Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 75571-ZR

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 66.1 MILLION
(US$100 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR AN

URBAN DEVELOPMENT PROJECT

APRIL 11, 2013

Urban Development & Services Practice (AFTU2)
Country Department AFCC2
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2013)

Currency Unit	=	US$
CDF 1.00	=	US$0.0010909
US$ 1	=	918.00 CDF
SDR	=	US$1.5148

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFD	*Agence Française de Développement* – French Development Agency
ARAP	Abbreviated Resettlement Action Plan
BC	Base Conditions
BEAU	*Bureau d'Études d'Aménagement et d'Urbanisme* – Urban Planning and Development Agency
BP	Bank Procedures
BTC	Belgian Technical Cooperation
CAS	Country Assistance Strategy
CDF	Congolese Franc
CO	Country Office
CQ	Consultant Qualification
DA	Designated Account
DFID	Department for International Development
DRC	Democratic Republic of Congo
DUS	Division of Urban Statistics
EF	Equalization Fund
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETD	*Entité Territoriale Décentralisé* – Decentralized Territorial Entity
EU	European Union
FA	Financing Agreement
FB	Fixed Budget
FCBT	Flying Capacity Building Team
FM	Financial Management
FY	Fiscal Year
GAC	Governance and Anti-Corruption
IC	Individual Consultant
ICB	International Competitive Bidding
IDA	International Development Association
IFR	Interim Financial Report
IMF	International Monetary Fund
ISR	Implementation Status and Results Report

LCS	Least Cost Selection
LDP	Local Development Plan
LG	Local Government
M&E	Monitoring and Evaluation
MINDEC	Ministry of the Interior, Security, Decentralization and Customary Practices
MINATUHITPR	*Ministère de l'Aménagement du Territoire, Urbanisme, Habitat, Infrastructures, Travaux Publics et Reconstruction*- Ministry of Spatial and Urban Planning, Housing, Infrastructures, Public Works, and Reconstruction
MTR	Mid-Term Review
n.a.	not applicable
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NPV	Net Present Value
NTF	Nordic Trust Fund
O&M	Operation and Maintenance
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* – Organization for Harmonization of Business Regulations in Africa
OP	Operational Policy
OSR	Own Source Revenue
OVD	*Office de Voirie et Drainage* –Urban Road Agency
PA	Performance Assessment
PBFAS	Performance-Based Fund Allocation System
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PRCG	*Projet de Renforcement des Capacités en Gouvernance* –Governance Enhancement Project
PRC-GAP	*Projet de Renforcement des Capacités en Gestion des Fonctions de Base de l'Administration Publique* – Public Administration Capacity Building Project
ProvSC	Provincial Steering Committee
PRS	Poverty Reduction Strategy
PS	Permanent Secretariat
PSC	Project Steering Committee
QCBS	Quality and Cost Based Selection
RAP	Resettlement Action Plan
RFP	Requests for Proposal
RPF	Resettlement Policy Framework
SPN	Specific Procurement Notices
TA	Technical Assistance
TOR	Terms of Reference
TTL	Task Team Leader
UCoP	*Unité de Coordination des Projets* – Project Coordination Unit
UDP	Urban Development Project

Regional Vice President:	Makhtar Diop
Country Director:	Eustache Ouayoro
Sector Director:	Jamal Saghir
Sector Manager:	Alexander E. Bakalian
Task Team Leader:	Mahine Diop

DEMOCRATIC REPUBLIC OF CONGO
Urban Development Project

TABLE OF CONTENTS

Page

PAD DATA SHEET

Congo, Democratic Republic

DRC Urban Development Project

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTU2

Report No.: 75571-ZR

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P129713	Specific Investment Loan	B - Partial Assessment	Mahine Diop
Project Implementation Start Date		Project Implementation End Date	
May 7, 2013		31-Jul-2019	
Expected Effectiveness Date		Expected Closing Date	
01-Aug-2013		31-Jul-2019	
Joint IFC			
No			
Sector Manager	Sector Director	Country Director	Regional Vice President
Alexander E. Bakalian	Jamal Saghir	Eustache Ouayoro	Makhtar Diop

Borrower: Ministry Of Finances			
Responsible Agency: Ministry of Spatial and Urban Planning, Housing, Infrastructure, Public Works and Reconstruction			
Contact:	Augustin Kabau Tshiendesha	Title:	Permanent Secretary, Urban Development Project
Telephone No.:	+243812503337	Email:	atkabau@gmail.com

Project Financing Data(US$M)					
[ ]	Loan	[X]	Grant	[ ]	Other
[ ]	Credit	[ ]	Guarantee		

For Loans/Credits/Others	
Total Project Cost (US$M):	100.00
Total Bank Financing (US$M):	100.00

Financing Source	**Amount(US$M)**
BORROWER/RECIPIENT	0.00
IDA Grant	100.00
Total	100.00

Expected Disbursements (in USD Million)

Fiscal Year	2014	2015	2016	2017	2018	2019	2020
Annual	12.00	23.00	23.00	22.00	12.00	6.00	2.00
Cumulative	12.00	35.00	58.00	80.00	92.00	98.00	100.00

Project Development Objective(s)

To improve access to basic services and strengthen urban and municipal management of the targeted cities.

Components

Component Name	**Cost (USD Millions)**
Primary Infrastructure	50.00
Urban Governance (Including PPA refinancing)	50.00

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		01-Feb-2014	

Description of Covenant

Not later than six (6) months after the Effective Date, the Recipient shall recruit external auditors in accordance with the provisions of Section III of Schedule 2 of the FA, with qualifications, experience and terms of reference acceptable to the Association.

Name	Recurrent	Due Date	Frequency
Financial management and accounting		01-Nov-2013	

Description of Covenant

Not later than three (3) months after the Effective Date, the Recipient shall install, within the Permanent Secretariat, a computerized financial management and accounting system in a manner satisfactory to the Association.

Name	Recurrent	Due Date	Frequency
Training		01-Nov-2013	

Description of Covenant

Not later than three months from the Effective Date, the Recipient shall provide training to, at least, two qualified staff members of the Permanent Secretariat on the Association's procurement policies and procedures, under arrangements acceptable to the Association.

Name	Recurrent	Due Date	Frequency
Record keeping		01-Nov-2013	

Description of Covenant

Not later than three months from the Effective Date, the Recipient shall establish, within the Permanent Secretariat, a project record keeping system satisfactory to the Association and successfully train relevant staff in the use thereof.

Name	Recurrent	Due Date	Frequency
Team of experts		01-Nov-2013	

Description of Covenant

Not later than three months after the Effective Date, the Recipient shall recruit a team of experts including a municipal administrator, a community development specialist, a procurement specialist, and an urban planning engineer in accordance with the provisions of Section III of Schedule 2 of the FA.

Name	Recurrent	Due Date	Frequency
Annual Work Plans and ESIAs	X		Yearly

Description of Covenant

Not later than November 30 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare and furnish to the Association: (i) a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested; as well as (ii) any Supplemental Social and Environmental Safeguard Instruments which are required for the implementation of the activities included in the draft annual work plan and budget.

Conditions

Name	**Type**

Description of Condition

Team Composition

Bank Staff

Name	**Title**	**Specialization**	**Unit**
Mahine Diop	Senior Municipal Engineer	Team Lead	AFTU2
Aissata Z. Zerbo	Procurement Specialist	Procurement	AFTU2
Siaka Bakayoko	Sr. Financial Management Specialist	Financial Management	AFTMW
Hocine Chalal	Lead Environmental Specialist	Environment	AFTN3
Antoine V. Lema	Senior Social Development Specialist	Social Development	AFTCS
Bella Lelouma Diallo	Sr. Financial Management Specialist	Financial Management	AFTMW
Aissatou Diallo	Senior Finance Officer	Disbursement	CTRLA
Louise Mekonda Engulu	Senior Communications Officer	Communications	AFRSC
Louis Jean De Marigny	Finance Analyst	Disbursement	CTRLA
Christian Vang Eghoff	Consultant	Urban Development	AFTU2
Philippe Mahele Liwoke	Senior Procurement Specialist	Procurement	AFTPW
Anthony Molle	Sr. Counsel	Counsel	LEGLO
Jean Mabi Mulumba	Senior Public Sector Specialist	Public Sector	AFTP5
Ana Paula Fialho Lopes	Sr. Operations Officer	Operations	AFTU2
Deo Mulikuza Mirindi	E T Consultant	Water	TWIAF
Nicole Kasongo Kazadi	Team Assistant	Team Assistance	AFCC2
Juliana Victor-Ahuchogu	Sr. M&E Specialist	Monitoring & Evaluation	AFTDE
Angelo Donou	Financial Management Specialist	Financial Management	AFTMW
Nneoma Veronica Nwogu	Counsel	Counsel	LEGAF
Ernestina Attafuah	Senior Program Assistant	Program Assistance	AFTU2
Pamela Mpamenkwe Mpambia	Temporary	Team Assistance	AFCC2

Non Bank Staff			
Name	**Title**	**Office Phone**	**City**

Locations					
Country	**First Administrative Division**	**Location**	**Planned**	**Actual**	**Comments**
Democratic Republic of Congo	Bas-Congo Province	Matadi	X		
	Equateur Province	Mbandaka	X		
	South Kivu Province	Bukavu	X		
	Katanga Province	Kalemie	X		
	Maniema Province	Kindu	X		
	Bandundu Province	Kikwit	X		

Institutional Data

Sector Board
Urban Development

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	50		
Transportation	Urban Transport	30		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	20		
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	%
Urban development	Municipal governance and institution building	30

Urban development	Municipal Finance	10
Urban development	Other urban development	15
Public sector governance	Decentralization	25
Urban development	Urban services and housing for the poor	20
Total		100

DEMOCRATIC REPUBLIC OF CONGO

URBAN DEVELOPMENT PROJECT

PROJECT APPRAISAL DOCUMENT

I. STRATEGIC CONTEXT

A. Country Context

1. **The Democratic Republic of Congo (DRC) is slowly recovering from the civil war, which ended in 2002, having destroyed the country's infrastructure and social fabric.** National Parliamentary and Presidential Elections were held in 2006 and 2011, the latter marred by violence and contestations of the results. Elections for the 11 provincial parliaments and for local government entities have not yet taken place for lack of funding and the need to revisit the electoral system. Provincial and local government elections are tentatively planned to take place in 2013. While progress has been made towards peace, armed conflicts continue to simmer in the East of the country, with recent resurgence of rebel activity in the North Kivu Province as a manifestation of weak and unaccountable state institutions.

2. **Economic growth has been about 7 percent annually since 2010, which has so far not translated into lower poverty and unemployment rates due to governance problems.** The DRC has huge economic potential thanks to its abundant natural resources, but poor governance, weak institutions, wars and conflicts have prevented the population from enjoying the benefits of these endowments. The quality of public administration, as measured in the 2012 Country Policy and Institutional Assessment, is stable at 2.0 (of 6.0) compared to the average among International Development Association (IDA) borrowers of 2.9. The DRC ranked 160 of 180 countries in Transparency International's Corruption Perception Index and was perceived as one of the most corrupt countries. Per capita gross national income is only US$190 (2011) and 71 percent of the 71 million Congolese live below the poverty line (2006 figures, a nationwide poverty survey is being undertaken, data not available by appraisal). Despite economic growth, the private sector offers formal employment to only 1.2 percent of the labor force. The country's ranking on the Doing Business Index remains low at 181 of 185 countries. Young people are most affected by unemployment, particularly in urban areas. Moreover, the DRC has formidable infrastructure and institutional obstacles to employment creation and demographic imbalances have engendered social and political exclusion.

3. **Addressing this paradox is at the heart of the government program to buttress recent progress made in the implementation of sound economic policies and structural reforms.** Stable institutions are beginning to emerge at the national level, but challenges remain to effectively project governmental authority across the entire country. Addressing deep imbalances will require the establishment of more inclusive and equitable local governance mechanisms. The focus of the government program, which operationalizes the 2011 Poverty Reduction Strategy (PRS), is on governance, public finance management, promoting a modern

public administration, private-sector-led growth, human development, closing the infrastructure gap, and improving security. With support from the World Bank and the International Monetary Fund (IMF), the DRC reached the Highly Indebted Poor Country completion point in 2010 with debt cancellation of US$12.3 billion. Following the sales of mining assets in a non-transparent manner by public mining companies, an Economic Governance matrix was agreed upon by the World Bank and the IMF with the authorities in December 2010 to improve governance in the management of natural resources. The matrix has been closely monitored, and the World Bank's financial support to the DRC has been tied to progress made in implementing the agreed measures.

B. Sectoral and Institutional Context

4. **The DRC is undergoing a rapid and unplanned urbanization process, with the twelve largest cities estimated to be growing at 4.7 percent annually.** The country was 9.9 percent urbanized in 1956; by 2012 the urban population is estimated at 24 million, or 37 percent of the total population, and is projected to reach 40 million by 2025. With 400,000 new inhabitants joining the city every year, by 2030 Kinshasa (population in 2000 about 6 million) will be the largest African city, ahead of Cairo and Lagos and the 16th largest metropolis in the world. The major urban centers of Kinshasa, Lubumbashi, Mbuji-Mayi, Kananga and Kisangani are estimated to grow from 9.3 million inhabitants in 2000 to 17 million in 2015. The population of other urban centers of over 100,000 inhabitants will increase by over 75 percent over the same period, from 3.6 million to 6.3 million. Smaller urban centers are estimated to be growing at a slower pace, around 50 percent. This rapid urbanization process results in unplanned development of cities in the DRC, which in turn undermines economic growth, posing challenges to urban poverty reduction, and making provision of adequate urban services particularly challenging.

5. **Absence of substantial investments and continuous degradation of the urban infrastructure result in low levels of access to services and high levels of urban poverty, at 61.5 percent in 2005.[1]** Congolese cities experience higher levels of poverty than Central African counterparts (below 50 percent in Republic of Congo). Even Kinshasa, with 42 percent poverty, is above other main cities of the region. In the absence of reliable statistics, it is not possible to know the exact level of public investments in urban areas. However, the 2010 urban sector study (carried out as part of the Country Economic Memorandum) estimates the investment needs in urban areas at 16-17 percent of central government expenditures, or US$12 per capita – three times the current investments. In the absence of investments commensurate with needs, most of the 1,000 kilometers of paved urban roads throughout the country (out of 7,400 kilometers total urban road network) date back to the colonial period and are poorly maintained, with a negative impact on urban mobility and economic activity. The trunk drainage systems, 280 kilometers for all urban areas, are old and badly maintained – only 5 percent of roads in poor neighborhoods are properly drained. Despite abundant water resources, access to clean water remains low at 26 percent in urban areas and only 36 percent of urban residents have access to improved sanitation. Access to electricity, key to development of economic activities, varies between 28 percent (Boma) and 66 percent (Kinshasa) in major cities above 1 million inhabitants.

[1] According to the 1-2-3 survey carried out in 2004-2005 and cited by the Poverty Reduction Strategy Paper.

6. **Urban planning is largely non-existent, the formal sector is unable to deliver housing, and land management practices contribute to making cities ungovernable.** The urban planning legislation from 1957 is outdated, and the only master plans in existence are over 30 years old. Some urban reference plans and local development plans have recently been elaborated with the support of donors, but overall the limited institutional and technical planning capacity results in unplanned settlements on undeveloped land, with auto-construction being the norm, making subsequent delivery of services expensive, and entailing risks of natural hazards. The housing deficit is estimated (1999, latest figures available) at between 854,094 and 1,243,554 units and there is no organized housing sector in the DRC. In principle, land is the inalienable domain of the state. In reality, only land allocation operated by traditional leaders is functioning, with the allotee having to subsequently obtain a registry certificate with the authorities through a lengthy procedure. To further complicate matters, responsibility for urban planning and urban development at the national level is split between several ministries and agencies (MINATUHITPR, the newly integrated Ministry of Spatial and Urban Planning, Housing, Infrastructures, Public Works, and Reconstruction[2], Ministries responsible for Decentralization and Land Affairs, and the Urban Road Agency - *Office de Voirie et Drainage*, OVD), and the provinces also play a role, which does not facilitate coordination.

7. **The unfinished decentralization agenda leaves provinces and local government entities with limited means and capacity to discharge their functional mandate, and local government elections have yet to take place.** While waiting for the first local government elections to take place (potentially in 2013) cities and communes are managed by nominated mayors and burgomasters respectively.[3] In spite of the constitution conferring substantial tasks upon the cities and communes, including roads and drainage construction and maintenance, urban planning, markets, and solid waste management, they currently play almost no role in urban planning, land management, and investment programming, which is essentially carried out at the provincial or national level. As a consequence, city authorities sense little ownership over infrastructure in their jurisdiction. Further, the budgets are imposed by Kinshasa, without involving the local governments (LGs) in budget elaboration; many investments, which are in principle under the authority of LGs, are undertaken directly by the central or provincial governments.

8. **Project preparatory studies confirm the general trend of low levels of revenues and limited staffing of project cities.** In general, cities operate with personnel placed at their disposal by the provincial governor or contractual employees. Organizational audits of the Urban

[2] Resulting from a merger of the Ministries of Infrastructure, Public Works, and Reconstruction with the Ministry of Urban Planning and Housing, but not fully integrated, with two functioning Secretary Generals. In French *Ministère de l'Aménagement du Territoire, Urbanisme, Habitat, Infrastructures, Travaux Publics et Reconstruction*.

[3] Provinces, with elected assemblies and government with ministries, are subdivided into urban and rural areas. According to the organic law of 2008: (a) a city is a provincial administrative center or agglomeration of at least 100,000 inhabitants with urban amenities and economic and social infrastructure, upon which a Prime Ministerial decree has conferred the status of city, and (b) a commune is a territorial administrative center, a sub-division of a city, or agglomeration of at least 20,000 inhabitants upon which a Prime Ministerial decree has conferred the status of commune. Following the first LG elections, cities and communes are to be governed by elected councils, the members of which elect the mayor and burgomaster respectively. Territories are deconcentrated sub-divisions of provinces, in turn sub-divided into decentralized LG entities: sectors and chefferies. Together, cities, communes, sectors, and chefferies are the third tier of power, below the central government and provinces, known as Decentralized Territorial Entities (ETD - *Entité Territoriale Décentralisé*).

Development Project (UDP) participating cities carried out as part of project preparation show that even municipalities with over 500,000 population do not have more than 75 staff. They are further constrained by very limited financial resources, due to random transfer of resources and underexploited generation of own source revenue, compounded by the informal nature of the collection system. Budget execution rates do not surpass 40 percent for any of the project cities. City budgets are typically around US$1-3 per capita, which is insufficient to run even the most basic services. Commercial infrastructure yields far below potential and should be a specific area of focus to improve municipal revenue.

