

## Updated Project Information Document (PID)

Report No: AB213

|                                 |   |
|---------------------------------|---|
| <b>Project Name</b>             | CONGO, DEMOCRATIC REPUBLIC OF-Emergency Economic and Social Reunification Support Project   |
| <b>Region</b>                   | Africa Regional Office  |
| <b>Sector</b>                   | General education sector (20%); General energy sector (20%); Health (20%); General transportation sector (20%); General water, sanitation and flood protection sector (20%) |
| <b>Theme</b>                    | Conflict prevention and post-conflict reconstruction (P)  |
| <b>Project</b>                  | P081850   |
| <b>Borrower(s)</b>              | DEMOCRATIC REPUBLIC OF CONGO  |
| <b>Implementing Agency(ies)</b> | PROJECT COORDINATION UNIT AT THE MINISTRY OF PLANNING<br>To be determined<br>Address:<br>Contact Person:<br>Tel: Fax: Email:  |
| <b>Environment Category</b>     | B (Partial Assessment)  |
| <b>Date PID Prepared</b>        | August 12, 2003   |
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### 1. Country and Sector Background

#### The conflict, recent progress and challenge ahead

The Democratic Republic of the Congo (DRC) is gradually emerging from a decade of political instability and conflict. War and civil disturbance, compounded by the sequels of a long period of mismanagement and corruption, have taken a heavy toll on DRC and its 55 million people. The conflict, in which seven foreign countries have been involved at some point, has been the world's most murderous in decades. Physical damage is extensive, institutions are in shambles, and the economy has literally collapsed. Per capita income has declined steadily from about US\$380 in 1985 to US\$250 in 1990 and to US\$85 in 2000. DRC is now one of the poorest countries in the world, and social indicators are among the worst in Africa.

Against this background, progress towards peace and reconciliation has accelerated in the last period, within the context of the 1999 Lusaka Agreement. A UN peace-keeping force, the *Mission d'Observation des Nations Unies au Congo* (MONUC) was deployed throughout the country in 2002. The withdrawal of foreign troops was completed by end 2002, following agreements between the DRC Government and the Governments of Rwanda (in July 2002) and Uganda (in September 2002) respectively. Political negotiations between the Government, armed groups, political opposition, and civil society culminated in an agreement on a power-sharing arrangement for a transition period leading to elections within 24 to 30 months and in the appointment on June 30, 2003 of an all-inclusive Government of national unity with representation of all key armed groups, unarmed opposition and civil society. The mediation of the United Nations, and the support of key bilateral partners, such as South Africa, were critical in this process. The new Government is now functioning, which puts an end to the political

division of the country and creates a sound environment for economic and social reunification.

On the economic front, the Government is satisfactorily implementing an economic program supported by the World Bank through an Economic Recovery Credit (ERC) and by the International Monetary Fund (IMF) through a Poverty Reduction and Growth Facility (PRGF). In-depth structural reforms have been launched in the areas of economic governance, public expenditure management, poverty reduction, transparency, financial sector and public enterprises reform, local and foreign investment, and the mining and forestry sectors among others. Most importantly, economic growth returned (3 percent in 2002) and is expected to accelerate in the years to come.

Such progress has consolidated the window of opportunity for peace and recovery in DRC – a process which would positively affect the entire Central African sub-region. It has also increased the urgency of effectively reunifying the country, which has been split in several parts during the conflict: after 1998, about half of the country (eastern and northern provinces) was administered by a variety of armed groups (some of them supported by foreign allies). The political reunification will be a consequence of the ongoing political reconciliation process. But this effort will not be sustainable unless it is accompanied by a process of economic and social reunification – i.e. the reintegration of all provinces into a single and common economic space, under a common and inclusive authority.

### **Situation in reunified provinces**

The situation in reunified provinces presents a number of specific features. Although these regions are characterized by a large degree of diversity, they share a common history of violence, isolation from the rest of the country, and degradation of living conditions – which has translated into an exacerbation of the issues which are plaguing the entire country:

- *A terrifying humanitarian crisis.* Out of a pre-war population estimated at about 20 million in the eastern and northern regions, about 3 million are believed to have died as a result of the conflict. More than 2.4 million people are internally displaced and live in extreme poverty, even by Congolese standards. While social indicators for the DRC as a whole are among the lowest in Africa, social indicators in reunified provinces are even worse as a result of population displacements, economic disruptions, and continued insecurity. Human rights abuses have been widespread, and human suffering has reached horrendous levels – which has devastating consequences on social capital.
- *A collapse of the economy.* Widespread insecurity, disruptions of trade and resulting shortages have forced many communities into autarky while prices were skyrocketing in urban centers and food deficit areas. The widespread looting of public and individual assets, and the absence of effective economic management system have discouraged economic production, while laying the ground for a mushrooming of criminal and semi-criminal networks. Access to health care and education has been substantially reduced, creating the conditions for a long-term impoverishment, spread of disease, and even the perpetuation of conflict for a younger, unschooled generation. In many areas, the challenge is therefore not only to restart an idle engine

and spur recovery, but also to turn around the systems and incentives that have emerged over the last years and to put in place the conditions for a healthy recovery.

