, closing
M&E	15	5	Start-up (3 weeks), MTR, closing
Social development	20	CO based	Regular implementation support, annual mission and team support
Communication specialist	6	CO based	To participate in mission planning and communication strategy
Program assistant	18	CO based	Ongoing team support
Language program assistant	6	HQ based	Ongoing team support
Environmental safeguards	12	CO based	Participate in yearly implementation support missions and MTR
Social safeguards	12	5	Participate in yearly implementation support missions and MTR
Legal	1	0	Staff weeks for any restructuring
Disbursement	1	0	
Total	221		



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