9. **The 2006 constitution provides three levels of state power: the central government, the provinces and the Decentralized Territorial Entities (*Entité Territoriale Décentralisé* - ETD)[4] and stipulates the repartition of government revenues between the three levels.** It also introduced significant reforms in the political and administrative architecture of the country, including the establishment of provincial authority (provincial assemblies, provincial governments, and provincial governors). The constitution further provides for allocating the State's financial resources between the central and provincial governments (respectively 50 percent for the central government, 40 percent for the provinces and 10 percent through an Equalization Fund (EF), which is not yet operational, to finance investments in provinces and ETDs) without further precision of the vertical and horizontal distribution criteria. A national forum on decentralization was held to develop a formula for the distribution of the 40 percent destined for the provinces. This formula, which is applied in the state budget since 2008, has been included in the Finance Act of 2011 and is based on a categorization of state revenues. The World Bank is currently funding an Enhancing Governance Capacity Project (*Projet de Renforcement des Capacités en Gouvernance*- PRCG), which aims to enhance transparency and efficiency in central and sub-national public finance and human resource management and establish and consolidate an equitable resource sharing mechanism between central and subnational governments, particularly the provinces.

10. **Apart from transfers, ETDs have two other sources of income, namely own-source revenue and the EF via the provinces.** The nomenclature of own revenues of the provinces and ETDs was enacted in June 2012 and is expected to reduce the dependence of ETDs on transfers. The Finance Act provides that 10 percent of national revenue is paid into the EF to finance investments in the provinces. To stimulate ETDs to improve governance, it would be desirable that access to the latter window by ETD is conditional on the achievement of a number of performance criteria. Based on this logic, and the instruments implemented under the proposed UDP, government is expected to gradually adjust its fiscal system of allocations to LGs through the EF to a primarily performance-based allocation for the discretionary use of the cities.

11. **There is some positive experience in the DRC in implementing poverty-targeted interventions in selected urban areas, but policy-setting and coordination at the national level has been largely absent.** The 2008 government strategy for the urban sector targets improvements to living conditions through a land management policy and activities to curb urban poverty. The government has struggled to implement the strategy. Sector donors[5] have so

[4] Cities, communes, sectors and chefferies are known as Decentralized Territorial Entities, see footnote 3 for details.
[5] Especially Agence Française de Développement, African Development Bank, Belgian Technical Cooperation, European Union, UN-Habitat, NGOs.

far not supported its implementation in a coordinated manner at the national level. Some donor-supported projects have succeeded in implementing poverty-targeted interventions, based on participatory approaches and local development plans, and including capacity-building in selected local government entities (see overview of donor-funded interventions in Annex 3). However, the approaches have not been fully institutionalized at the national level. Except for EU-support to solid waste management in Kinshasa, sector investments by donors do not exceed US$50 million (post-crisis period and ongoing). Further, lack of reliable and updated data on the urban sector is a major handicap for any urban development strategy and the proposed UDP would support the elaboration of an actual sector strategy. The urban sector study carried out in 2010 as part of the Country Economic Memorandum, also suffers from lack of updated data. The World Bank is funding a Statistical System Project to address country-level data shortcomings, two operations targeting enhanced governance, and a project to support the emergence of growth poles. Links between the UDP and these operations are described in the sections below.

C. Higher Level Objectives to which the Project Contributes

12. **The UDP is an integral part of the Country Assistance Strategy (CAS) and contributes to several higher-level objectives, in support of the PRS and World Bank Africa Strategy.** The UDP approach underpins the CAS Strategic Objective One ("Effectiveness of the state at the center and at decentralized levels and improve good governance") by pushing investments to the city level and supporting demand for good governance through supply and demand-side initiatives to inclusive and transparent LGs. By not making use of a Project Implementation Unit (PIU), the project also supports the CAS objective of rebuilding capacity in state institutions at the central and provincial levels, a main part of public sector reform efforts. One of the longer term outcomes of the UDP is more sustainable urban development as well as competitive and productive cities, specifically recognized under Pillar One of the World Bank Africa Strategy as a key driver of wealth and jobs going forward for Africa.

13. **The UDP is included in the new 2013-2016 CAS under Strategic Objective Two: to boost competitiveness to accelerate private-sector-led growth and job creation, and will specifically contribute to these objectives.** In line with the "growth pole" approach envisaged in the CAS, the project will focus on investments in a limited number of locations, in an attempt to harness economies of scale, scope, and agglomeration benefits, to respond to the infrastructure needs that are critical to unleash the country's potential. The project cities are included in the strategic corridors of growth identified by the World Bank-funded Growth Poles Project, under preparation[6]; investments in these cities have been identified to have particular potential to support economic growth. In doing so, the project will support the emergence of Small and Medium Enterprises in the construction industry and create temporary employment for unskilled

[6] The PDO of the proposed Growth Poles Project is to increase private investment, production, farm income and employment in commercial agriculture in select value chains. The Growth Poles Project identified the following potential growth pole corridors: Matadi/Boma-Kinshasa-Kikwit; Kinshasa-Equateur/Mbandaka; Lubumbashi-Likasi-Kolwezi; Lubumbashi-Kindu-Kisangani; Kinshasa-Kisangani River; Kisangani-Bukavu-Goma-Beni; Bukavu-Kalemie; Bukavu-Kasongo-Mbuji Mayi.

workers through the use of labor-intensive construction techniques.[7] The UDP is further designed to support implementation of reforms to public financial management, which also figure prominently in the upcoming CAS. This includes: (a) fully operationalizing the procurement code (the UDP will support implementation in project cities); and (b) introducing critical transparency measures: publication of contracts (this was agreed with the government during preparation of the UDP and is part of the Governance and Anti-Corruption Action Plan presented in Annex 6).The project will also contribute to address fragility and conflict in the Eastern provinces(CAS strategic pillar 4) by creating socioeconomic opportunities in targeted conflict-affected areas including the city of Bukavu.

14. **The Poverty Reduction Strategy (2011-2015) explicitly considers cities in connection with the creation of growth poles, and the CAS is fully aligned to this objective.** The proposed operation is coordinated with World Bank support to governance and decentralization, and will further support the PRS objective of implementing urban management tools, improving access to services, and construction and management of market infrastructure. In terms of decentralization, the PRS aims to move the administration closer to the electorate and implement mechanisms for increased public participation, which the proposed operation will also support.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. **The Project Development Objective (PDO) is to improve access to basic services and strengthen urban and municipal management of the targeted cities.** The proposed project is the first intervention supported by the World Bank in the urban sector, following a number of post-conflict operations with emphasis on emergency measures through the rehabilitation and reconstruction of infrastructure. Therefore increased attention will be paid to strengthening the institutions and organizations charged with providing basic services and to ensuring the sustainability of investments. The complex institutional arrangements for decentralization in the DRC compel the project to rely on tested approaches to achieve these objectives in an incremental manner. For this reason, a performance-based approach will link results obtained in municipal and urban management to financing of neighborhood infrastructure, establishing a link between the nominated mayors and the city populations that has until now been missing. This will be coupled with more substantial unconditional investments in structuring urban infrastructure, given the need to catch up on the investment deficit that has accumulated over the past decades. The reason for linking performance only to funding of neighborhood infrastructure is the need to assure investments, in continuation of reconstruction efforts, and concurrently starting up a planning and participatory process which the city authorities can manage, and establish a link between participation and meeting some of the most urgently felt local needs.

[7] A relatively vibrant construction sector is emerging based on the many recent reconstruction projects, including a substantial number based in the provinces. For example, the recently closed World Bank-funded Emergency Living Conditions Improvement Project made use of 79 construction companies localized in different urban centers.

B. Project Beneficiaries

16. **The primary project beneficiaries are the inhabitants of the project cities, with national and provincial institutions also benefiting.** The main benefits will come from improved access to services for the populations of project cities, overall improved urban and municipal management and direct involvement in setting investment priorities. Investments and maintenance activities financed with project funds will benefit this entire target group either directly or indirectly, including through creation of temporary employment. The beneficiaries will further be involved in monitoring LG performance through participation in validating the outcome of the annual performance assessments (PAs). Officials and administrations of the project cities will benefit from support to improving their capacity to carry out their mandate. At the national level, the main project beneficiary is the Ministry responsible for Urban Planning (MINATUHITPR), along with the Ministry responsible for Decentralization (MINDEC). Two semi-autonomous agencies under MINATUHITPR, OVD, responsible for implementing roads and drainage works in urban areas, and the Urban Planning Agency (*Bureau d'Etudes d'Amenagement et d'Urbanisme,* BEAU, charged with urban planning activities), will also benefit from capacity strengthening. Finally, the private sector will benefit from skills development to implement labor-intensive construction and use local construction materials.

C. PDO Level Results Indicators

17. **The list of indicators below reflects the types of results that the project can be held accountable for**, given the context, and the level of systemic change that the project can reasonably be expected to induce with regards to national procedures and municipal-level institutions.

- Number of LGs respecting base conditions and achieving at least 65 points out of 100 on the annual PA[8], triggering performance-based investment funds.
- Performance-based fund allocation system for allocating investment funds to project cities ready to roll out.
- Cities benchmarked through establishment of urban sector and LG database, with annual reports produced.
- Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project.
- Direct project beneficiaries (number), of which female (percentage). This indicator essentially measures access to services provided from all infrastructure financed by the project, as well as beneficiaries from training.

[8] In the areas of planning and budgeting - administration and city finance - project implementation and service provision - accounting and audits - participation, transparency and accountability.

III. PROJECT DESCRIPTION

A. Project Components

18. **Achieving the PDO will require investments in infrastructure combined with strengthening of the legal and regulatory framework and capacity building (technical, organizational, financial) of the principal actors at all levels (central, provincial, and city) charged with planning and delivering basic services**. The project cities (Bukavu, Kalemie, Kikwit, Kindu, Matadi, and Mbandaka; aggregate population about 2 million), selected based on a set of criteria (see footnote)[9] established with the government, will be at the heart of the operation. The number of cities is limited in order to avoid spreading the resources too thin. The project will be based on two components: infrastructure and urban governance, with the first building more directly on previous projects and focusing on access to services in order to catch up on historic underinvestment, and the second contributing more to achieving the institutional part of the PDO and pushing the envelope on management and generation of resources for investments in cities. The design takes into account the context in which the project will be implemented, which is marked by the emerging process of decentralization of resources and skills transfer to the provinces and decentralized territorial entities. Therefore, the project employs a bottom-up approach to developing capacity in project cities to deliver better services to citizens, which is less dependent on the pace of decentralization. The project is designed to provide the cities with tools that have the potential to increase capacity at the city level, strengthen the accountability link between local officials and the population, and feed into a reinforced decentralization process. Given the need to lay the groundwork for institutional change, accompanied by targeted capacity strengthening at the central and local levels, the project would be implemented over six years.

19. **The project builds on two components, to develop a link between service delivery, needs, and accountability of LGs.** The two components could potentially invest in the same sectors (e.g. transport or water), but Component 1 will invest in large-scale infrastructure designed to structure the urban economic space and catch up on decades of underinvestment (e.g. main roads or water production and distribution), while sub-component 2A will invest in small-scale neighborhood-level infrastructure to meet locally felt needs (e.g. small access roads or communal water points), allowing for a stronger engagement at the local level. A Project Steering Committee (PSC) at the national level will play a central role in assuring coherency between government policies and investments.

20. **The project will support the establishment of accountability between local authorities (nominated mayors, to be elected in the future) and city inhabitants centered on a local development plan (LDP) flowing from a participatory priority-setting process.** This will pass through the establishment of the principle of performance, enshrined in a city contract, signed between the mayors, governors and MINATUHITPR during project preparation. The city

[9] During the identification mission, the following criteria were agreed with the government and confirmed by letter from the government to the World Bank on April 11, 2012: Project cities should fulfill the following criteria: be the provincial capital or a principal city, have between 100,000 and 1 million inhabitants (since these are the cities experiencing the most rapid population increases), be accessible to establish work sites and allow supervision, represent an important economic potential in connection with the hinterland, have previous experience in community participation, and represent continuity with previous and ongoing investments.

contract (or performance-based contract) defines the level of performance of the cities necessary to trigger access to investment funds form the MINATUHITPR, and the mainly supporting role of the governor. The contract contains a number of performance criteria covering urban and municipal management and will focus on activities under the responsibility of city authorities. While the mayors are presently nominated by the governor, and hence principally upwards accountable, the project provides strong incentives for the mayor to develop a performing administration and strengthen downward accountability. The city contracts also provide a means to benchmark cities, creating competition among mayors to outperform peers. Further, the governors are elected by provincial parliaments; this provides a strong incentive for them to push the mayors of the project cities to perform well. The LDPs will be elaborated during the first year of project implementation and will constitute the basis of all project investments (for both components, except the initial program of works for Component 2 already determined during preparation). While the city contracts contain funding envelopes, the LDPs will inform the actual use of funds. Local or umbrella Non-Governmental Organizations (NGOs) will be hired to facilitate a local-level consultation process for the LDPs, which will make use of local civil society organizations and business associations to provide initial input to be discussed subsequently at open hearings.

21. **Given the reluctance of central government to push resources from the central to the provincial level, the project adopts a conservative approach to funds transfer.** While emerging international experience points to the fact that allowing LGs full use of discretionary funds through a block grant approach can yield significant improvements in institutional performance and increased accountability, the legal and institutional framework for transferring funds to LGs is not yet mature enough in the DRC to allow a block grant approach. In the outset, management of funds will remain with the Permanent Secretariat (PS) in the Division of Studies and Planning in MINATUHITPR, charged with project implementation, with the potential to allow cities to take on responsibility in a phased approach if and when they demonstrate adequate capacity by the time of the mid-term review. City administrations will be strengthened in fiduciary aspects, which is a weak point as verified by field visits and the audits[10] carried out in each city as part of project preparation. A phased approach to building capacity will be used, whereby cities will initially receive support from a team of experts to carry out regular activities (including for the financial management and limited procurement they already carry out on their own budget), and be encouraged to recruit adequate fiduciary staff. If a review of procurement capacity by World Bank fiduciary staff confirms the adequate capacity of cities to carry out procurement, they will eventually be entrusted with procurement for sub-component 2A up to a certain threshold, to be determined. The experience gained from the UDP, taken together with that of the PRCG, is expected to be translated into recommendations for a fiscal transfer and oversight architecture for the EF.

22. **<u>The primary infrastructure component (US$50 million)</u>** will finance investments to rehabilitate or construct major socio-economic infrastructure in project cities, in coordination with investments being implemented by the central and provincial governments to strengthen the cities' role as centers of economic growth. The urban audits carried out as part of project

[10] These audits consist of three parts: (a) urban audits to review the state of infrastructure, access to services and the urban form; (b) organizational audits of the municipal organization and staffing; and (c) financial audits of the municipal finances: revenues, expenditures and potential for improvement.

preparation have prepared a detailed inventory of ongoing investments (Kindu is the only city currently benefiting from major investments, see Annex 7: City Monographs). Under the UDP, investments will essentially cover roads and transport, drainage, markets, water, and electricity. The funds will be split between cities based on a formula whereby each city will receive a US$5 million base allocation, with the rest allocated according to population size. This formula was determined to assure that each city would receive sufficient funds to cater to the basic need for structuring investments while recognizing that larger cities have more substantial needs.

23. **During the preparation missions, a number of roads were selected** in consultation with city authorities and OVD, and confirmed by the PS, to allow disbursement immediately following effectiveness. Tender documents for the initial investment program were prepared by OVD during preparation, to assure that contracts for works can be signed directly upon effectiveness. Subsequent Component 1 investments will be determined based on the LDPs supported under Component 2, and will be implemented when feasibility studies are completed (completion of all Component 1 investments is planned within the first three years of the project). Creation of temporary work through the use of labor-intensive construction techniques will be an integral part, and will be specified in bidding documents.

24. **The urban governance component (US$48 million)** aims to improve urban governance at both national and local levels while improving municipal and urban management and fiscal performance. It is divided into five sub-components:

> (A) Performance-based investments in neighborhood infrastructure (US$30.0 million), triggered based on the performance criteria specified in the city contracts (or performance-based contracts), and evaluated through regular, independent PAs. The cities will only benefit from investments under this sub-component if they live up to certain basic conditions and performance criteria[11] (presented in detail in Annex 2), which they will receive support (under sub-component 2B) to achieve. Disbursement for this component will only take place after the recruitment of the independent PA team and carrying out of assessment. The performance mechanism is designed to create incentives for cities to perform well, which will necessitate an effort on their part, while accompanying and supporting them in this process. No investments take place the first year, as a start-up period is foreseen to develop LDPs, train personnel and carry out environmental and social studies for investments once they are determined. LGs are required to develop an operation and maintenance (O&M) plan for all proposed investments.
>
> (B) Local Government Capacity Support (US$12.8million), strengthening critical aspects of municipal and urban management. Support will be provided in the form of a Flying Capacity Building Team (FCBT) comprised of expertise aligned with the themes covered by the PA, namely: a senior municipal administrator, a community development specialist, a procurement specialist, and an engineer with experience in urban planning. The experts would be based in Kinshasa but travel to each project city about six times a year to

[11] There are two types of performance criteria: Base Conditions, all of which have to be achieved for the cities to have access to 50 percent of the indicative investments for a given year, and Performance Indicators, for which the cities have to obtain 65 of 100 points to qualify for the remaining 50 percent of investments. Both types of criteria are in the themes of planning and budgeting, administration and city finance, project implementation and service provision, accounting and audits, and participation, transparency and accountability.

provide on-the-job guidance, support the cities in meeting performance criteria, and respond on a timely basis to special requests for assistance. The performance, structure, and role of the FCBT will be evaluated annually, with a view to gradually phasing out this support after the Mid-Term Review (MTR). The component further funds: (a) activities to improve financial management and procurement (building on elements already implemented or being implemented by the World Bank-funded PRCG); (b) development of asset registers to improve O&M; (c) study on improvement of management of commercial infrastructure and support to implementing recommendations; (d) elaboration of LDPs, to set investment priorities; (e) elaboration of urban reference plans to govern the physical development of the cities; (f) implementation of street addressing; (g) flexible and demand-driven capacity support, based on specific needs identified by the cities in collaboration with the FCBT; (h) training and south-south learning and exchanges; and (i) hiring support NGOs to facilitate participation of local civil society in local consultative forums and to enable better oversight of LG activities, and to site meetings.

(C) Accompanying measures at the national level (US$2.5 million) will target mitigating identified capacity shortcomings in MINATUHITPR and to some extent in MINDEC. Relevant structures will receive capacity building (training, equipment, support to improved organization) to enable them to play their role and adequately fulfill their dual mandate as supervisor of and advisor to project cities, including for audit of municipal budgets. The project will further fund development of an asset management framework to be implemented by the cities, a study on the revision of the legal framework for urban planning and the establishment of an urban sector and LG database, project communication and awareness-raising. Independent annual assessments of city performance will be carried out under the auspices of MINDEC. Minor capacity building activities will be included for specialized agencies (OVD and BEAU) and for the construction industry.

(D) Strategic Studies (US$500,000): (a) Mid-term and end of project evaluations including beneficiary satisfaction surveys; and (b) a study to assess the allocation system to LGs as experienced under the project, and the options for developing a standard system to be mainstreamed to all LGs as part of the EF.

(E) Project operating cost (US$2.2 million). Additional support provided to the PS to cover operating expenditures (recruitment of fiduciary staff, mission travel to project cities, consumables and small equipment, internal and external audits), is part of this sub-component and is designed to sustainably increase capacity of the MINATUHITPR (for this reason there is no separate project management component).