- *Heavy damage on infrastructure.* While direct destructions have been localized and are very variable across the country, infrastructure (both large-scale networks and local assets) has suffered considerable damage from both looting and lack of maintenance. This has translated into an interruption of traffic between, and within key provinces (with the associated consequences on economic life and living standards), as well as a substantial degradation of social services delivery (e.g, hospital rooms lacking walls).
- *A deep institutional crisis.* Reunified provinces have been characterized by a large degree of fragmentation, resulting from political feuds as well as from communications constraints. Many local institutions (often former branch offices of national entities) have lost part of their staff, facility, and equipment. Technical capacity is scarce, and most civil service salaries have not been paid for the last four years. Restoring public authority and an effective capacity to deliver minimal social services is critical for tackling the humanitarian crisis, for spurring economic recovery, and for implementing large-scale rehabilitation activities.

### **Response of the government**

The Government has expressed its commitment to a successful process of economic and social reunification, as a key condition for the overall success of the economic recovery and political reconciliation process. In parallel to the complex political process which is underway, the Government has indicated its intention to move along a three-track agenda:

- *Keep the economic reform program on track,* with a particular attention to absorbing the shocks expected from the process of economic and social reunification – in particular the monetary shock (the exchange rates for the Congolese franc vary from one area to the next) and the fiscal shock (with additional spending unmatched in the short-term by equivalent new resources). A particular effort will be needed to ensure that reforms adopted over the last two years are effectively implemented throughout the country.
- *Restore institutional unity while allowing for the necessary decentralization.* The Government has placed a strong emphasis on the need to reunify institutions which were divided during the conflict – and is aware that this process will have to go hand-in-hand with a decentralization process aimed at devolving responsibilities to the local level. This will allow to build on some of the positive aspects of the last years' experience (in particular with regard to the responsabilization of local-level management teams) and to avoid repeating the mistakes of the past. The Government has formed technical teams in some key sectors to discuss the practical modalities of the institutional reunification / decentralization process, as well as to select sectoral priorities for recovery and rehabilitation.
- *Provide rapid financial support in the eastern and northern parts of the country,* with a view to generating peace dividends and stabilizing the social situation, while laying the ground for growth recovery. The Government is considering to use parts of its own resources to that

effect, in particular through the payment of salaries for key civil servants, and has also asked donors to support this effort by expanding their programs to the reunified provinces. In order to focus scarce resources on priority issues and areas, the Government is committed to increase the scope and expand to the entire country the coverage of the US\$1.7 billion Emergency Multi-sector Rehabilitation and Reconstruction Program (EMRRP) – which was prepared with Bank assistance and constitutes the Government’s emergency minimum and priority investment program and the framework for donor coordination.

### **Response of the international community**

The possible response of the international community to the emerging challenges associated with the process of economic and social reunification was discussed on December 4-5, 2002, in Paris, in the context of a Consultative Group meeting. Donors engaged in a dialogue on the basis of a discussion note prepared by the Bank, to review ongoing activities and discuss a shared strategy for the coming period.

These discussions were based on the experience many bilateral donors and UN agencies have acquired over the last years. Indeed, throughout the conflict, a number of donors have remained active in reunified provinces through humanitarian programs – to provide health and nutrition services, safe drinking water supplies, support for agriculture and other urgent programs, and help strengthen capacity in public administration. These programs, however, remained limited in scope and focused on emergency humanitarian activities.

During the Consultative Group meeting, a consensus emerged around the need to provide support to facilitate the process of economic and social reunification of DRC. Donors emphasized that such support should be provided within the context of nation-wide programs (although with specific activities in northern and eastern provinces), with a particular attention to staying away from activities which could indirectly contribute to dividing the country. They also called for a close articulation of economic support with the other aspects of the reunification process, and in particular humanitarian assistance. They finally underlined that external assistance should be provided early on, wherever security conditions are adequate.

In this context, donors adopted a priority, four-fold agenda to support the Congolese strategy towards economic and social reunification: (i) help restore sound economic governance; (ii) mitigate the fiscal cost of reunification; (iii) support rehabilitation of essential infrastructure and the restoring of social services in eastern and northern areas; and (iv) assist in demobilization and reintegration of former combatants. .