25. The goal in combining these sub-components is to use the mobilization of funds for neighborhood infrastructure (A) as a lever to develop the capacity of cities in terms of budgetary and financial management, programming, and infrastructure maintenance and monitoring, which will be made on the basis of the achievement of performance criteria defined in city contracts (performance-based contracts). In order for this approach to succeed, the cities will receive targeted supply- and demand-driven capacity support, with emphasis on hands-on training in the municipalities through the FCBT, which will be phased out gradually following the MTR in line with increasing capacities of LGs (B), while the overall sector governance is strengthened

through support to national support structures and legal and regulatory reform (C). Finally, the project will fund strategic studies (D) to assure that the approach piloted under the UDP will be turned into systemic improvements to the overall financing system for LGs. Activities will be implemented by the PS in MINATUHITPR. If/when the cities are found to have adequate capacities to implement procurement through a review at MTR, it will be considered to make them responsible for procurement for sub-component 2A up to a maximum threshold, to be determined.

26. Performance measurement of local authorities, based on clear criteria set out in a city contract, will foster the accountability of mayors and urban councils towards the urban population and support increased accountability of local authorities (city mayors) towards the urban residents. The contracts further specify the autonomy of mayors to determine investments in consultation with the population, without interference from the governor (who is elected). The governor's task will be to monitor the process of public participation and budget adoption, and to make limited additional support (in the form of seconded staff) available to LGs if needed. This will serve as a pilot for future development of a performance-based approach as a basis for the allocation criteria under the national EF. Women and youth, who are commonly marginalized from local decision-making, will benefit from being directly included in local consultative forums through local women's and youth organizations; this participation process will be supported through recruitment of local or umbrella NGOs (there is a wealth of national and provincial organizations with experience in this area) to support the participatory process.

B. Project Financing

Lending Instrument

27. **The project will be processed through a Specific Investment Loan to be provided on standard IDA grant terms.** This is considered to be the most appropriate instrument for this project due to the sector issues to be addressed, the nature of the investments it will finance, and the need to further strengthen the institutional arrangements in the urban sector.

Project Cost and Financing

28. The allocation of funds to project components and activities was agreed with the government during project preparation to maximize impact from each component. The investment part (US$80 million) of the available IDA funds (US$100 million) will be split between investments in primary infrastructure (US$50 million) and neighborhood infrastructure (US$30 million). A substantial envelope (around US$20 million, including PPA) will be allocated to activities related to capacity building and institutional strengthening. The component allocations are based on the need to: (a)make investments (under Component 1) that substantially contribute to improvements in urban structure and to driving economic growth, and (b) assure that the incentives for the city administrations to perform and deliver services are substantial under the performance component (the investments under sub-component 2A are about US$3 per capita per year, which is considered enough to provide an incentive, given pressure from the local population).

Table 1: Project cost and financing – US$ million

Project Components	Project cost	IDA Financing	% Financing
1. Priority infrastructure	50.00	50.00	100%
2. Urban governance	48.00	48.00	100%
3. PPA refinancing	2.00	2.00	100%
Total Baseline Costs	100.00	100.00	100%
Price and physical contingencies*	0.00	0.00	100%
Total Project Costs	100.00	100.00	100%
Total Financing Required	100.00	100.00	100%
*Already included in activity costing			

C. Lessons Learned and Reflected in the Project Design

29. **The project design draws upon the lessons learned from recent operations in the DRC (emergency reconstruction as well as governance) and also incorporates lessons learned Bank-wide on developing performance-based funding mechanisms.** The World Bank-funded DRC Emergency Economic and Social Reunification Support Project (US$214 million, FY04-11), Emergency Living Conditions Improvement Support Project (US$82 million, FY05-FY12), and Emergency Urban and Social Rehabilitation Project (US$220 million, FY07-FY13) made some progress towards building capacity for service delivery at the city level, which serves as input to the UDP. The World Bank-funded PRCG also presents important lessons. Further, a specific study was carried out as part of project preparation, funded by the Nordic Trust Fund (NTF) for Local Governments and Human Rights, to synthetize the many recent experiences in local participatory development in the DRC, with support from a variety of donors, and present lessons.

30. **Capacity constraints to service delivery improvements should be addressed up-front and from multiple angles.** The UDP includes capacity building to government ministries and specialized agencies, city-level officials and administration, the private sector, and civil society. At the national level, project implementation is confided to staff of the sector ministry rather than a parallel unit, as in the past, but with provision of additional technical assistance (TA). Capacity shortcomings at national and provincial levels are addressed mainly through training and provision of equipment, but overhauling sector legislation and regulation will also contribute to clarifying responsibilities and will enable staff to carry out more well-defined tasks. Regarding city-level capacity, experience in the DRC shows the value added of direct TA to project cities, but lessons learned in the DRC and elsewhere also point to a danger of the TA diluting accountability of city officials by assuming responsibility on their behalf. Hence, the UDP opts for an approach based on a team of experts, based in Kinshasa, which can provide regular assistance to the cities on as needed basis, but do not fall directly under the local authorities. Cities will also benefit from a package of training and from limited new equipment, and will delegate implementation responsibility to the PS through delegated contract management arrangements, which are well known in the DRC. Training will be provided to private sector contractors on the use of labor-intensive building techniques and to works supervisors on reporting on project indicators, which has previously proved problematic. As for civil society,

the NTF study indicates that previous projects in the sector have had a tendency to underestimate the resources necessary to accompany the beneficiaries in the participatory process; the UDP sets aside dedicated resources to enable civil society organizations to demand better governance and monitor LG performance.

31. **Previous experience showed limited impact on LG improvement in the absence of performance-incentives.** Evidence is emerging globally that incentives provided by performance-based grant systems have resulted in genuine improvements in LG performance, especially in core administrative and financial areas.[12] The results of supply-side capacity building measures aimed at LGs have been disappointing in the absence of demand-side incentives. Conversely, capacity building initiatives and training are considerably more effective in a systems perspective, when linked to creation of demand on the part of LGs. The UDP adopts this approach through conditioning access to the investment funds under sub-component 2A on improvements in institutional performance which LGs will be able to achieve through the capacity building activities (both supply- and demand-driven) included in the project.Further, the NTF-study showed that due to the slow progress on decentralization, LGs have faced difficulties to improve their revenue base; under the UDP, requiring performance of LGs in this area to access funds will also provide incentives for the officials to deliver. Particular experience from other countries with similarities to the UDP include:

- Rwanda Urban Infrastructure and City Management Project: Percentage of financial resources allocated yearly through the municipal budget to infrastructure and facilities maintenance increased from about 5 percent on average to over 15 percent for the three project cities, through better planning and action plans to improve municipal resources. Cities also learned to generate budget reports regularly.
- Burundi Public Works and Employment Creation Project: Adequate maintenance of 95 percent of sub-projects financed by the project, through screening of maintenance arrangements before approval; this screening is incorporated into the UDP.
- Mali Urban Local Government Support Project: Resulted in four project cities establishing a link between investment planning and the budget for the first time, based on targeted support, which the UDP will replicate.

32. **In the context of emerging decentralization in the DRC, experience has shown that central government is reluctant to relinquish control over public finances to provinces and decentralized entities (below the province level).** Currently, many investments are planned and carried out from Kinshasa and funds credited to provinces and LGs. The project is designed to present a concrete solution to the current uncertainties resulting from lack of clear definition on transfer mechanism and repartition criteria for the EF (destined to receive 10 percent of government revenues) and to demonstrate the potential performance improvements in decentralized entities, given the right incentives. For this reason, political interference in the allocation process remains a major risk and maintaining the integrity of the performance-based allocation system is critical. Political pressures (from mayors, provincial governors, central government) can weaken the resolve of officials or politicians to respect objectively determined

[12] See UNCDF: *Performance-Based Grant Systems. Concept and International Experience.* United Nations Capacity Development Fund, 2010.

funding decisions, thus compromising the integrity of the system. Global comparative studies[13] have suggested a checklist of issues that must be addressed, including: (a) the measurability of the performance indicators, (b) the ability of sub-national governments to deliver on these indicators, (c) the adequacy of the support provided, (d) the credibility of the national commitment to the achievement of the indicators by beneficiaries, and (e) the ability of the beneficiary to sustain the results over time. For this reason, the UDP is focused on measurability, verifiability and objectivity of performance criteria in combination with capacity support measures to allow the LGs to attain performance targets and provide decision-makers with clear criteria as a basis for funding decisions. Further, specific experience in the DRC suggests that the use of a contractual approach can counter some of the inconveniences stemming from frequent turn-over of local authorities. The MINDEC has been fully involved in project preparation, and the PA system is designed to remain operational after the project closes.

33. **Participation of local beneficiaries in selecting investment priorities increases accountability of local officials, but must be accompanied by visible results and capacity building.** The conclusions coming out of the NTF-funded study (which reviewed eight on-going or recently closed projects in the DRC of interest to the UDP) point to the importance of combining participatory planning processes with early visible results or risk disengagement by the population due to some previous donor-funded projects based on local participatory planning having been implemented without the participation process resulting in tangible results within a reasonable timeframe.Previous World Bank-funded emergency operations further showed the need to cater to capacity building through institutional arrangements that involve beneficiaries in all stages of the project. For this reason, and due to the need to catch up on primary infrastructure investments in project cities, the investments under Component 1 will not be subjected to performance criteria but will show project results directly following effectiveness. At the same time, demand- and supply-side activities are incorporated at the city level. Communication in local languages will help clarify the objectives of the project and the expected results of the participatory process. Using local or umbrella NGOs with experience in project management to facilitate the participatory process will also enable a real transfer of skills and greater ownership of project results, contributing to sustainability.

34. **Building sustainability and flexibility into the project from the design phase are some of the important lessons from the World Bank-funded preceding emergency projects in the DRC.** Regarding <u>sustainability</u>, the support to increasing LG own-source revenues, implementing better investment planning (including maintenance) and budget management will go some way towards increasing the perspectives of maintenance of project investments (and city-level infrastructure overall). Further, all infrastructures funded under sub-component 2A will be subjected to a selection criterion regarding adequate institutional and financial arrangements for O&M. The NTF-funded study also points to the importance of assuring institutional sustainability of local development committees and other local development organizations, which otherwise risk being inactive after the project, and to assure formal recognition of the structures by formalizing them, e.g. as non-profit organizations. This process can also serve to develop sound democratic practices at the local level, by structuring the participatory process. City contracts, used in previous World Bank-funded projects, have proven very useful to ensure

[13]See Dumas, V. and Kaiser, K. “Sub-National Performance Monitoring: Issues and Options for Higher Levels of Government”, 2010.

institutional continuity in case of change of mayors. Flexibility is inherent in the component design, with relatively small infrastructure packages in both Component 1 and sub-component 2A, which will allow reallocation through the annual project investment programs rather than necessitating restructuring. Further, previous emergency projects were implemented in up to 25 cities, without problems to supervision due to the TA provided to the cities, and which the UDP will assure through the FCBT.

35. **Extensive experience is available from the World Bank-funded support to improved governance through two operations, and the UDP fully integrates the lessons and builds on the outputs of these operations.** The World Bank has funded two governance projects, the Enhancing Governance Capacity Project (PRCG) and the Public Administration Capacity Building Project (PRC-GAP). The PRCG supports key aspects of the DRC legislative reform agenda, such as the organic public finance law and related legislation on provincial and local financial management, the package of core decentralization laws, research on the impact of decentralization, and computerization, in four pilot provinces, of the public expenditure circuit, to improve transparency. This project also supported the establishment of structures for collecting own revenues of the provinces (as a result the budget of the Katanga province increased from US$80 million in 2011 to US$200 million in 2012 and should increase further) and for public procurement. The experience is being rolled out to all provinces, and the UDP will replicate the success at the city level. The PRCG also supported implementation of participatory budgeting, which is included in the UDP. The PRC-GAP focuses on training in leadership, management of public finance, procurement and human resources management, and is funding eight provincial training centers, of which 6 are already operational (in Kinshasa (2), Lubumbashi (2), Bukavu, and Kisangani), and will involve all levels of staff (central, provincial and local). The UDP will make use of these established training centers.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

36. **Project implementation will be assured by MINATUHITPR, through a Permanent Secretariat (PS) in the Division of Studies and Planning, relying on specialized government agencies.** The Department of Urban Planning and Housing in MINATUHITPR (of which the Division of Urban Studies and Planning is a part) has very limited capacity and experience in implementing this type of project and will receive adequate TA to allow it to assure the technical and fiduciary management of the project during implementation. The PS will implement all project activities (Component 1 and sub-components 2A-B-C-D-E), with a delegated contract management agreement signed between the cities and the PS to transfer implementation responsibility from the cities to the PS for sub-component 2A. No PIU will be used for the implementation of this project. The PS was established in the MINATUHITPR during project preparation, with staff dedicated, which is assuring technical preparation and will take over full implementation, including reporting to the World Bank. The Enhancing Governance Capacity and Forest and Nature Conservation Projects are already implemented in this way, and initial experience shows that while strong implementation support is needed, the approach is feasible. The incentives for MINATUHITPR staff to perform well in project implementation consist in providing better working conditions to MINATUHITPR staff, financing training, and providing

career development opportunities and the possibility to contribute to visible results. Participating to project implementation will further provide the opportunity to visit project cities. To ensure the staff involvement and capacity is adequate, an annual performance plan will be established for each member of the PS (dedicated staff as well as consultants), based on the terms of reference for the position in the Project Implementation Manual (PIM).

37. **The project will rely on the OVD to play substantial roles during implementation in their area of expertise, with MINDEC responsible for developing terms of reference for studies under their domains** (a focal point is already appointed and has participated in project preparation), with the PS assuring quality control. Fiduciary responsibility for project preparatory activities has been assured by the *Unité de Coordination des Projets* (UCoP, under the Ministry of Planning), which is well versed in World Bank procedures.

38. **Cities, the principal beneficiaries, will be responsible for developing investment proposals, with technical and fiduciary responsibilities delegated to the PS, with potential to accord some implementation responsibilities to cities, it they demonstrate adequate capacity.** The cities have signed delegated contract management arrangements, transferring the implementation of sub-component 2A to the PS. Cities will be subjected to annual PAs, carried out by independent evaluators, which will have funding consequences. Assistance to cities has been determined through organizational and financial audits carried out as part of project preparation. This assistance figures in the city contracts, signed between the mayor, the provincial governor and the MINATUHITPR, and which also specify the types of performance criteria the city will be evaluated on. The FCBT will be the central pillar of support to cities, and additional training will be provided by provincial training centers, for which a convention will be signed between the PS and the centers. The city contracts further specify the autonomy of mayors to determine investments in consultation with the population, without interference from the governor. The governor's task will be to monitor the process of public participation and budget adoption, while the MINATUHITPR role will be to make funds for investments and capacity building available to the cities. To the extent possible, and in line with increasing capacities, cities will gradually be charged with planning and implementing infrastructure under their responsibility, especially neighborhood infrastructure, with adequate TA and use of delegated contract management as needed. A detailed review of city capacities will be carried out before the MTR.

39. **A Project Steering Committee (PSC) will assure coordination at the national level, with Provincial Steering Committee (ProvSCs) playing this role in each province and local consultative forums established in each city to assure broad participation.** The PSC, established by decree during project preparation, will comprise each ministry and agency involved in project implementation, and headed by the MINATUHITPR. Its mandate will be to: (a) give general direction to the project, (b) facilitate coordination of activities, and (c) assure coherence with other government and donor-funded programs. ProvSCs, established by decree during project preparation in each province covered by the project and operating under the oversight of the PSC, to assure adequate coordination between provinces, cities, communes, the private sector and NGOs. It is chaired by the provincial governor, with participation of provincial ministries and agencies involved in project implementation, the mayor, representatives of the private sector, civil society, and local consultative forums. The ProvSCs will assure monitoring and coordinating of UDP activities, relay information from and to the PSC, and assure

involvement of local communities. The ProvSCs will further provide support to the governor for compliance oversight of city contracts and report to the PSC on progress. A 2012 Public Expenditure and Financial Accountability (PEFA) Assessment shows that sector budgets often are not linked to the national development strategy; the PSC and ProvSC will play a central role in assuring coherency between central and provincial policies and investments under the UDP.

40. **The local consultative forums, established in each city and facilitated by local NGOs recruited by the project, will play a central role in setting investment priorities, as part of project implementation.** This is why only the initial investment program under Component 1 will be implemented the first year, while priorities are being set for subsequent investments. There is already a vibrant civil society in all project cities, as testified by meetings in project cities during project preparation missions, including women's and youth organizations, and the NGO facilitation will assure that their views are adequately taken into account when investment priorities are being set.

41. **A Project Implementation Manual is available** to describe all implementation, monitoring and evaluation (M&E) arrangements. The PIM clarifies the sequence of project activities and expected implementation schedule, procurement and financial management procedures, the functioning of the PA and fund allocation and utilization system. A simplified project manual will be prepared for cities to describe their role as well as the performance criteria and assessment process. A detailed diagram on implementation arrangements is available in Annex 3.

42. **The FCBT will be the central pillar of support to cities, and will provide TA and capacity building through on-the-job training to cities** in the areas identified as weaknesses in the urban, organizational and financial audits of cities carried out as part of project preparation. It will be composed of experts in the areas covered by the annual independent PA. The experts would be based in Kinshasa but travel to each project city about six times a year to provide on-the-job guidance, as well as respond on a timely basis to special requests for assistance and assisting the cities to prepare investment proposals for the use of their performance-based investment funds, as and when the cities live up to the performance criteria specified in the city contracts.

B. Results Monitoring and Evaluation

43. **The project monitoring and evaluation framework will rely on the MINATUHITPR Division of Urban Statistics (DUS), which will be responsible for data collection and reporting.** A staff will be allocated from the DUS to the PS, and training will be provided to assure adequate quality and timeliness of reporting, including through the development of an urban sector and LG database. The MINDEC will closely monitor the annual PA of project cities, which will also be subjected to public scrutiny. The data coming from the annual independent PA, from works supervision reports, and data communicated directly by the cities to the PS will be consolidated, by the PS, into project monitoring reports. They will in turn be reviewed by the PSC, with a view to deciding on any corrective action and as input to developing annual work programs. Baseline data was collected through urban, organizational and financial audits carried out as part of project preparation. M&E activities consist of:

- Regular collection and monitoring of data related to the annual city PAs, with capacity gaps to be filled through Component 2. Local consultative forums will validate city performance data before transmission to the PS.
- Annual city PAs, supported by mid-term and end-of-project citizen satisfaction surveys, will provide data to measure the actual improvements in access to services and performance of project cities.
- The above will be complemented by mid-term and final technical audits and evaluations of the project, covering social, environmental and economic aspects.
- The beneficiaries in the cities will be involved in monitoring performance of city authorities through local consultative forums.

C. Sustainability

44. *Fiscal predictability and sustainability.* Currently, the allocation of resources to LGs is significantly lower than that of countries with similar economies. The government intends to use the project to assess a restructuring of its allocation mechanism. Specifically, it is expected that funds currently typically earmarked against project-specific expenditures and paid directly by the government (central or provincial) on funds destined for LGs will be shifted towards discretionary allocations to LGs. This is expected to translate into significantly greater and more predictable discretionary funds being made available annually to the cities. As part of this initiative, the project is intended to help design and implement the systems for introducing these changes and to serve as a bridge while the increases are introduced at manageable increments. The targeted level of funding will seek to address both prevailing backlogs, as well as the rapid growth of the cities' populations and economies. The project will provide levels of funding that accelerate the process of catching up on a history of systematic under-investment in urban areas.

45. *Service-delivery and physical asset sustainability.* The project development objective reflects the long-term relationship between enhanced institutional capacity at local level and accountability and improved local service delivery. With regard to the sustainability of local infrastructure assets, the project supports a capacity building program, with specific support provided for asset management and maintenance. Asset maintenance is part of the performance criteria evaluated annually, so improved maintenance of all municipal assets is supported by the project. Sustainability of project investments is further assured by requiring all infrastructures financed by the UDP to be accompanied by an O&M plan within the technical and financial capacities of the city and come with a plan for availability of personnel upon completion, if relevant (e.g. for health centers and schools).

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk	**Rating**
Stakeholder Risk	Substantial
Implementing Agency Risk	
- Capacity	High
- Governance	High

Project Risk	
- Design	Substantial
- Social and Environmental	High
- Program and Donor	Low
- Delivery Monitoring and Sustainability	High
Overall Implementation Risk	**High**

B. Overall Risk Rating Explanation

46. **The key risks are related to the overall country environment, the decentralization process, resistance to change, the limited capacity of the Department of Urban Planning and Housing in MINATUHITPR to assure project implementation, and the complex institutional set-up for the urban sector.** The use of UCoP during preparation has mitigated some of these risks but the fragmented institutional environment and large number of stakeholders (national and sub-national), the weak capacity of both central and provincial ministries and city administrations, and the uneven progress on decentralization may slow down project implementation. The project has built-in incentives for this process to advance, but the speed with which the performance-based approach is adopted by central, provincial and city authorities may impact implementation. If, for any reason, project activities become impossible in any given city, due to the security situation in the East of the country, project resources can be reallocated to the remaining cites. These questions are discussed more in depth in the Organizational Risk Assessment Framework (ORAF - Annex 4).

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

47. **A full economic analysis has been carried out on the initial Component 1 investment program** (consisting of rehabilitating one road section in each city) to calculate net present value (NPV) and economic rates of return (ERR) using the Roads Economic Decision model. The analysis was based on traffic counting on each road section and confirms the economic justification of investments. Using a discount rate of 12 percent, an investment horizon of 15 years, and a conservative estimate for induced and generated traffic, all investments turn out to have positive NPV, with ERR for individual road investments ranging between 14 and 74 percent. The same economic criteria will be applied to subsequent investments under Component 1.

48. **LGs will choose to invest from a list of functional responsibilities as defined in law, circumscribed by a negative list of ineligible investments.** Ex-ante benefits associated with the project's physical investments from the demand-driven investments cannot be quantified since the choice of investments will result from an annual local planning process. However, there is evidence to support the hypothesis that such investments do have substantial benefits (quantifiable and non-quantifiable). This conclusion is based on analyses done for similar projects in Ethiopia, Uganda, Ghana, and Tanzania. Moreover, in terms of cost-benefit analysis, the project seeks to strengthen local institutional systems (e.g. procurement, financial

management and resource mobilization, quality oversight, asset management, citizen participation), leading to increased resources available to address service and infrastructure deficits and improved operational efficiencies. Introducing increased focus on maintenance as part of performance criteria will also likely result in increased allocative efficiencies and more rational and strategic choices between new investments and maintenance of existing assets, thus increasing the overall rate of return of city investment expenditure. While these benefits are expected to be significant, it is difficult to determine their magnitude and flow over time.

49. **The urban audits carried out as part of project preparation have confirmed the main infrastructure needs of cities,** which are mainly in the areas of road rehabilitation and/or resurfacing, street lighting, drainage, health and education facilities, public infrastructure such as markets and transport terminals, and small solid and liquid waste management facilities. Experience from elsewhere shows that these types of investments generally have substantial benefits. The urban audits will serve as starting points and inspiration for the Local Development Plans (LDPs) to be prepared immediately upon effectiveness with broad participation of the city inhabitants.

50. **City administrations do not currently undertake economic analyses of their small-scale infrastructure projects.** However, they will carry out feasibility analyses prior to construction in order to assess technical and financial feasibility. In the absence of more hard data on economic rates of return and economic costs and benefits of local level investments resulting from the performance-based fund allocation, the project proposes to monitor the cost-effectiveness of local level investments by conducting an economic analysis of a range of sub-projects as part of the MTR and end-of-project evaluations. These analyses will also serve as a tool for the LGs to improve value for money of investments.

B. Technical

51. **Officials at the city level are responsible for preparing, with support from the FCBT, investment proposals, and will validate technical designs, while the PS will assure quality of technical designs.** The project will strengthen processes for community participation in project planning, including through social audit approaches to oversight of city performance. High levels of community awareness of sub-projects together with improved reporting by cities on their expenditure activities downwards (supported under Component 2) is expected to lead to improved technical project quality. There is also extensive international evidence to show that when investments are identified through community participation processes, there are strong incentives for improved O&M. MINDEC will be responsible for developing terms of reference for studies under their domains, with the PS assuring quality control.

52. **During project preparation, detailed designs of infrastructure and cost estimates, preparation of bidding documents, including Environmental and Social Management Plans (ESMPs) and simplified Resettlement Action Plans (RAPs) as appropriate, have been undertaken for the known subprojects under Component 1 in each project city.** The procedures for preparing investments during implementation will be set out in the PIM. Advance preparation of the bidding documents has been undertaken for the first batch of priority infrastructure works (under Component 1) in all cities, and procurement of works supervision at

an advanced stage to assure start-up of implementation as soon as the project becomes effective. For the infrastructure investments, construction supervision consultancies will be procured for effective supervision of the works either under the direct responsibility of city administrations for small-scale works or through delegated contract management arrangements for larger investments at the discretion of, and under the management of, the cities themselves. Construction of infrastructure under sub-component 2A will only start up during year two of implementation, following the elaboration of LDPs. The project will make use of local materials as much as possible (for example rocks for road paving in Matadi and burnt clay for construction in Kindu). To the extent possible, based on actual investments determined during implementation, contracts will be sized to motivate local small- and medium-sized enterprises to bid. Finally, labor-intensive construction techniques will be used whenever feasible to maximize generation of temporary employment, and will be specified in the bidding documents.

C. Financial Management

53. **In accordance with the World Bank Financial Management Manual issued in March 2010, the financial management arrangements of the UDP have been reviewed to determine whether they are acceptable to the World Bank, considering the country's post conflict situation.** To this end, the financial management system of the project must be able to: (a) assure correct and complete recording of all transactions related to the project; (b) facilitate the preparation of regular, timely and reliable financial statements; (c) safeguard the project's assets; and (d) facilitate the implementation of external auditing diligences as required by the World Bank. The arrangements also aim at facilitating disbursements and ensure effective use of resources of the project while using the country's own systems to the extent possible. The overall Financial Management (FM) risk at preparation is considered Substantial. The proposed financial management arrangements including the mitigation measures for this project are considered adequate to meet the World Bank's minimum fiduciary requirements under Operational Policy/Bank Procedures (OP/BP) 10.02.

54. **An assessment of the PS established in the MINATUHITPR was carried out in November 2012 to check whether this entity could manage the Project.** The assessment revealed some strengths and weaknesses in the chain of government spending at both central and decentralized levels. The following major strengths were identified: (a) the existence of an adequate segregation of duties, (b) the presence of public finances management staff (accountant, financial controller, credit manager, chief finance department) with considerable knowledge of the state expenditure circuit, (c) the management autonomy of provinces with an acceptable financial management structure composed of the provincial governor as authorizing the provincial budget, treasury accountant central government and an accountant. The major weaknesses identified include (a) lack of experience in managing donor funds, (b) non-compliance of the accounting system, (c) the absence of a financial reporting system, and (d) lack of adequate management tools: accounting software, manuals of accounting procedures and financial management.

55. **Going forward and in order to mitigate the fiduciary risk to the extent possible, the following actions will need to be implemented (detailed timing is presented in Annex 3):** (a) recruitment of a consultant in financial management to assist the ministerial financial

management team dedicated to the project (completed before negotiations); (b) dedication of two accountants (staff), one to the activities at the central level and the second for activities at the decentralized level (completed before negotiations); (c) capacity building of the decentralized financial and accounting staff in the World Bank's financial management procedures; (d) roll out the training plan suggested by the World Bank's FM team which includes among other, training in World Bank disbursement procedures, training in OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*) accounting principles and its implication for a donor-financed operation, and training in World Bank financial reporting arrangements; (e) procurement of an adequate accounting software; (f) improvement of the PS governance framework by the establishment of a credible internal audit function which will report to the PSC; (g) development of a comprehensive manual of procedures, as part of the PIM (completed before negotiations); and (h) recruitment of an independent external auditor based on acceptable Terms of Reference.

56. **Further, although cities will initially not carry out financial management for the project, they will initially receive strong capacity building in this area and be encouraged to develop capacities** as part of the incentives to demonstrate adequate financial management capacity for carrying out their regular financial management activities. If such capacity is demonstrated and confirmed by World Bank FM specialists by the MTR, cities will be allowed to take on responsibility for financial management in a phased approach.

D. Procurement

57. Procurement for the project will be carried out in accordance with the World Bank's Guidelines, "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 (Consultant Guidelines) and the provision stipulated in the Financing Agreement. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA and Grants" dated October 15, 2006 (the Anti-Corruption Guidelines) shall apply to the project. The World Bank has assessed the country procurement regulations and found some of the principles and procedures in compliance with World Bank standards for procurement. For all contracts which are not advertised internationally, the World Bank may authorize the use of the national procurement system that comprises the law including its texts of application and the institutions in charge of control and regulation. Since the national competitive bidding procedures currently in force in the DRC deviate significantly from the World Bank Procurement Guidelines National Competitive Bidding (NCB) procedures for procurement of works, goods and services (other than consultants services) shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I and paragraphs 3.3 and 3.4 of the World Bank Procurement Guidelines. The NCB procedures will be conducted on the basis of the national procurement law and its texts of application if an agreement has been found on the NCB exceptions that include modifications of clauses and practices that are partially or entirely not acceptable in a World Bank funded project (see details in Annex 3).

58. **The overall procurement risk is rated <u>High</u>.** The keys risks for procurement are: (a) procurement staff have no experience in implementing World Bank-funded projects – staff experience is limited to procurement of goods through NCB and shopping procedures, with no experience in International Competitive Bidding (ICB) procedures of selection of large-value consultancy contracts; (b) the record keeping is inadequate; (c) the working environment is inadequate in terms of space for procurement records and working space for procurement staff; (d) the qualification of procurement staff is inadequate; and (e) there is a lack of clear procedures and guidelines spelled out in manuals; (f) Government officials likely to be involved in project procurement through tender and evaluation committees may not be familiar with procurement procedures according to IDA guidelines and rules; (g) control and regulation mechanism according to the provisions of the country procurement law and its application procedures could delay the procurement process if mandatory reviews are required.

59. **To address the above risks, the following actions are envisaged (the timing is presented in Annex 3):** (a) on-the-job training of identified procurement staff on World Bank procurement procedures by UCoP, which is implementing the Project Preparation Advance (PPA); (b) training of staff (at least two) on World Bank procurement procedures in specialized institutions; (c) setting up the project filing system in order to better keep procurement documents and reports and identify a staff responsible for this task and train staff in data management; (d) prepare the PIM in line with World Bank procurement procedures and Public Procurement Act (completed before negotiations); (e) inclusion of the procurement system (planning, monitoring and contract management) in the computerized project financial management system; and (f) recruitment of procurement consultant to support the ministerial procurement staff dedicated to the PS (completed before negotiations). Further, although cities will initially not carry out procurement for the project, they will initially receive strong capacity building in this area and be encouraged to hire procurement specialists (for their regular procurement activities on their own budget) as part of the incentives to demonstrate adequate procurement capacity. If such capacity is demonstrated and confirmed by World Bank procurement specialists by the MTR, cities will be allowed to take on responsibility for procurement of minor works in a phased approach.

60. **In addition to the prior review to be carried out from World Bank offices, the capacity assessment of the PS has recommended at least two yearly implementation support missions** to the field to carry out post review of procurement activities. Annual compliance verification monitoring will also be carried out by an independent consultant and would aim to: (a) verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Financing Agreement (FA); (b) verify technical compliance, physical completion and price competitiveness of each contract in the selected representative sample; (c) review and comment on contract administration and management issues as dealt with by the implementation entity; (d) review capacity of the implementation entity in handling procurement efficiently; and (e) identify improvements in the procurement process in the light of any identified deficiencies.

E. Social (including Safeguards)

61. **Funding of project civil works (road rehabilitation, drainage, markets, water and electricity) will induce land acquisition and involuntary resettlement; but no irreversible adverse environmental or social impacts are expected.** The Resettlement Policy Framework (RPF) estimated about 4,536 persons to be potentially affected (mainly by temporary loss of income) by the civil works in the six project cities, namely: Bukavu, Kalemie, Kikwit, Kindu, Matadi, and Mbandaka. In addition, Abbreviated Resettlement Action Plans (ARAPs) for road works in the six cities have been prepared, consulted upon, and disclosed. Additional RAPs will be prepared for each city, prior to the commencement of civil works, once the feasibility studies have identified the particular locations of the civil works to be carried out.

62. **Social benefits – Gender and Equity**. The expected social benefits identified in the RPF and the Environmental and Social Management Framework (ESMF) of the proposed project include, but are not limited to: (a) improved transport infrastructures, (b) improvements in the safety and quality of transport services, (c) improvement of traffic flow, (d) decreasing transport fees, (e) job creation, (f) induced development, (g) improved sanitation for households and markets, and (h) improved access to electricity and to clean water services. The project will benefit women, children, men, the elderly and the physically challenged by responding to their mobility needs, and providing them with better access to basic social services: clean water, electricity, markets, and cleaner living environments. Furthermore, the project will potentially benefit small businesses, such as hair salons, tailors, neighborhood shops which will access more reliable energy and water sources.

63. **Consultations.** Project preparation has been participatory at several levels. At civil society level, at local community level as well as at local, city and provincial administration levels. The result of the public consultations, carried out in the six project cities in conjunction with the preparation of the ESMF and the RPF, confirm a solid support for the planning and implementation of the project. The final safeguard documents (ESMF, RPF) were disclosed in-country on December 24, 2012 and at Infoshop on January 15, 2013. The Environmental and Social Management Plan (ESMP) was disclosed in-country on February 26, 2013, and at the Infoshop on March 5, 2013. ARAPs for road works in the six cities were disclosed in-country and at the Infoshop on March 14, 2013.

F. Environment (including Safeguards)

64. **Overall safeguards implementation risk is rated high.** While environmental impacts are manageable, assessed key implementation risks include: (a) limited social capital and safeguards capacity at national, provincial, and local project levels; (b) limited knowledge of World Bank's safeguards policy at MINATUHITPR and the six city administrations; (c) time consuming, expensive and challenging supervisions. Mitigation measures to address the risks include: (a) strengthening of the PS environmental unit through capacity building and consultancy services; (b) training of relevant city administrations in urban environmental issues, including World Bank's safeguards policies; (c) establishment of appropriate work programs for environmental and social mitigation measures; (d) proper implementation of project safeguards instruments.

65. **The ESMF and RPF have been prepared to guide the management of environmental and social safeguards risks.** For sub-projects under Component 1 and sub-component 2A, safeguards instruments such as the Environmental and Social Impact Assessment (ESIA), ESMP and RAPs will be prepared in line with the ESMF and the RPF requirements; they will be prepared as part of the annual work plan agreed with the World Bank and subject to World Bank approval. The actions required under the approved ESMPs/RAPs to be taken prior to commencement of the associated works will be completed prior to initiating these works, and commencement of the works will be subject to the World Banks's confirmation that the works may commence. An ESMP has been prepared, consulted upon, and disclosed for the road works in the six cities; additional ESMPs for other investments in the six cities will be prepared, consulted upon and disclosed during project implementation.

66. **Mitigation measures will be undertaken to minimize the localized environmental impacts** that may result from the civil works to be supported by the Project. In particular, mitigation measures will be adopted to ensure:

- Minimization of nuisances during construction, including noise, dust, disruption of drainage and access.
- Adequate drainage as an element of road rehabilitation.
- Provision of water and sanitation in the rehabilitation of schools, health centers and markets.
- Safe disposal of medical waste from health centers to be rehabilitated.
- Sanitary management of solid waste at markets to be rehabilitated.
- Safe clean water quality as an element of investments in water supply.

67. **Three safeguards policies are triggered:** Environmental Assessment (OP/BP4.1), Involuntary Resettlement (OP/BP4.12) and Physical Cultural Resources OP/BP4.11. Environmental Assessment and Involuntary Resettlement were triggered as civil works of both Components 1 and 2 will potentially induce land acquisition. Physical Cultural Resources OP/BP4.11 was triggered, to concur with OP 4.01. This is standard practice for projects financing construction where physical cultural resources may be present. Screening of impact on physical cultural resources will be done in connection with elaboration of ESIAs for all investments and the safeguard measures will be included in ESMPs.

68. The project is Environmental Category B

Annex 1: Results Framework and Monitoring

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

Project Development Objective (PDO): The PDO is to improve access to basic services and strengthen the urban and municipal management of the targeted cities.

PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.) and comments
				FY14	FY15	FY16	FY17	FY18	FY19				
Indicator One: Number of LGs respecting base conditions and achieving at least 65 points out of 100 on the annual PA, triggering performance-based investment funds.	☐	Number	0	2 of 6 cities	3 of 6 cities	4 of 6 cities	5 of 6 cities	5 of 6 cities	5 of 6 cities	Annual.	Annual independent PA report.	The MINDEC responsible for the data collection process, PS to contract the independent PA team.	According to the performance criteria set out in the PIM. First PA to be completed in June 2014 (FY14). No city would currently qualify, but some are not far off. Detailed baselines are provided in Annex 2 – description of sub-component 2A.
Indicator Two: Performance-based fund allocation system (PBFAS) for allocating investment funds to cities ready to roll out.	☐	Number	0	0	0	0	1 Adjustments to PBFAS made at MTR	1	1 PBFAS exists with operational strategy for roll-out	Annual.	Annual PAs and MTR used to track progress and make adjustments to PBFAS.	MINATUHITPR with MINDEC.	PBFAS does not exist at project inception. The project will implement a PBFAS, with adjustments made at MTR, with specification of level of funding and repartition criteria, and including recommendations for implementation for the EF.
Indicator Three: Cities benchmarked through establishment of urban sector and LG database, with annual reports produced.	☐	Number	0	0	0	1	2	3	4	Annual.	Availability of annual report.	DUS in MINATUHITPR.	Indicator measures cumulative number of annual reports produced.