### **2. Objectives**

The Project aims to assist the Government in the process of economic and social reunification. Such support is critical to help mitigate the ongoing social and humanitarian crisis and to facilitate the continued implementation of the economic reform program – and hence to contribute to the stabilization of DRC.

In the context of the Government’s response to the reunification challenge, of the existing

consensus among donors, and of the overall Bank strategy in DRC, the Project's specific objectives are three-fold:

- *Help restore or introduce a sound economic governance system throughout the country*, by providing the type of expertise and financial resources needed to ensure a satisfactory reunification of key institutions and the implementation of key economic reforms throughout the country;
- *Complement actions currently underway to address urgent needs*, alleviate the suffering of Congolese people, and generate quick "peace dividends" which could contribute to the stabilization of the country, by financing rehabilitation activities in those parts of the country where no major economic assistance program is under implementation yet; and
- *Prepare for the rapid extension of the EMRRP to all parts of the country*, in particular by activating implementation mechanisms designed to overcome existing capacity constraints and deliver results with efficiency and transparency in reunified provinces.

This is expected to complement earlier support by IDA and interventions by other donors (including in the form of humanitarian assistance, contributions to the MONUC, and political support), to help ensure a successful process of economic and social reunification.

Interventions will be limited to areas of DRC where activities can be implemented without undue security risk to Bank staff and personnel employed under contracts financed by the Project. In case of doubt, information and guidance will be sought from actors in the field, such as MONUC and key bilaterals.

### **3. Rationale for Bank's Involvement**

The Bank has re-engaged in DRC with the approval of a TSS and an Emergency Early Recovery Project (EERP), funded through a \$50 million grant, in July 2001. Prior to, and since then, the Bank has provided substantial analytical support and assistance to build capacities as well as to design and implement economic reforms. The Bank has also approved two operations: a \$450 million Economic Recovery Project and a \$454 million Emergency Multi-sector Rehabilitation and Reconstruction Project (in support of the EMRRP), in June and August 2002 respectively, following the settlement of DRC arrears in June 2002. The Bank is now working on the preparation of additional activities, including both lending products and non-lending services, to support the ongoing reform process.

For the full benefits of the recovery effort supported by these projects to materialize, however, the success of the process of economic and social reunification is key. There is widespread consensus that failure in this process would result in a continued humanitarian crisis and further insecurity, and would annul the hard-won gains of the last two years of economic reforms supported by the Bank.

The Emergency Reunification Project is a response to calls by both donors and the Government

for the Bank to provide early support to the reunification process. It also aims to catalyze donor support, as has been the case with earlier IDA projects undertaken in DRC, as well as in other post-conflict countries. The Emergency Reunification Project is, however, not a stand alone operation per se but an element of a broader support strategy aimed at complementing efforts already underway, and at laying the ground for eventual further support to reunification and recovery.

In view of the situation, which calls for a rapid intervention by the Bank, of the successful track record of early performance under existing operations, of the concerted international effort to provide positive financial flows currently underway, the Emergency Reunification Project will be processed under OP8.50 – since DRC is facing an emergency situation that seriously dislocates its economy and calls for a quick response from the Government and the Bank.

#### 4. Description

##### 4.1. The Project will include five components:

- Two components directly aimed at ***supporting implementation of economic reforms throughout the country*** – a Balance of Payment Support Component and an Institutional Strengthening Component; these components are expected to be complementary to each other, and to be implemented in close coordination with other activities aimed at supporting the country-wide economic reform process.
- Three components aimed at both ***addressing urgent needs and activating implementation mechanisms*** for rehabilitation activities in reunified provinces – to prepare for the eventual extension of the EMRRP; these components will aim to meet a large variety of needs and will in particular distinguish between three different types of activities: (i) rehabilitation of large infrastructure, in particular transport infrastructure; (ii) rehabilitation of urban infrastructure in selected cities; and (iii) provision of assistance to isolated rural communities, where no service provider has been active in years or decades.

***Component 1: Balance of Payment Support.*** Under Component A, the Emergency Reunification Project will provide the Government with balance of payments support to finance critical imports necessary within the context of reunification. It is expected that support will be disbursed in one tranche upon effectiveness.