Indicator Four: Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project.	☒	Number	0	0	76,000	76,000	76,000	76,000	76,000	Annual.	Works supervision reports, survey.	DUS in MINATUHITPR.	Based on known investments and to include investments determined during implementation.[14]
Indicator Five: Direct project beneficiaries (number), of which female (percentage).	☒	Number (%)	0 (51%)	80 (51%)	81,110 (51%)	87,140 (51%)	93,170 (51%)	99,200 (51%)	104,230 (51%)	Annual.	Project progress reports and surveys.	The DUS in MINATUHITPR to collect data for the urban database.	Initial target values estimated based on the investments in roads decided at appraisal and minimum estimated beneficiaries from other infrastructures and training. The values will be updated to incorporate beneficiaries from demand-driven investments and training.

INTERMEDIATE RESULTS													
Intermediate Result (Component One): Primary Infrastructure													
	Core	**Unit of Measure**	**Baseline**	**Cumulative Target Values**						**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**	**Description (indicator definition etc.) and comments**
				FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**				
Indicator One: Roads rehabilitated (non-rural).	☒	Kilometers	0	8.0	11.9	11.9	11.9	11.9	11.9	Annual.	Works supervision reports.	DUS in MINATUHITPR.	To be updated during implementation to include investments determined during implementation (also from component 1).
Indicator Two: Drainage and anti-erosion works constructed.	☐	Kilometers	0	0	0	1.0	1.5	2.0	2.0	Annual.	Works supervision reports.	DUS in MINATUHITPR.	Target based on needs expressed during project preparation. To be updated during implementation to include investments determined during implementation (also from component 1).
Indicator Three: Number of additional	☐	Number	0	0	5,000	10,000	15,000	20,000	25,000	Annual.	Works supervision	DUS in MINATUHITP	To be updated during implementation to

[14]Indicator to include investments under Component 2, to be determined during implementation.

population provided with access to other services[15]											reports.	R.	include investments determined during implementation.
Indicator Four: Beneficiaries that feel project investments reflected their needs.	☒	Percentage	0	n.a.	n.a.	75%	n.a.	n.a.	75%	Twice: MTR and project closing.	Surveys.	The PS in MINATUHITPR to lead survey.	Survey to be carried out in neighborhoods having received UDP investments. Indicator also covers component 1 investments.
Indicator Five: Person-days of employment created (number), of which female (percentage)[16].	☐	Number (%)	0	0.4 million (10%)	1.0 million (10%)	1.8 million (10%)	2.3 million (10%)	2.8 million (10%)	3.5 million (10%)	Annual.	Works supervision reports and survey.	The Division of Studies and Planning in MINATUHITPR to collect data from works supervisors.	The indicator measures the achievement of the project and contributes to the CAS objective of employment creation in targeted conflict-affected areas. Measures employment creation under both component 1 and 2. Contracts will set a target for recruitment of women and it is expected that 10% of employment will be for women.

INTERMEDIATE RESULTS													
Intermediate Result (Component Two): Urban Governance													
	Core	**Unit of Measure**	**Baseline**	**Cumulative Target Values**						**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**	**Description (indicator definition etc.) and comments**
				FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**				
Indicator One: City budgets available before the start of the fiscal year.	☐	Number of budgets	1	3	5	6	6	6	6	Annual.	Availability of approved budget.	MINDEC.	"Available" means transmitted to the governor.
Indicator Two: City budget and narrative reports generated, disclosed, and debated timely each quarter.	☐	Percentage	0%	20	50	80	90	95	95	Annual.	Budget reports, minutes of debate.	MINDEC with MINATUHITPR.	Currently only annual reports are generated, to account mainly for administrative matters to the governor. Timely means no later than 30

[15] Results of infrastructure investments will be tracked based on additional Component 2 investments and yearly updated lists of infrastructure investment prepared under Component 1; indicator targets will be updated as needed.
[16] Out of which 226,000 person-days during the CAS period in Bukavu.

													days after the quarter. Indicator measures percentage of quarterly budget reports for 6 cities (percentage of 24 budget reports annually). Budget reports to be accompanied by a narrative report.
Indicator Three: Number of cities completing and updating asset inventory yearly.	☐	Number	0	1	3	4	5	6	6	Annual.	Existence of asset inventory with annual update.	MINATUHITPR.	Percentage of cities completing and updating inventory annually, including condition analysis.
Indicator Four: Number of cities assuring key staff has followed basic package of training	☐	Number	0	1	2	4	5	6	6	Annual.	Quarterly city budget reports.	MINDEC with MINATUHITPR.	Baseline is "Zero". Key financial staff in place in all cities, all cities to train heads of key technical departments. "Basic package of training" refers to training plan in PIM.
Indicator Five: Number of cities meeting targets for maintenance of infrastructure.	☐	Number	0	n.a.	2	3	4	5	5	Annual.	Budget reports, annual independent PA report.	MINDEC with MINATUHITPR.	According to the performance criteria set out in the PIM.
Indicator Six: Number of markets managed according to clearly defined management system.	☐	Number	0	0	0	2	4	5	6	Annual	Existence of performance-based management contracts.	DUS in MINATUHITPR with MINDEC.	On average one market per city to be managed according to defined management system, in accordance with specifications in the PIM.
Indicator Seven: New urban sector legislation and regulation prepared.	☐	Number	0	0	0	0	1	1	1	Annual.	Project progress reports.	PS in MINATUHITPR.	Preparation of legal texts by MTR.

Annex 2: Detailed Project Description

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

1. The project is the first sector intervention supported by the World Bank in the urban sector in the DRC, following the post-conflict interventions with a focus on emergency measures through the rehabilitation and reconstruction of infrastructure. It will be necessary to make a transition towards placing more emphasis on strengthening the capacity of institutions and organizations to provide services to the population and to ensure the sustainability of investments.

2. The project will target six cities: Bukavu, Kalemie, Kikwit, Kindu, Matadi, and Mbandaka (aggregate population of about 2 million), selected based on a set of criteria established with the government during the identification mission and confirmed by letter to the World Bank. The cities are selected based on their ability to contribute to developing poles of economic growth, in support of this CAS objective, and in areas identified by two agriculture-based growth poles operations. To be selected, a city should: be the provincial capital or a principal city, have between 100,000 and 1 million inhabitants (since these are the cities experiencing the most rapid population increases), be accessible to establish work sites and allow supervision, represent an important economic potential in connection with the hinterland, have previous experience in community participation, and represent continuity with previous and ongoing investments. These selection criteria were established with the government during the project identification mission in March 2012 and confirmed by letter from the government to the World Bank on April 11, 2012. Cities larger than 1 million were not considered due to the need to assure sufficient impact in each city. The number of cities presents a compromise between the impact objective and the need to invest relatively equitably across the territory of the DRC, in support of the peace consolidation focus of the CAS, since equitable repartition of investments across provinces is an important element of stabilizing peace.

Design considerations

3. The design takes into account the context in which the project will be implemented, which is marked by the emerging process of decentralization of resources and skills transfer to the provinces and decentralized territorial entities. On the basis of this complexity and sector context, and taking into account the limited resources available at the project level and the lack of reliable and timely information on the sector, the objective of the project must necessarily target realistic and achievable results and the project has to be selective in addressing the most pressing problems.

4. The PDO reflects the need to invest in structuring urban infrastructure to allow the cities to catch up on historic underinvestment, neglect, and lack of maintenance, while laying down the foundations for improved sector governance and performance of LGs in the longer term. Accordingly, the project builds on two components: Priority Infrastructure and Urban Governance. Together, they aim to invest in primary infrastructure, in continuation of previous projects, to structure the urban economic space and reap the currently missed benefits of economies of agglomeration and links with the rural hinterland and develop a strong link between service delivery, the urban residents' expressed needs and accountability of LG units,

while pushing the envelope on management and generation of resources for investments in cities. The design takes into account the context in which the project will be implemented, which is marked by the emerging process of decentralization of resources and skills transfer to the provinces and decentralized territorial entities. Therefore, the project employs a bottom-up approach to developing capacity in project cities to deliver better services to citizens, irrespective of the pace of decentralization. Given the need for dialogue at the strategic level to lay the groundwork for institutional change, and the time required for the performance-based approach and targeted capacity strengthening at the central and local levels to take root, the project will be implemented over six years.

5. The cities will be at the heart of the project. To achieve the institutional part of the PDO, the project will support the establishment of improved lines of accountability between local authorities (nominated mayors) and city inhabitants centered on a development program flowing from a local participatory process. This will pass through the establishment of the principle of performance, enshrined in a city contract signed between the mayors, governors, and MINATUHITPR. This contract contains a number of performance criteria covering urban and municipal management and focuses on activities under the responsibility of city authorities. Achieving these criteria will trigger funding for basic infrastructure and facilities at the neighborhood level, to be determined by the priorities of the population. The publication of information relating to urban and municipal management is a basic principle of the project, and civil society organizations will be supported to enable them to fully play their role to ensure the good governance of city affairs. As described in the background section, largely inexistent urban planning, outdated sector legislation, and current land management practices contribute to making cities ungovernable; for this reason, several key studies and cross-cutting measures will be funded by the project to begin to address shortcomings in the overall governance of the sector.

6. In the past, decentralization has not fully reached the city-level administrations (urban councils headed by a nominated mayor and commune councils headed by a nominated burgomaster), with central government or provincial ministries under the leadership of the governor implementing projects in the cities, contrary to the spirit and letter of decentralization policy. However, as described in the lessons learned section in the main text, experience in the DRC and elsewhere indicates that capacity can only be developed effectively when actual responsibility is transferred to LGs themselves. Consequently, the key design principle for the project will be to create the appropriate supporting institutional framework and the direct delegation of responsibility and accountability to the LGs for improved performance in local service delivery.

7. To accompany the performance aspect, cities will be supported to strengthen technical, organizational and financial capacities, with priorities determined by city authorities on the basis of financial, organizational and urban audits carried out as part of project preparation. The project will also support participatory processes for the preparation LDPs, with the support of NGOs to mobilize citizens, and with outset in the urban audits. Women and youth, who are commonly marginalized from local decision-making, will benefit proportionally more from being directly included in local consultative forums through local women’s and youth organizations, and further support will be provided through recruitment of local or umbrella NGOs. The LDPs will be used as a starting point for prioritizing, during project implementation, investments in structuring infrastructure (Component 1) and neighborhood infrastructure (sub-

component 2A). Civil society will be supported to carry out social oversight of construction activities to ensure maximum involvement of the beneficiaries.

8. For financing infrastructure, two windows will be opened. The first window (Component 1) will be used to finance priority investments. The first lot of primary infrastructure investments were determined during project preparation in consultation with the mayors and local civil society organizations, and confirmed by the PS; bidding documents were prepared during preparation to assure that the project could be ready to show visible results immediately upon effectiveness. The remainder of Component 1 investments will be determined based on a local priority-setting process, with inspiration in the urban audits carried out during project preparation and reflected in LDPs. The second window (sub-component 2A, the performance window), will fund neighborhood investments on an annual basis, defined in the LDPs.

9. Given the reluctance to push resources from the central to the provincial level, the project adopts a conservative approach to funds transfer. While emerging international experience points to the fact that allowing LGs full use of discretionary funds through a block grant approach can yield significant improvements in institutional performance and increased accountability, the legal and institutional framework for transferring funds to LGs is not yet mature enough to allow a block grant approach. Implementing such an approach in the current context in the DRC, where decentralization has not yet reached the local level, and local government elections are not certain to take place, is deemed too risky. Among other constraints, the LGs do not currently have full freedom to hire staff and hence operate with staff placed at their disposal by provincial authorities. The mayors are nominated by the governors and hence upwards accountable; this significantly reduces the accountability of elected officials towards the local population, a mechanism at the heart of a block grant approach. The project will lay the foundations for the accountability of future elected mayors and urban councils, but cannot fully rely on creating this link as long as the accountability loop is not completed by a credible LG electoral process.

10. Taking into account the uncertainties surrounding the decentralization process, the project approach is focused on building capacity in LGs that will not depend on the timing of LG elections and the transfer of funds, but focuses on building technical and financial capacity in each city, for which the outcome does not depend on the pace of advancement of the decentralization process. The project concept does on the other hand have strong potential to demonstrate that, given the right incentive structures, city officials will be able to deliver results to the citizens in the form of access to services, and that capacity constraints should not be a blocking point to advance decentralization.

11. The approach under the project is designed to establish the framework described above and to test it on a selected number of LGs by relying on the two oversight ministries respectively responsible for urban development and decentralization, i.e., MINATUHITPR and MINDEC. Project preparation has focused on utilizing existing structures to the extent possible. Hence, the possibility of transferring resources through existing treasury system to the LGs was examined carefully. However, it became apparent that following the existing procedures and national Treasury would entail an unacceptably high fiduciary risk, so management of resources will remain with the central government. The World Bank is supporting, in parallel, a Governance Enhancement Project, which will lay the groundwork for moving more resources and

expenditure decisions to the provincial level, and which will also facilitate transfer of resource management to the LGs in the future.

12. The experience gained from the UDP, taken together with that of the Governance Enhancement Project, is expected to be translated into a fiscal transfer and oversight architecture for the EF and mainstreaming it into the government's fiscal and performance support and monitoring systems for all LGs in the DRC. An assessment of the overall process will be undertaken, and will from part of a mid-term review of general project progress that is proposed to take place 36 months after effectiveness, in order to make adjustments as necessary. This will result in implementing any recommended changes to the performance-based funding mechanism during the final years of the project. The project will then finance an in-depth study to review the fiscal consequences of the envisaged transfers at all levels of government and propose the type of transfer and performance-assessment that can be applied broadly to cities (and other LGs) in the DRC. The assessment will be repeated at project end to determine whether and how to mainstream/scale up the system.

Project components

<u>Component 1: Primary infrastructure (US$50 million – 100% IDA</u>)

13. Component 1 will fund primary infrastructure to support structuring of the urban space, with a view to strengthening economic growth and catch up on historic underinvestment. An initial road investment program was determined in consultation between mayors and local civil society organizations. Upgrading of roads was selected since all project cities are experiencing problems of urban mobility. The project could then also build on and update technical studies previously prepared for some cities. Assuring availability of an initial program of works, with bidding documents prepared before appraisal, will provide visibility to the project immediately following the upstart phase, since previous experience in the DRC has shown that participatory planning has partially failed if investments take too long to materialize. The list of initial investments is as follows:

- Bukavu: Avenue Hippodrome (2.3 kilometers)
- Kalemie: Avenue Kalemie (2.0 kilometers)
- Matadi: Avenue Tsasa Ditumba (2.1 kilometers)
- Kikwit: Avenue Université (1.6 kilometers)
- Kindu: Avenue Eveché (0.8 kilometers)
- Mbandaka: Avenue Yassanyama (3.1 kilometers)

14. Subsequent investments will be determined based on the LDPs being supported under Component 2. Based on the urban audits carried out as part of project preparation, these investments are expected to cover roads and transport, anti-erosion measures and trunk drainage works, upgrading of central markets, solid waste management, water supply and sanitation, and electricity. Creation of temporary work through the use of labor-intensive construction techniques will be an integral part and will be specified in bidding documents whenever feasible.

15. This component will not be subject to performance requirements because government has taken the decision to assure essential investments in LGs, irrespective of performance measures. Consequently, since it is considered essential to carry out structuring investments for project cities, it was determined to proceed with them. The funds will be split between cities based on a formula whereby each city will receive a US$5 million base allocation, and with the rest allocated according to population size. This formula was determined to assure that each city would receive sufficient funds to cater to the basic need for structuring investments while recognizing that larger cities have more substantial needs. The funds would be split as presented in the table below.

Table 2: Component 1 Allocation for Cities

City	Population	Share of project city population	Allocation (US$M)	Allocation per capita (US$)
Matadi	204,016	11%	7.17	35.13
Kikwit	163,993	9%	6.74	41.11
Mbandaka	660,056	35%	12.01	18.20
Kindu	366,000	19%	8.89	24.28
Bukavu	277,102	15%	7.94	28.66
Kalemie	212,000	11%	7.25	34.21
Total, six cites	**1,883,167**	**100%**	**50.00**	**26.55**

Source: 2002-2003 surveys. A nationwide poverty survey is being undertaken, and should provide updated data, which was not available by appraisal.

16. The works comprise several packages, with the first package being determined during preparation for a maximum of about US$3 million to start off works in each city.[17] Works for the first phase will be launched in each city directly upon project effectiveness. Thereafter, commencement of subsequent works would be subject to development of a Local Development Plan to set investment priorities. It is expected that the entire Component 1 allocation per city will be committed within the first three years of project implementation.

<u>Component 2: Urban governance (US$48 million - 100% IDA)</u>

17. The component will comprise performance-based activities and measures to strengthen capacities of national and local level actors to plan and implement activities in the sector. The component will have five sub-components: (A) Performance-based investments, (B) Local government capacity support, (C) Accompanying measures at the national level, (D) Strategic Studies, and (E) Project operating cost.

<u>Sub-component 2-A: Performance-based investments (US$30.0 million – 100% IDA)</u>

18. The sub-component finances annual performance-based investments to the six cities for infrastructure-related expenditures spread over a period of five years, with a one-year start-up phase. Potential investments, to be decided solely at the discretion of the urban councils in

[17]Mbandaka has substantially surpassed this maximum with initial investments of US$ 6 million in much needed upgrading of a road in the center of the city, but this still leaves sufficient funds to finance other works in Mbandaka. The total of the initial road investment program is US$19 million, just over US$3 million on average per city.

consultation with the city inhabitants (or mayors in consultation with the inhabitants, until the councils are elected), would be limited to those that are in accordance with functional responsibilities as defined in law, circumscribed by a negative list of ineligible investments, and a maximum amount to correspond with the annual allocation. Eligible investments must figure in the LDPs, which will be elaborated on a participatory process, with outset in the urban audits carried out during project preparation. Local or umbrella NGOs will be hired to facilitate a local-level consultation process for the LDPs, which will make use of local civil society organizations (women's and youth groups and neighborhood leaders) to provide initial input to be discussed subsequently at open neighborhood hearings. The outcome of neighborhood discussions will then be prioritized through city-level consultations. Based on the urban audits (see summary in Annex 7), investments are expected to target mainly neighborhood-level social infrastructure (health centers, schools), small water and sanitation works (connections, stand posts, public latrines), secondary drainage, neighborhood markets, and small access roads. To be eligible, a sub-project must reasonably fulfill the following criteria:

- Be included in the LDP and the budget.
- Have a verified local economic development or poverty reduction potential.
- Be implemented by labor-intensive construction methods if feasible.
- Have potential to create jobs.
- Be accompanied by an O&M plan within the technical and financial capacities of the city.
- Not be in contradiction with government (national and provincial) priorities for the sector.
- Have a plan for availability of personnel upon completion, if required.
- Not having benefited from other financing (financing for complementary works are however encouraged).
- Be technically feasible and environmentally and socially sound, and where feasible, include a focus on women.

19. The full list of detailed eligibility criteria is included in the PIM. The performance criteria are linked to the weaknesses identified in urban organizational and financial audits carried out during preparation. Targeted assistance will be provided to each city (under sub-component 2B) to meet the criteria, the objective being to push the cities to reach a realistic level of performance, with adequate support. A disaggregated list of investments by type and sector will be produced yearly by each city to feed into update of number of beneficiaries in the results framework.

Allocation Criteria

20. The size of the indicative envelope for each city is determined by the total five-year funding for this component, apportioned across the cities according to population size. Annual installments are based on a modest allocation for the first year to take account of capacity limitations and, with the gradual strengthening of LG capabilities supported under the project, followed by annual increments thereafter. Each year's allocation would, additionally, still be subject to variation as determined by an annual PA. Table 3 shows the indicative envelopes for each LG. Table 4 shows the indicative disbursement schedule for LGs. The annual allocation will be made available to LGs on the basis of the allocation formula and the outcome of the PA.

Table 3: Indicative Fund Allocation for Cities

City	**Population**	**Share of project city population**	**Indicative allocation (US$M)**
Matadi	204,016	11%	3.3
Kikwit	163,993	9%	2.6
Mbandaka	660,056	35%	10.5
Kindu	366,000	19%	5.8
Bukavu	277,102	15%	4.4
Kalemie	212,000	11%	3.4
Total, six cites	**1,883,167**	100%	30.0

Source: 2002-2003 surveys. A nationwide poverty survey is being undertaken, and should provide updated data, which was not available by appraisal.

Table 4: Indicative 5-year distribution of funds (US$ million)

LG	**Indicative 5-year allocation**	**Year 1 (15%)**	**Year 2 (20%)**	**Year 3 (25%)**	**Year 4 (25%)**	**Year 5 (15%)**
Matadi	0.49	0.65	0.81	0.81	0.49	0.49
Kikwit	0.39	0.52	0.65	0.65	0.39	0.39
Mbandaka	1.58	2.10	2.63	2.63	1.58	1.58
Kindu	0.87	1.17	1.46	1.46	0.87	0.87
Bukavu	0.66	0.88	1.10	1.10	0.66	0.66
Kalemie	0.51	0.68	0.84	0.84	0.51	0.51
Totals	**30.00**	**4.50**	**6.00**	**7.50**	**7.50**	**4.50**

21. The allocation corresponds to an indicative five year allocation of about US$16 per capita, or US$3.2 per capita annually. Taken with Component 1 investments corresponding to about US$5.3 per capita per year over five years, this corresponds to annualized investments of about US$8.5 per capita. This is estimated to provide an adequate level of incentive for the LGs to undertake the performance improvements built into the performance-based allocation and establish a social contract between the LG administrators and the urban communities. It also serves as a lead into government's policy of implementing the EF at a realistic level of funding while remaining below the estimated annual investment need of US$12 per capita.

Performance Assessment Criteria

22. The annual allocation will comprise two parts, subject to achieving specified criteria in the areas of: (a) planning and budgeting, (b) administration and municipal finances, (c) project implementation and service provision, (d) accounting and audits, and (e) participation, transparency and accountability. The criteria have the advantage of being simple and objectively verifiable (either attained or not) to facilitate evaluation and transparent decision-making regarding allocation.

23. The base allocation will represent 50 percent of the indicative annual allocation, and will be subject to the LG meeting a set of Base Conditions (BCs), most of which are essential legal requirements. Failure to meet any one of the BCs (presented in Table 5 below) will disqualify the LG from receiving any part of the allocation for the forthcoming year.

24. The performance allocation will represent the remaining 50 percent of the allocation, will be subject to the PA, which will be undertaken annually for each LG participating in the project by a team of independent evaluators financed under sub-component 2C and recruited by the PS (but responding to the MINDEC, the oversight body of LGs). Disbursement for this component will only take place after the recruitment of the independent PA team and carrying out of assessment.

25. The scoring of the PAs will be undertaken according to a points system whereby each of the performance criteria will be assigned a score weighted according to considerations, with a maximum possible total score for all the criteria combined being 100 points. In assessing whether an LG satisfied the requirements of a particular criterion, the scoring will be based on a binary system (achieved or not). The number of points assigned to each criterion and the process for determining partial scores, will be set out in the PIM. Each LG must achieve an overall minimum score of 65 points out of 100 on its annual PA to be eligible to receive the incentive component of the allocation for the forthcoming year (50 percent of the total allocation for that year). The performance aspect comes from cities having to achieve results, which they have not previously had to achieve, and which they will receive support to achieve under the project.

26. To assure continued pressure on cities to improve performance throughout the project, targets for collection of revenue, budget execution and investments will increase gradually, and measures of quality will be introduced regarding planning documents and asset inventory. Some of the criteria are based on a logic sequence of activities (i.e. need to prepare investment and own source revenue enhancement plans by LGs, before these plans can be reflected in the budget), and for that reason not all criteria will be applied the first year of assessment. The detailed sequencing and applicability of criteria will be spelled out in the PIM.

27. An LG that is ineligible one year in the program either due to its inability to satisfy the BCs (and so receiving 0 percent of the allocation), or its inability to achieve the requisite PA score (getting only 50 percent of the indicative total annual allocation), may be eligible the following year, subject to meeting the BCs and minimum score on the relevant PA. The findings of the independent evaluators will be final and the results of their assessment will be submitted to the PSC for purposes of determining the forthcoming year’s allocations. A review to determine allocations based on the independent PA reports will be undertaken by the PSC, and the final allocation will be subject to the World Bank's no objection. Should an LG fail to meet the BCs or the PA in any given year, the funds will be assigned to the same LG's indicative envelope for the remaining years of the project. In the event that an LG does not meet the BCs for two successive years, 100 percent of its allocation for the first of those two years will be reallocated amongst the other LGs according to the same allocation criteria (population). The same principle will apply to the PA, but in this case the reallocation would only affect 50 percent of the allocation for that year.

Table 5: Base Conditions and Performance Criteria

Base Conditions	Comments on BC and baseline	Performance Indicators	Comments on Performance Indicators and baseline
A. Planning and budgeting			
1. Annual budget of the city adopted within the time prescribed by law. (*)	In the absence of elected urban councils, the nominated mayor adopts the budget. Budgets for 2012 adopted with delay for 4 cities, two did not adopt budgets by March 2013. With the advent of elected councils, the councils will be responsible for the adoption of budgets.	1. Preparation and thereafter annual updating of three-year capital investment programs. (*)	No project cities currently undertake multiyear investment planning; one city (Bukavu) does capital investment planning.
		2. Adoption of an annual procurement plan by the mayor, including all procurement phases. (*)	No procurement plan is available in any project city and procurement is currently carried out in ad-hoc way in all project cities.
		3. Inclusion in the annual city budget of own source revenue collection targets established pursuant to the revenue enhancement plan. (**)	Currently revenue estimates are not based on a revenue collection plan in any of the cities.
B. Administration and city finance			
2. Continued presence of a qualified Head of Urban Department (Chief Administrative Officer) of the city. (**)	All project cities have a nominated Head of Urban Department, however not all are qualified. The Chief Administrative Officer responds directly to the mayor.	4. Heads of city technical services and financial departments have followed minimum package of training defined in the PIM. (*)	There is currently no minimum package of training, so no staff has followed it.
		5. Preparation and annual updating of an own source revenue (OSR) enhancement plan. (*)	Revenue forecasts are done in the budget, but are not based on analysis of potential.
		6. Percentage variation of	Cities currently make

		not more than 30 percent between actual OSR collected and the OSR amount targeted in the budget. (***)	revenue estimates that are accurate within 25 percent for 4 of 6 cities (Mbandaka is off by 95 percent, Kalemie does not have its own budget), but they are not based on an analytically founded revenue enhancement plan.
		7. Preparation and annual update of an asset inventory. (**)	No project city currently has an asset inventory linked to a maintenance plan.
		8. Variance between asset management plan/budget and actual implementation of not more than 50 percent. (***)	No project city currently has an asset inventory linked to a maintenance plan.
C. Project implementation and service provision			
3. Investments undertaken consistent with eligible expenditures and also figure in LDPs and the budget. (**)	The eligibility criteria will be established with the UDP, and so no baseline exists. Investments will figure in LG budget annexes as grants.	9. A minimum level of 50 percent of expenditures planned in budget for capital investments achieved on own source revenues. (**)	Baselines are: Bukavu: 37% Kikwit: 20% Kindu: 7% Matadi: 28% Mbandaka: 1% Kalemie: not available These baselines however include budgeted investments based on transferred resources.
		10. Implementation of at least 30 percent of procurement plan. (**)	As cities do not currently procure based on a procurement plan, initial target is set low, but will increase gradually in the PIM.
D. Accounting and audits			
4. External audit without adverse opinion or identification of mismanagement. (*)	Audits are currently only carried out on retroceded resources, and not on a regular basis due to capacity constraints on the Court of Auditors. These audits did not contain adverse opinion or identification of mismanagement. The project will provide logistical support to carry out the audits on all city	11. Implementation of at least50 percent of external audit recommendations in a timely manner. (**)	No baseline exists as audits are not carried out regularly on all of city expenditures.

	resources.		
E. Participation, transparency and accountability			
5. Budgetary procedures concerning public consultation in the preparation of the annual budget of the city in accordance with the Recipient's legal requirements. (**)	Absence of elected councils means limited accountability of mayors towards the electorate. Currently only one commune of Bukavu carries out participatory budgeting. The project will require mayors to consult the population during the budget preparation process.	12. Public consultations for preparing the three year capital investment plans are undertaken. (*)	In the absence of elected councils, local development committees assure the consultative process. The project will support this process.
		13. The mayor elaborates quarterly financial and narrative progress reports, discloses them to the public, and discusses them in local consultative forums. (**)	Currently the mayors report to the governors, but the project will require reporting to the local electorate.
(*) Will be applicable starting the first year of PA. (**) Will be applicable starting the second year of PA. (***) Will be applicable starting the third year of PA.			

Performance Assessment Cycle

28. The PA process will start in 2014 (based on the achievements of the 2013 financial year). The beneficiaries will participate to validating the outcome of the annual PAs. The assessment process runs through June of each year, following which the MINATUHITPR receives the assessments. The assessments are final, with the MINATUHITPR only conducting a quality control review of the accuracy and consistency of the collected data (to be undertaken according to procedures elaborated in the PIM before submitting the assessments to the PSC). The review of the PA reports and the related process of determining annual LG fund allocations will be undertaken by the PSC, and the decision of the final allocations will be subject to World Bank no objection. Based on the PA the PSC notifies the LGs, in July of year n, in advance of the investment planning and budget process, of their allocation for year n+1. These allocations will be made publicly available in newspapers, through local radios and other online instruments. In addition to the described formal verification process, the World Bank will carry out quality assurance of the assessment process through spot checks as part of project implementation support.

29. The LG financial year runs from January 1 to December 31. The timelines for activities in this component are based on the existing annual public expenditure management cycle of LGs. The annual timeline for each financial year of the project will be included in the PIM.

Sub-component 2-B: Capacity support at the city level (US$12.8 million – 100% IDA).

30. The sub-component will comprise supply-and demand driven capacity support to LGs as well as to local civil society organizations. On the basis of the urban, financial and organizational audits carried out during project preparation, the component will finance strategic activities to contribute to improving municipal and urban management and budgetary performance:

(i) Support in the form of a team of experts comprising expertise aligned with the five themes covered by the PA. The team of experts would comprise four members as follows: a senior municipal administrator with extensive experience in the operation of urban LGs and municipal finance, a community development specialist, a procurement specialist, and an engineer with experience in urban planning. The experts would be based in Kinshasa but travel to each project city about six times a year to provide on-the-job guidance, support the cities in meeting performance criteria, and respond on a timely basis to special requests for assistance. While in Kinshasa, the FCBT will provide limited assistance to the PS, while focusing on responding to requests from the cities. The PS would be responsible for overseeing the operation of the team of experts and providing logistical support. The structure and role of the FCBT will be evaluated on ongoing basis and adjustments made as necessary. Following the MTR it is foreseen that the FCBT will be gradually phased out, with fewer missions to the project cities in the year following the MTR and then discontinuation of the FCBT. This feature is designed to balance the need for intensive front-end support to assist the LGs in responding effectively to the start-up demands of the project with the objective of not creating unsustainable long-term dependencies on TA (US$3.46 million).
(ii) Automating financial management in project cities: financial management manual, regular financial reporting, information technology hardware and software (US$1.55 million).
(iii) Strengthened procurement performance, including logistical support for participation of city officials to bid opening and evaluation in Kinshasa (US$200,000).
(iv) Creation of asset registers based on a common framework to be developed by the PS on behalf of MINATUHITPR. At the city level, support will be given to: (a) creation and annual update of asset registries and condition analyses of these city assets, and (b) preparation and annual update of an O&M plan linked to the budget (US$350,000).
(v) Setting in place of more efficient management systems for commercial infrastructure (markets, transport) (US$175,000).
(vi) Elaboration of LDPs to set investment priorities for the cities and implementation of participatory budgeting (US$250,000).
(vii) Elaboration of Urban Reference Plans for the six cities to guide the spatial development the cities (US$2.0 million).
(viii) Implementation of street addressing in connection with elaboration of PURs – setting in place of street addressing unit in each city, addressing of central areas of each city (US$1.4 million).
(ix) Demand-driven capacity support of up to US$100,000 annually per city, based on the needs established by each LG to assist them to enhance their ability to meet the requirements of the PAs. The team of experts will assist the LGs in determining their needs, based on priority needs identified through the organizational and financial audits carried out during project preparation, as well as the findings of the annual PAs.

Following the MTR, the annual envelope will be reduced based on expected decrease in need for support (US$2.4 million).

(x) Training courses/modules targeting the officials and staff of the LGs (US$600,000).

(xi) Provision for south-south learning and exchanges, including regional interaction through exchange with countries more advanced on decentralization (US$100,000, potentially to be financed through trust funds).

(xii) Support to local civil society (through NGOs or consultants) to enable better oversight of LG activities (including participation to site meetings), including development of a citizens' based feedback mechanism as a platform for validating annual city PAs and implementing On Track feedback mechanism (US$325,000).

Sub-component 2-C: Support to central and provincial government agencies (US$2.5 million – 100% IDA)

31. At the national level, activities flow from an institutional and organizational sector diagnostic, with specific measures targeted at mitigating identified capacity shortcomings in the urban and decentralizations sectors. This sub-component comprises the following elements:

(i) Support to central and provincial departments, to carry out their mandate of assistance to the LGs, in the areas of project management (asset management, budgeting procurement, M&E, safeguards) (US$250,000).

(ii) Minor capacity building activities to OVD (including at the provincial level) and BEAU, in the areas of M&E, economic analysis, programming and maintenance of investments, asset management. Limited training to construction companies on use of labor-intensive construction techniques and use of local construction materials and to works supervisors on reporting on project indicators (US$150,000).

(iii) Preparation and dissemination, by the PS, of a framework for setting up and operating asset management registries and maintenance plans that can be standardized across all LGs (US$100,000).

(iv) A study on the revision of the urban planning and related legislation, with focus on laying the groundwork for mainstreaming project outputs in sector strategy (US$350,000).

(v) Operation of an independent consulting firm to undertake annual PAs, to be recruited by the PS. Subject to satisfactory performance, the firm would remain the same for the duration of the project, and is expected to spend about eight weeks per year undertaking the assessments, preparing the reports of its findings, and being available to respond to points of clarification or explanation. As part of this sub-component, PS would seek to establish the modalities for establishing and operating a PA mechanism to continue after the project (US$1.1 million).

(vi) Creating an urban sector and LG database, together with the requisite training to keep the data base current. The initial focus of the database will be on building the data base around selected indicators that align with the primary performance criteria of the PAs, and which serve to give the most telling and useful information about the performance of the cities. The data base would be designed to provide simple real time reports on individual cities, as well as comparative reports across several (or all) cities and that can provide historic data to track trends in performance against key parameters (US$100,000).

(vii) Logistical support to the audit institution to undertake external audits of the LG entities (US$250,000).
(viii) Project communication and awareness raising (US$200,000).

Sub-component 2-D: Support to targeted strategic studies (US$0.5 million – 100% IDA)

32. This sub-component provides support for the following studies and TA:

(i) Mid-term and end of project reviews including beneficiary satisfaction surveys (US$250,000).
(ii) Assessing the allocation system to LGs as experienced under the project, and the options for developing a standard system to be mainstreamed to all LGs as part of the EF (US$250,000).

Sub-component 2-E: Project operating cost (US$2.2 million – 100% IDA)

(i) Operating expenditures: recruitment of fiduciary staff to support the PS (US$ 360,000).
(ii) Internal auditor (US$ 360,000).
(iii) Environmental monitoring (US$125,000)
(iv) Mission travel to project cities (US$520,000)
(v) External audits (US$210,000).
(vi) Technical audits (US$100,000 million).
(vii) Workshops, consumables and equipment for the PS (US$525,000).

Annex 3: Implementation Arrangements

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

A. Project Institutional and Implementation Arrangements

1. The MINATUHITPR will be directly responsible for project implementation, with cities involved in activities under their purview. A PSC will assure inter-ministerial coordination. There will further be ProvSCs in each province. A PS has been established in the MINATUHITPR to assure daily implementation of the project. The project will be implemented over a period of six years, thus ensuring five full planning and budgeting cycles for the cities.

Overall implementation responsibility – MINATUHITPR with specialized agencies

2. The PS will implement all project activities (Component 1 and sub-components 2A-B-C-D-E), with a delegated contract management agreement signed between the cities and the PS to transfer implementation responsibility from the cities to the PS for sub-component 2A. The MINATUHITPR, as overall implementing agency, has previous experience in implementing large infrastructure projects through the Department of Infrastructure and Public Works, but the Department of Urban Planning and Housing has very limited capacities and experience in implementing this type of project. Therefore, the divisions in the Department of Urban Planning and Housing in MINATUHITPR most involved in implementing the proposed project will receive adequate TA, as described under the urban governance component (and started during preparation), to allow it to assure the technical and fiduciary management of the project during implementation, including project as well as sector M&E, thus assuring maximum use of existing structures. No PIU will be used for the implementation of this project, in respect of the strong World Bank engagement to move away from parallel project implementation structures in the DRC and the need to capacitate and incentivize permanent structures in the government administration apparatus to implement activities (donor as well as government funded).

3. A PS was established in the Division of Studies and Planning in the MINATUHITPR during project preparation, with staff dedicated to the PS, which is assuring technical preparation and will take over full implementation. The PS will also be expected to undertake information and communications activities relevant to the project and ensure that the project collaborates with other initiatives and programs. The PS will be responsible for implementing all project activities. For sub-component 2A, the cities will sign a delegated contract management contract with the PS for the PS to implement the performance-based investments on behalf of the cities. Finally, the PS will provide regular narrative and financial reports. Fiduciary responsibility for project preparatory activities has been assured by the existing UCoP, under the Ministry of Planning, which is well versed in World Bank procedures, and has supported the PS to transfer some knowledge of World Bank procedures. To ensure the staff involvement and capacity is adequate, an annual performance plan will be established for each member of the Permanent Secretariat (dedicated staff as well as consultants), based on the terms of reference for the position in the PIM.

4. The project will further rely on the Urban Road Agency (OVD, responsible for implementing roads and drainage works in urban areas), a semi-autonomous agency under the

MINATUHITPR, to play a substantial role during implementation in their area of expertise. The Ministry of Decentralization will be responsible for developing terms of reference for studies under its domain (a focal point is already appointed and has participated in project preparation), with the PS assuring quality control and for overseeing the annual PA. It will receive adequate TA to carry out the ascribed tasks.