***Component 2: Technical expertise and capacity building.*** Building on the successful experience of the EERP, currently under implementation in DRC, the Project will finance the provision of technical assistance and capacity building to facilitate the economic and social reunification of the country and the pursuit of economic reforms. Specific areas will include: (i) strengthening capacity in key institutions, in particular at the provincial and local levels (including utilities, and institutions dealing with health care, roads, urban development, and community driven development); (ii) supporting the development of a participatory Poverty Reduction Strategy Paper (PRSP); (iii) assisting the Government in revenue mobilization and public expenditure management, in particular in those areas affected by the reunification process;

(iv) ensuring implementation of forestry reforms throughout the country; and (v) carrying out engineering studies to prepare for the extension of the priority EMRRP to the entire country.

**Component 3: Infrastructure rehabilitation.** This component will finance rehabilitation projects for the rehabilitation of selected key infrastructure. Projects will be selected on the basis of several criteria: (i) have a substantial impact on reunification (e.g., by re-linking provinces); (ii) consist in repairs and rehabilitation, and not include new construction; (iii) be simple so that they can be implemented within a relatively short period of time; and (iv) ensure a satisfactory cost-benefit ratio. This will typically correspond to a major road connecting urban centers within reunified provinces or across former frontlines.

**Component 4: Urban rehabilitation.** This component will finance small-scale infrastructure repair and economic revitalization activities with a particular focus on labor-intensive activities. The strategy is to select modest investments, including in the transport, utilities, and social service sectors, which can be effectively implemented within a relative short period of time, and are expected to have a quick and high impact, and include a substantial labor component. Implementation arrangements will distinguish between large cities (Bukavu, Goma, Kindu, and Kisangani), where there remains some private sector capacity for carrying out rehabilitation works, and smaller centers, where capacity is much weaker and intensive use of international NGOs will have to be made.

**Component 5: Community empowerment.** This component will finance block grants to villages of US\$2,000 to US\$5,000 to finance priorities identified through a consultative process by the community. It will build on lessons learned through the successful implementation of similar activities in other post-conflict countries, in particular East Timor and Afghanistan. Any activity identified as a priority (but for a negative list) will be eligible for financing, and no mandatory counterpart will be required from the community. Funds will be held in collective accounts, and disbursed on the basis of contracts or purchases – they will be managed directly by the community. Implementation will be facilitated by NGOs, to help villages prepare and manage these activities. The component will initially be implemented in selected pilot areas, representing a diversity of situations, with a focus on rural areas in the provinces most affected by the conflict.

**Table: Emergency Economic and Social Reunification Support Project Costs**

| <i>Component</i>  | <i>Estimated cost (\$ million)</i> | <i>Percent of total</i> |
|---|------------------------------------|-------------------------|
| <b><i>A. Supporting implementation of economic reforms throughout the country</i></b> |                                    |                         |
| - Balance of payments support   | 50                                 | 23.4                    |
| - Institutional strengthening   | 15                                 | 7.0                     |
| <b><i>B. Addressing urgent needs and activating implementation mechanisms</i></b>     |                                    |                         |
| - Infrastructure rehabilitation   | 90                                 | 42.1                    |

|                            |            |              |
|----------------------------|------------|--------------|
| - Urban rehabilitation     | 30         | 14.0         |
| - Community empowerment    | 10         | 4.7          |
| Implementation costs       | 5          | 2.3          |
| Contingencies              | 14         | 6.5          |
| <b>Total Project costs</b> | <b>214</b> | <b>100.0</b> |

## 5. Financing

### Source (Total ( US\$m))

BORROWER (\$0.00)

IDA (\$50.00)

IDA GRANT FOR POST-CONFLICT (\$164.00)

**Total Project Cost: \$214.00**

## 6. Implementation

Three main entities will be involved in overall implementation of the Project:

- *A Project Coordination Unit (PCU)* to be established by effectiveness in the Ministry of Plan. The PCU will be the Bank's main counterpart and focal point. It will be responsible for: (i) overall oversight of implementation; (ii) implementation of specific activities as described below; (iii) coordination of, and with technical ministries and other relevant entities for successful implementation of all components; and (iv) coordination with the Bank. The PCU is expected to be a relatively light unit, with few specialized staff, which relies heavily on sub-contracting implementation to other entities.
- *A High-Level Oversight Committee*, to oversee the PCU. The committee will include representatives of the Ministers of Finance, Budget, Plan, and Public Works and of the Economic Adviser to the President. It will review the PCU's activities to strengthen transparency and help ensure a fair distribution of activities throughout the country.
- *The Bureau Central de Coordination (BCECO)* to act as a procurement agent for all contracts to be awarded directly by the Government under the Project (with terms of reference and specifications provided by the PCU).