Project Cities

5. The cities are the principal beneficiaries of the project and are responsible for the implementation of performance-based neighborhood investments (sub-component 2A) included in the LDPs, but will delegate this responsibility to the PS through delegated contract management arrangements. To this effect, they are responsible for monitoring and works supervision. The city will assure that planned neighborhood investments are included in the budget of the city. Planning and budgeting involves both local communities as well as the general public. Cities will be subjected to annual PAs, which incorporate feedback from beneficiary communities, and which will have budgetary consequences.

6. Assistance to cities was determined through organizational and financial audits carried out as part of project preparation. This assistance figures in the city contracts, signed during project preparation between the mayor, provincial governor and MINATUHITPR, and which will also specify the types of performance criteria the city will be evaluated on, and the budgetary procedures for mobilization of resources. Cities will be charged with planning and supervising technical studies and participating to works supervision, with adequate TA and use of delegated contract management. A contract will be signed between the cities and the PS for the PS to assume all fiduciary responsibilities for the cities until such time when the cities have demonstrated adequate capacity to take on responsibility for procurement and contract management of minor works according to ceilings to be agreed with the World Bank.

Project Steering Committee

7. The urban sector is characterized by a multitude of stakeholders, and for this reason, a PSC was set in place at the national level and established by ministerial decree signed by the MINATUHITPR during project preparation. It will have participation of each ministry and agency involved in project implementation, and be headed by the MINATUHITPR, with the MINDEC co-presiding. Its mandate will be to: (a) give general direction to the project, (b) facilitate coordination of activities, and (c) assure coherence with other government and donor-funded programs. The PSC will comprise:

- The Secretary Generals of :
    - Urban Planning and Housing.
    - Plan.
    - Budget.
    - Land Affairs.
    - Decentralization.
- Representatives of the private sector.

- Representatives of civil society organizations.
- The Permanent Secretariat in MINATUHITPR will assure the secretariat of the PSC.

8. The PSC can call upon any capacities that can assist in discharging its mandate and will associate OVD and BEAU to meetings each semester to: (a) review and examine project progress reports and achievement of PDO as supported by indicator data, (b) propose any remedial action or adjustments to institutional arrangements, in accordance with the financing agreement, (c) monitor respect of city contracts, (d) assure coordination with other sector projects and activities supported by donors.

Provincial Steering Committees

9. ProvSCs will be the respondent of the PSC in each province covered by the project, to assure adequate coordination between provinces, cities, communes, the private sector and NGOs. Each ProvSC was established by decree during project preparation. It is presided by the provincial governor, and is charged with: (a) monitoring, coordinating and guiding UDP activities in each city, (b) assure that activities conform to the overall framework for urban development, (c) review and examine all documents and reports produced at the provincial level before transmission to the national PSC, (d) assure implementation of recommendations of the PSC, (e) monitor annual work plans, and (f) assure involvement of local communities concerned by the project. The ProvSC will have the following members:

- The Provincial Minister in charge of Urban Development.
- The Provincial Minister in charge of Plan.
- The Provincial Minister in charge of Budget.
- The Provincial Minister in charge of Land Affairs.
- The Provincial Minister in charge of Decentralization.
- Representatives of the private sector.
- Representatives of civil society organizations.
- Representatives of Local Development Committees.
- The mayor of the city (secretary).
- Key administrative and technical staff of the city.
- Representative of OVD at the provincial level.
- Representatives of Provincial Ministry Departments involved in the urban sector.
- Representatives of professional organizations involved in construction.

Local consultative forums

10. The local consultative forum will be established in each city, supported by local NGOs recruited by the project, to facilitate dialogue between civil society representatives and local authorities centered on an LDP resulting from a participatory priority-setting process. The forums will consist of local women's and youth organizations, confessional associations, local

business associations, associations of water users, university sector representatives, neighborhood leaders, and sports associations. They will allow government and non-government actors to increase mutual familiarity and to build up a working relationship towards commonly defined goals. The forums will be used to inform on project activities and allow beneficiaries to participate to and monitor activities, as well as city contracts.

11. An umbrella NGOs (or consultants) will be recruited to facilitate popular participation in priority setting for neighborhood infrastructure (through the LDPs), investment planning, and monitoring implementation of works.

Project Implementation Manual and City Contracts

12. A PIM, acceptable to the World Bank and describing all implementation, M&E arrangements, the sequence of project activities and expected implementation schedule, financial management procedures, the functioning of the PA and fund allocation and utilization system, and procurement procedures for the cities is available.

13. The city contracts were signed between the MINATUHITPR, the governor and the mayor during project preparation and contain a number of performance criteria covering urban and municipal management, with focus on activities under the responsibility of city authorities. The contracts further specify the support provided to cities by MINATUHITPR in the form of the FCBT and other support, and clearly state the autonomy of mayors to determine investments in consultation with the population, without interference from the governor. While the city contracts contain funding envelopes, the LDPs will inform the actual use of funds. Additional training will be provided by provincial training centers, for which a convention will be signed between the PS and the centers. The governor's task will be to monitor the process of public participation and budget adoption, and to make additional support (in the form of staff) available to LGs if needed.

The Flying Capacity Building Team

14. The FCBT will be the central pillar of support to cities, and will provide TA and capacity building through on-the-job training to cities in the areas identified as weaknesses in the urban, organizational and financial audits of cities carried out as part of project preparation. The FCBT will be composed of a senior municipal administrator, a community development specialist, a procurement specialist, and an engineer with experience in urban planning. The experts would be based in Kinshasa but travel to each project city about six times a year to provide on-the-job guidance, as well as respond on a timely basis to special requests for assistance and assisting the cities to prepare investment proposals for the use of their performance-based investment funds, as and when the cities live up to the performance criteria specified in the city contracts. The performance, structure, and role of the FCBT will be evaluated annually, with a view to gradually phasing out this support after the MTR, in order not to create dependency in the cities to rely on this support in the longer term.

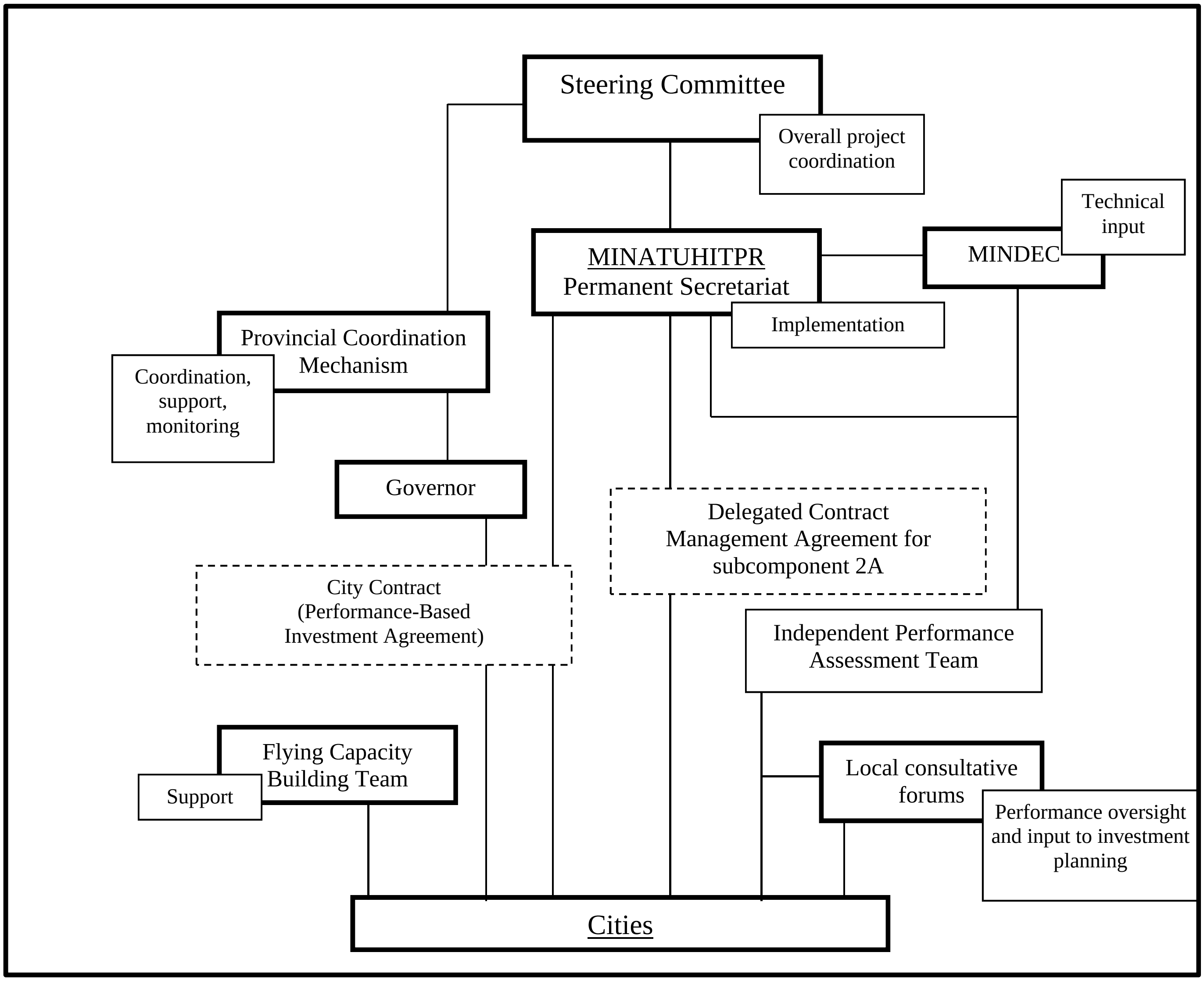


Figure 1: Project Implementation Arrangements

B. Financial Management, Disbursements and Procurement

(i) Financial Management

15. The PS of the Project based in the Division of Studies and Planning of the MINATUHITPR will have the overall responsibility for project fiduciary management.

Country Public Financial Management (PFM) situation and Use of Country System

16. The 2008 and 2012 PEFA reviews identify a range of weaknesses in DRC's PFM system, including critical shortcomings in budget preparation and execution processes as well as in internal and external controls. As an initial response to these challenges, the government

developed the Strategic Public Finance Reform Plan. As a result of government's efforts to address the identified PFM issues, there has been significant progress in the legal and institutional framework, with the adoption of a Public Financial Management Act (*Loi relative aux Finances Publiques*), Law No 11/011 of July 13, 2011 and Public Procurement Code. Promulgated by Decree on April 27, 2010, and effective since October 27, 2010. Also, significant progress was made on improving PFM systems of LGs. Through the ongoing PRCG, the World Bank supports key aspects of the DRC legislative reform agenda, such as the organic public finance law and related legislation on provincial and local financial management, the package of core decentralization laws, the package of core public service reform legislation, and research on the impact of decentralization. Additional decrees are being finalized to further clarify the organic law. Yet, there is reason for cautious optimism; since it will take time for these reforms to yield substantial improvements in the management of public funds. As a result, the overall country fiduciary risk is still considered High; it is expected that the implementation of the new PFM project which is under preparation for a total amount of US$25 million will help address major of these weaknesses.

17. While waiting for the outcomes of the use of country system assessment, the proposed project will be entrusted to the PS, in the Division of Studies and Planning of the MINATUHITPR, as the implementing agency. But some activities will be out-sourced to other stakeholders such as private sector actors for the training and TA in order to support the project implementation, because the Division of Studies and Planning of the MINATUHITPR has limited project implementation experience.

Risk Assessment and Mitigation Measures

18. The World Bank's principal concern is to ensure that project funds are used economically and efficiently for the intended purpose. Assessment of the risks that the project funds will not be used is an important part of the financial management assessment work. The risk features are determined over two elements: (a) the risk associated to the project as a whole (inherent risk), and (b) the risk linked to a weak control environment of project implementation (control risk). The content of these risks is described below which mainly focuses on the Division of Studies and Planning of the MINATUHITPR.

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures	Remarks
INHERENT RISK	**S**		**S**	
Country level Delay in the implementation of the different PFM reforms that might hamper the overall PFM environment. This risk is increased with the closure of the World Bank –DFID TA.	H	Finalize the preparation of the TA (US$25 million) in support of the PFM reforms. This operation will be prepared under World Bank leadership after the 2012 repeated PEFA to address the key new challenges the country is facing. Rely on the existing coordination unit in charge the PFM reforms	H	The World Bank's last assessment (March 2012) of the implementation of the existing PFM strategy has shown an acceptable progress.

		which has benefited from the World Bank – DFID initial TA.		
Entity level -Lack of coordination since several stakeholders are involved and political interference of the Ministry etc. -The municipalities are not familiar with the new implementation modalities of the project. -Limited capacity of the Division of Studies and Planning in MINATUHITPR in implementing World Bank-financed projects.	**H**	-The Division of Studies and Planning in MINATUHITPR will ensure the coordination of the project with the collaboration of representatives from the central government and the municipalities. -Establish a manual of procedures, as part of the PIM which clarifies the roles and responsibilities of the various stakeholders. The PIM defines implementation procedures in line with adequate fiduciary requirements. Training sessions will also be provided. -Provide TA to the Division of Studies and Planning in MINATUHITPR by rolling out the fiduciary training plan which aims at strengthening the capacity of this entity fiduciary staff, development of a comprehensive manual of procedures, as part of the PIM and establishment of a credible internal audit unit reporting to the PSC.	**S** Over implementation	This will strengthen the governance capacity of the Division of Studies and Planning of MINATUHITPR.
Project level - Weak capacity and lack of availability of different stakeholders involved in other tasks within their usual duties. - Weak FM capacity at	S	- Development of a manual of administrative, financial and accounting procedures as part of the PIM, including adequate fiduciary procedures. - Regular internal audit missions	**M** Completed as of negotiations Three months	- Adoption of the manual of procedures administrative, financial and accounting as part of the PIM. - Recruitment of an internal audit consultant

central level and municipality level and risk of fraud and corruption.		(technical and financial audit) to be conducted during the project period with a focus on fraud and corruption risk in the implementation of project operations.	after effectiveness	who will provide a risk map of the project for the use of the government internal audit institutions.
CONTROL RISK	**S**		**S**	
Budgeting The budget preparation process may be delayed given the number of stakeholders involved in the project implementation.	S	The project FM staff will help stakeholders in preparing realistic budgets consistent with the work program. Moreover, the manual of procedures (part of the PIM) will define the budget formulation and the process of its execution and control.	**M** Completed as of negotiations	Recruitment of an FM consultant to reinforce the capacity of the Division of Studies and Planning of MINATUHITPR.
Accounting -Lack of reliable accounting system and --Low knowledge of the financial management procedures of the World Bank.	**S**	-Purchase appropriate accounting software, customized to generate the financial reports of the project. -Implement appropriate training sessions based on agreed accounting procedures.	**M** Three months after effectiveness On-going	
Internal Controls and Internal Audit Weak internal control environment at central and decentralized levels.	**S**	- Regular internal audit missions (technical and financial audit) to be conducted during the project implementation with a focus on fraud and corruption risk - Support of Finance Controllers at municipalities level. - Recruitment of an internal audit consultant who will provide a risk map of the project in collaboration with the government internal audit institutions to rationalize their missions. In addition, the capacity of the internal audit institutions will be strengthened through training sessions.	**S** Over project implementation Three months after effectiveness	
Funds Flow -Risk of misappropriation of funds, allocated to the project activities, used for non-eligible purposes.	**H**	-Organize frequent controls in each involved municipality in order to help to prevent and mitigate the risk of diversion of funds.	**H** Over project implementation	

-Weak capacity in the disbursement procedures of the World Bank which could affect the disbursement rate.		-Require of the future FM consultant to ensure monthly submission of the withdrawal application.		
Financial Reporting Delay and difficulties in the submission of acceptable IFRs to the World Bank due to weak capacity of the FM team and to the number of stakeholders involved in the project.	**S**	-Purchase of adequate computerized accounting system. -Agreement of the format and content of the Interim Financial Report which will include the project specifics.	**M** Three months after effectiveness Completed as of negotiations	
External Auditing External audit arrangements are not defined and lack of capacity of public institutions of control to assure the external audit of the project	**S**	Recruit independent external auditor based on agreed TOR developed in line with International Accounting Standards (including fraud and corruption).	**M** Six months after effectiveness	
Fraud & Corruption Possibility of circumventing the internal control system with colluding practices as bribes, abuse of administrative positions, and mis-procurement is a critical issue.	**H**	-The TOR of the external auditor will comprise a specific chapter on corruption auditing. -The manual of procedures (part of the PIM) must be approved before project effectiveness.	**S** Over implementation Completed as of negotiations	
Overall FM risk	**S**		**S**	

Financial Management Action Plan to reinforce the control environment

Issue	**Remedial action recommended**	**Responsible body**	**Completion**
Staffing.	Recruitment of the FM consultant, dedication of two accountants (staff), one to the activities of central level and the second for activities of the decentralized level.	PS-MINATUHITPR	Completed as of negotiations
Information system accounting software.	Installation of accounting software acceptable to the World Bank and establish an accounting system	PS-MINATUHITPR	Three months after

	acceptable to World Bank.		effectiveness
Financial reporting: IFR.	Format, content, and frequency of the IFR to be prepared and discussed during project negotiation.	PS-MINATUHITPR / World Bank	Completed as of negotiations
Administrative, accounting and financial manual of procedures (as part of the PIM).	Develop a manual of procedures administrative, financial and accounting (as part of the PIM) that also includes detailed procedures describing the system to pay recurrent expenditure.	PS-MINATUHITPR	Completed as of negotiations
Internal auditing.	Recruitment of an internal audit consultant, who will provide the risk map of the project to be used by the government audit institutions.	PS-MINATUHITPR	Three months after effectiveness
External financial auditing.	Recruit the external auditor on TORs acceptable to the World Bank.	PS-MINATUHITPR	Six months after effectiveness

19. **Staffing and Training**: The PS in the Division of Studies and Programming of MINATUHITPR will retain staffing resources that are adequate for the level of project operations and activities and are sufficient to maintain accounting records relating to project financed transactions, and to prepare the project's financial reports. The FM function will be carried out by a team composed of:(a) a qualified and experienced FM consultant, in charge of the supervision the overall FM activities of the project and (b) two experienced accountants (staff): one of them will be in charge of expenditures incurred at central level and one at local level (no expenditures will be paid at the local level, until such time as the cities have demonstrated capacity to carry out financial management as confirmed by FM assessment before the MTR). The team will have the overall FM project responsibility including, budgeting, accounting, reporting, disbursement, and internal control at central and decentralized level. The FM consultant will provide TA to the existing FM team of the Division of Studies and Planning of MINATUHITPR to build the capacity of the FM unit. Accounting staff of the Division of Studies and Planning in MINATUHITPR will have its capacity reinforced over the project implementation the rolling out of the training plan suggested by the World Bank's FM team which includes among other, training on World Bank disbursement procedures, training on OHADA accounting principles and its implication for a donor financed operation, and training on World Bank financial reporting arrangements.