It is expected that each component will be managed as follows:

- *Component 1: Balance of payments support:* Implementation of reforms supported under this component will be coordinated by the Ministry of Finance. The Ministry of Finance will ensure that funds are adequately disbursed for the procurement of eligible imports.
- *Component 2: Institutional strengthening:* This component will be implemented by the PCU with support from BCECO for procurement. The PCU will coordinate work by technical ministries and other relevant institutions to prepare terms of reference and other specifications. BCECO will manage the procurement process. Beneficiary entities will supervise the execution of contracts.



- *Component 3: Infrastructure rehabilitation:* Implementation arrangements will be designed on the basis of experience under the EERP and EMRR Project: (i) for RN2 and RN4, implementation through the PCU (with BCECO's assistance for procurement); and (ii) for RN1, implementation through BCECO (since it is a continuation of activities already managed by BCECO).
- *Component 4: Urban rehabilitation:* The Component will be implemented by the PCU, through an overall service contract with a consulting group (the Consulting Firm), which will be responsible for overall implementation of the component and reporting to the PCU. For large cities, the Consulting Firm will contract works and supervision to private enterprises or NGOs. For smaller cities, it will enter into subsidiary service agreements with qualified NGOs (which will in turn contract works and services).
- *Component 5: Community empowerment:* The component will be implemented by the PCU, through an overall service contract with a consulting group (the Second Consulting Firm), which will in turn enter into contractual arrangements with NGOs.

## **7. Sustainability**

Sustainability will be achieved at two levels. At the level of each individual component and activity, it is expected that the use of implementation methods relying on substantial community involvement will facilitate the maintenance and operation of rehabilitated infrastructure. At the program level, the sustainability of the actions undertaken under the Emergency Reunification Project will depend on the progress towards reintegrating all DRC provinces into a single economic space. The Project is aimed at facilitating such a reintegration and to ensure a sustainable development of the provinces most affected by the conflict, by allowing for the extension throughout the country of programs and instruments such as the ongoing Economic Recovery Program and the EMRRP.

## **8. Lessons learned from past operations in the country/sector**

The overall architecture of the Project reflects lessons learned, through Bank interventions in other post-conflict countries, as well as through earlier interventions in DRC, and in particular:

- *Early intervention is critical* to help stabilize fragile political and social situations in difficult post-conflict environments. Such assistance has proven most useful when it has been directed at restoring a sound basic framework for economic governance, at providing rapid "peace dividends" to impoverished populations, and at preparing for long-term recovery activities.
- *Multi-sector approaches are needed for emergency assistance to have a substantial impact* on growth prospects and social stability in a highly-disrupted environment. Even though multi-sector operations may be more difficult to manage, effective interventions need to address in parallel a broad variety of issues.

The Project's design also reflects lessons learned, and in particular:

- *The need to involve private sector and civil society in the selection of priority activities.* Priorities under the Project were selected through a broad consultation with all key stakeholders – and the proposed activities reflect a large consensus among all stakeholders. This will help ensure that resources are spent wisely and that benefits are widely shared – and facilitate the mobilization of the Congolese in support of Bank-funded activities.
- *The need to pay particular attention to issues of transparency,* in particular in countries such as DRC with a poor track record in financial management. This is critical not only to ensure a proper use of emergency resources, but also to facilitate the mobilization of further donor support. Ring-fenced procedures are needed to ensure an effective and transparent implementation process.
- *The feasibility of overcoming the difficult capacity constraints,* as demonstrated through the successful implementation of the EERP and ERC, and the promising beginnings of the EMRR Project. The proposed implementation arrangements for the Project draw on this experience.
- *The importance of simplicity and flexibility in design.* In rapidly-changing situations, where the difficulties to come cannot be fully foreseen, experience shows the importance of designing activities and implementation mechanisms which allow for a flexible and rapid response to emerging needs.
- *The role of hands-on support by the Bank during implementation to facilitate project execution.* Particular attention needs to be paid during implementation to transparency as well as quality and sustainability of selected activities.

#### **9. Environment Aspects (including any public consultation)**

**Issues :** The Project is classified as environmental category B because no activity funded under the Project is expected to have a significant negative environmental or social impact (the EERP and EMRRP which included similar infrastructure rehabilitation activities received a similar classification). It should be noted that the emergency was in no way related to inappropriate environmental management practices. Special steps will be taken for specific components namely: (i) for component 3, which is expected to trigger several Safeguard Policies (namely on forestry, natural habitats, and involuntary resettlement), an Environmental and Social Assessment will be prepared, approved by the Bank and disclosed in country and in the Infoshop within one year of effectiveness, and (ii) for components 4 and 5, an Environmental and Social Management Framework and a Resettlement Policy Framework will be prepared, approved by the Bank and disclosed in country and in the Infoshop within one year of effectiveness.

#### **10. List of factual technical documents:**

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**Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.**