20. **Budgeting:** The PS in the Division of Studies and Planning of MINATUHITPR will prepare annual work plan and budget for implementing project activities taking into account the project's objectives. The work plan and budgets will identify the activities to be undertaken and the role of respective parties in implementation. Annual work plans and the budgets will be consolidated into a single document by the PS with the support of the FM team, which will be submitted to the steering committee for approval, and thereafter to the World Bank for no objection no later than November 30 of each year proceeding the year the work plan should be implemented. The consolidation will be done after the PS ensures, through its technical departments, that the plan and budget meet the project objectives.

21. **Accounting Policies and Procedures.** The accounting systems and policies, administrative, and financial procedures will be documented in the project's Administrative, Accounting and Financial Manual (part of the PIM). It will be used by (a) the project staff as a reference manual; (b) World Bank to assess the acceptability of the project accounting, reporting and control systems; and (c) the auditors to assess project accounting systems and controls and to design specific project audit procedures. Accounting software with multi-projects, multi-sites, and multi-donors features will be procured.

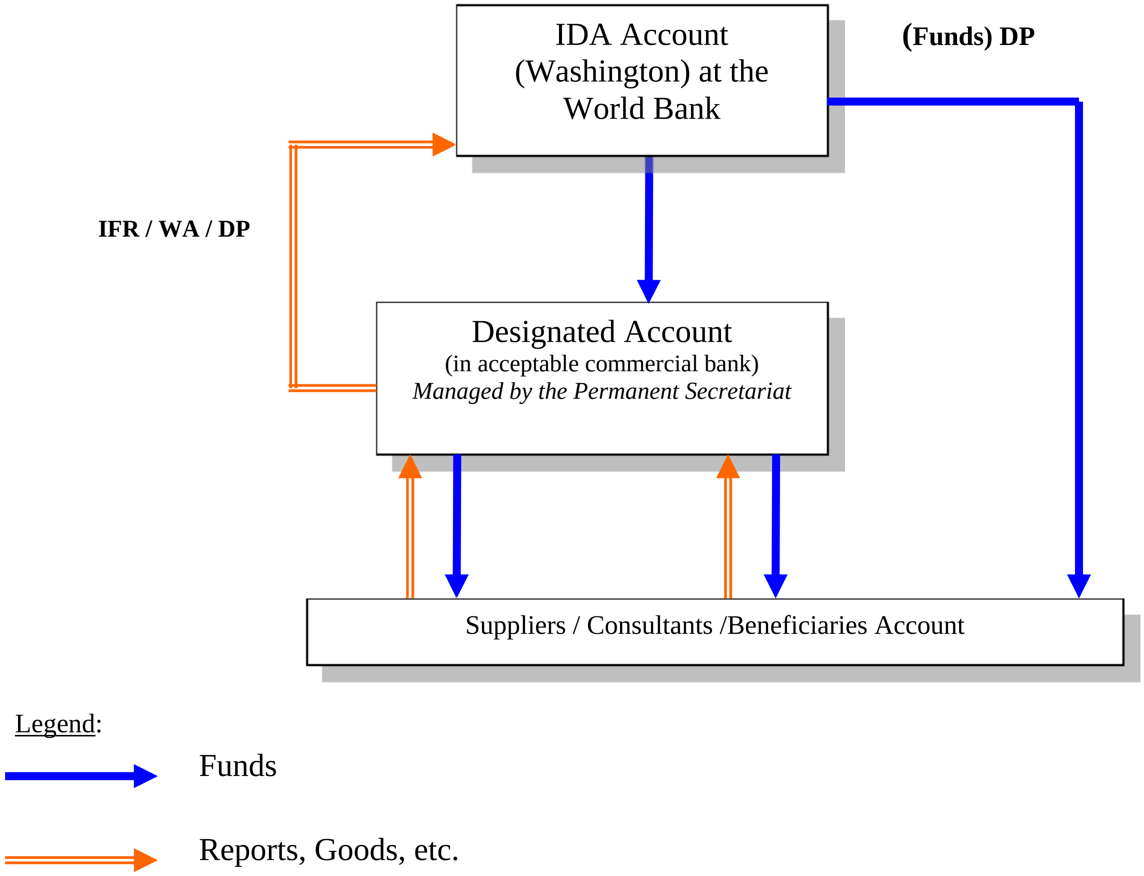
22. **Internal Control and Internal Auditing:** The internal control will be organized through the project's Administrative, Accounting and Financial Manual (part of the PIM) with appropriate segregation of duties and responsibilities. Internal audit functions will be assumed by the government internal audit institutions whose professional capacity will be strengthened. An internal audit consultant will be recruited to provide a risk map of the project and the ministry which will help the government internal audit institutions to apply a risk based approach.

(ii) Disbursements

23. ***Designated account:*** A Designated Account (DA) denominated in US dollars will be opened in a commercial bank on terms and conditions acceptable to the World Bank under the fiduciary responsibility of the PS in the Division of Studies and Planning of MINATUHITPR. It will be used to finance all eligible project expenditure under the different components. The ceiling of the DA will be set to US$2.1 million equivalent to four months of project expenditures expected to be made from the DA. Payments will be made in accordance with the provisions of the manual of procedures in the PIM (i.e. joint signatures by the Coordinator and the FM Consultant will be required for any payment). Advances to the DA will be made against withdrawal applications supported by Statement of Expenditures (or Records). All supporting documents should be retained at the project and readily accessible for review by periodic World Bank implementation support missions and external auditors. Direct payments, will be made to service providers if needed.

24. ***Disbursement arrangements***: The transaction-based disbursements will be applied. The DA will be used for all payments inferior to twenty percent of the deposited amount and replenishment applications will be submitted at least once a month.Funds flows for the DA are presented below (if and when the cities are entrusted with financial management following FM assessment before the MTR, the flow of funds diagram will be updated to include sub-accounts for the cities):

Figure 2: Flow of Funds



DP Direct Payment

WA Withdrawal Application

25. ***Disbursements by category***: The table below sets out the expenditure categories to be financed out the Grant. This table takes in account the prevailing Country Financing Parameter for the DRC in setting out the financing levels. Eligible expenditures will be financed at 100 percent inclusive of taxes.

Categories	IDA/ Amount of the Financing Allocated (expressed in US$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, works, non-consulting services, consultants' services, Training and Operating Costs for the Project except Component 2A of the Project	68.0M	100%
Goods, works and consultants' services for Subprojects under Component 2A of the Project	30.0M	100%
Refund PPA	2.0M	Amount payable pursuant to Section 2.07 of the General Conditions.
Total Amount	100M	100%

26. Financial Reporting and Monitoring: The manual of procedures (part of the PIM) will indicate provisions for quarterly and yearly financial reporting including a physical progress. The quarterly reports include a table on budget execution. The format of this report will include: (a) the statements of sources and used funds, and utilization of funds per category; (b) the updated of the procurement plan;(c) the physical progress; and (d) and the summary of missions of internal audit as well as implementation status of the recommendations of internal or external audit and supervision missions.

27. **External Auditing:** The project financial statements and internal control system managed by Permanent Secretariat will be subject to annual audit by an independent external auditor which will be renewed each 3 years. The external auditor will give an opinion on the annual financial statements in accordance with auditing standards of the International Federation of Accountants. In addition to audit reports, external auditor will also produce a management letter on internal control to improve the accounting controls and compliance with financial covenants under the financing agreement. The project will be required to submit, no later than June 30 of each fiscal year, the annual audited financial statements. In line with the new access to information policy, the project will comply with the disclosure policy of the World Bank of audit reports (for instance making available to the public without delay after receipt of all reports final financial audit, including audit reports qualified) and place the information on its official website within one month after acceptance of final report by the World Bank.

28. **Implementation Support Plan:** FM implementation support mission will be consistent with a risk-based approach and will involve a collaborative approach with the Task Team. A first implementation support mission will be performed six months after the project effectiveness. Afterwards, the missions will be scheduled by using the risk based approach model and will include the following diligences: (a) monitoring of the financial management arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FM Assessment at entry and subsequently during implementation; (b) integrated fiduciary review on key contracts, (c) review the Interim Financial Reports (IFRs); (d) review the audit reports and management letters from the external auditors and follow-up on material accountability issues by engaging with the task team leader, client, and/or auditors; the quality of the audit (internal and external) also is to be monitored closely to ensure that it covers all relevant aspects and provide enough confidence on the appropriate use of funds by recipients; (e) physical supervision on the ground specially; and (f) assistance to build or maintain appropriate financial management capacity.

29. **Conclusions of the FM Assessment:** The overall residual FM risk at preparation is considered **Substantial**. The proposed financial management arrangements for this project are considered adequate to meet the World Bank's minimum fiduciary requirements under OP/BP10.02.

(iii) Procurement

General

30. Procurement for the project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits "dated January 2011

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

Reference to the National Procurement Regulatory Framework

31. For all contracts which are not advertised internationally, the World Bank may authorize the use of National Competitive Bidding (NCB) subject to using an open procedure ("Appel d'Offres Ouvert") set forth in the Recipient's Public Procurement Law No. 10/010 dated April 27, 2010 and the Manual of Procedures of the Public Procurement Law as per Recipient's Decree No. 10/22 dated June 2, 2010 ("the Manual of Procedures"). NCB procedures for procurement of Works, Goods and services (other than consultants services) shall be reviewed and modified as necessary to assure economy, efficiency, transparency, and broad consistency with the provisions included in Section I and paragraphs 3.3 and 3.4 of Section III of the World Bank Procurement Guidelines and the following modifications of clauses and practices that are either partially or entirely not acceptable in World Bank-funded projects. NCB will be acceptable to the World Bank subject to the procedures below and as reflected in the FA:

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

(ii) Standard Bidding Documents. All standard bidding documents for any procurement process under NCB shall be found acceptable to the World Bank before their use during the implementation of the Project.

(iii) Advertisement. Invitation to bids shall be advertised in a national newspaper of wide circulation or on the website of the Recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics).*

(iv) Bid Preparation. Bidders shall be given at least thirty (30) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

(v) Preferences. No domestic/regional preference shall be given for domestic/regional bidders and/or for domestically/regionally manufactured goods; and to bidders forming a joint venture with a national firm or proposing national sub-contractors or carrying out economic activities in the territory of the Recipient.

(vi) Bidder's qualification criteria. Qualification criteria shall only concern the bidder's overall capability and financial capacity to perform the contract, taking into account objective and measurable factors. Such criteria for bidder's qualification shall be clearly specified in the bidding documents.

(vii) Bid Evaluation and Contract Award. A contract shall be awarded to the substantially responsive and lowest evaluated bidder provided that such bidder meets the qualification criteria specified in the bidding documents. No scoring system shall be allowed for the evaluation of bids, and no "blanket" limitation to the number of lots which can be awarded to a bidder shall apply. The criteria for bid evaluation and the contract award conditions shall be clearly specified in the bidding documents.

(viii) Publication of Contract Award. Information on all contract awards shall be published in at least a national newspaper of wide circulation or in the Recipient's Procurement Regulator (*Autorité de Régulation des Marchés Publics*) web-site.

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

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

(xi) Requirement for administrative documents and/or tax clearance certificate. The bidding documents shall not require foreign bidders to produce any administrative or tax related certificates prior to confirmation of awarding a contract.

32. **Procurement of Civil Works.** Civil works procured under this project will include: (a) road rehabilitation and drainage works; (b) construction of local markets; (c) social services infrastructure, etc. Procurement will be done under ICB or NCB using the World Bank's Standard Bidding Documents for all ICB and National Standard Bidding documents agreed with or satisfactory to the World Bank for all NCB. 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 the contracts for works to be procured using NCB are subject to prior review by the World Bank. The first contract for works per LGA will be subject to prior review by the World Bank. The first two contracts for NCB works will be subject to prior review by the World Bank.

33. **Procurement of Goods**. Goods procured under this project will include: computer equipment, office furniture, etc. Procurement will be done under ICB or NCB using the World Bank's Standard Bidding Documents for all ICB and National Standard Bidding, or Documents agreed with or satisfactory to the World Bank. Small value goods may be procured under shopping procedures. Direct contracting may be used where necessary if agreed in the procurement plan in accordance with the provisions of paragraph 3.7 to 3.8 of the Procurement Guidelines.

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

35. 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.

36. Single Source Selection may be employed with prior approval of the World 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.

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

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

Assessment of the agencies capacity to implement procurement

39. Guiding principles of the implementation of procurement: government has decided to mainstream the implementation of the project into the existing entities and structures and will be framed by the following principles: (a) responsibility and accountability, (b) equity, and (c) performance-based agreements. A PS consisting of government staff will be established within

the MINATUHITPR (PS-MINATUHITPR). Staff from the newly established Procurement Management Unit of the MINATUHITPR will be dedicated to this unit.

40. A preliminary assessment of the capacity of the agencies to implement procurement actions for the project was carried out in November 2012. The assessment reviewed the organizational structure for implementing the project, functions, staff skills and experiences, adequacy for implementing the project, and the interaction between the project's staff responsible for procurement and the other government's relevant entities for administration and finance. Procurement capacities were evaluated in project cities during project preparation (including through organizational audits of project cities) and found to be inadequate to fulfill World Bank requirements. Although cities will not carry out procurement, they will initially receive strong capacity building in this area and be encouraged to hire procurement specialists as part of the incentives to demonstrate adequate procurement capacity and be allowed to take on responsibility for procurement of minor works in a phased approach, once capacity has been demonstrated and confirmed by World Bank procurement specialists.

41. The key issues and risks concerning procurement for implementation of the project have been identified and include: (a) Procurement staff have no experience in implementing World Bank-funded projects – staff experience is limited to procurement of goods through NCB and shopping procedures, with no experience in ICB procedures of selection of large-value consultancy contracts; (b) the record keeping is inadequate; (c) the working environment is inadequate in terms of space for procurement records and working space for procurement staff; (d) the qualification of procurement staff is inadequate; (e) there is lack of clear procedures and guidelines spelled out in manuals; (f) government officials likely to be involved in project procurement through tender and evaluation committees may not be familiar with procurement procedures according to World Bank guidelines and rules; and (g) control and regulation mechanism according to the provisions of the country procurement law and its application procedures could delay the procurement process if mandatory reviews are required.

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

Procurement Risk Mitigation

Action Plan for Strengthening Procurement Capacity			
Ref.	**Tasks**	**Responsibility**	**Due date**
1	On the job training of identified procurement staff in World Bank procurement procedures by UCoP which is currently implementing the PPA.	PS-MINATUHITPR/UCoP	On-going
2	Training of staff (at least two) in World Bank procurement procedures in specialized institution (ISADE or CESAG) Dakar, Senegal. Program officers could be trained after project effectiveness.	PS-MINATUHITPR	On-going
3	Set up the project filing system in order to better keep procurement documents and reports and identify a staff responsible for this task. Train staff in data management.	PS-MINATUHITPR	Three months after effectiveness
4	Prepare a Procurement Implementation Manual, as part of the PIM, in line with World Bank procurement procedures and Public Procurement Act.	PS-MINATUHITPR	Completed as of negotiations
5	Inclusion of the procurement system (planning, monitoring and contract management) with the computerized project financial management system.	PS-MINATUHITPR	Three months after effectiveness
6	Recruitment of procurement consultant.	PS-MINATUHITPR	Completed as of negotiations
7	Recommendation for the PS to develop (and, as needed, revise) a standard format/template for all advertisement and criteria for acceptable newspapers with sufficient circulation for placement of advertisements.	PS-MINATUHITPR	Recommended three months after effectiveness

Procurement Plan

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

Thresholds for Procurement Methods and Prior Review

Expenditure Category	**Contract Value Threshold (US$ thousands)**	**Procurement Method**	**Contracts Subject to Prior Review**
1. Works	10,000 or more below 10,000 below 200 No threshold	ICB NCB At least three quotations Direct Contracting	All First contract per LGA None All

Expenditure Category	Contract Value Threshold (US$ thousands)	Procurement Method	Contracts Subject to Prior Review
2. Goods	1,000 or more below 1,000 below 100	ICB NCB Shopping	All First contract per LGA None

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

All TORs regardless of the value of the contract are subject to prior review

Frequency of procurement supervision

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

45. **Contract Management and Expenditure Reports**. As part of the Procurement Management Reports (PMR), the PS-MINATUHITPR will submit contract management and expenditure information in quarterly reports to the World Bank. The procurement management

report will consist of information on procurement of goods, works and consultants' services and compliance with agreed procurement methods. The report will compare procurement performance against the plan agreed at negotiations and as appropriately update at the end of each quarter. The report will also provide any information on complaints by bidders, unsatisfactory performance by contractors and any information on contractual disputes if any.

C. Environmental and Social (including safeguards)

46. During project preparation and implementation of the Emergency Urban and Social Rehabilitation Project (Grant H282-DRC), the government laid a sound institutional foundation for preparing, managing and monitoring potential adverse environmental and social impacts that the proposed project is expected to generate. The MINATUHITPR with the support of the World Bank, created a PS (which will include an environmental unit to ensure the mitigation of adverse environmental and social impacts). The UCoP and MINATUHITPR have demonstrated its safeguards compliance and readiness by its preparation and disclosure of the safeguards instruments (ESMF and RPF). In addition, an ESMP and six ARAPs for the road works in the six cities has been prepared, consulted upon, and disclosed.

47. The UDP includes institutional support targeting improved governance, municipal and urban management, and fiscal performance. This initiative will include support for the management at the municipal level of environmental and social risks, including through the implementation of the safeguard documents prepared for the project. At national level, the project will also provide support to the MINATUHITPR to manage the proposed project, including supervision of the agreed safeguard management instruments. The MINATUHITPR will be responsible for the implementation of the ESMF, the RPF and any additional safeguards instruments. The MINATUHITPR has assured dedication of an Environmental Specialist from the Department of Studies and Planning to the PS, who will be responsible for following up safeguards issues as and when they arise during project implementation.

48. Consultants may be engaged to prepare RAPs and ESIAs or ESMPs as and when necessary. In addition, the Financing Agreement will require the Recipient, as part of the annual work plans for the Project agreed with the World Bank, to prepare and submit to the World Bank for prior approval and disclosure, ESIAs (and/or ESMPs) in accordance with the ESMF and a RAP, if required pursuant to the RPF, for the activities proposed to be carried out under the agreed annual work plan. In addition, prior to commencing any works under the annual work plan, the Recipient will take all actions required to be taken under the resettlement plan prior to the commencement of associated works and obtain the World Bank's confirmation that the works may commence prior to such works. Finally, the Recipient will report quarterly to the World 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.

49. Successfully implementing the project safeguard requirements and performance measurement requires regular monitoring and evaluating the activities undertaken by the project, to comply with national and World Bank safeguards policies. This will also help ensure that the implementation of project safeguards measures is systematically carried out throughout the project lifespan. In order to do so, the following indicators will be measured, as part of the project global monitoring plan:

- Number of activities screened on environmental and social safeguards grounds.
- Number of ESMPs and/or RAPs implemented according schedule.
- Number/frequency of safeguards supervision and annual project reviews undertaken.
- Number training programs carried out for safeguard capacity strengthening.
- Number of institutions/organizations trained in according to specified measures identified in the instruments.

50. Appropriate quarterly reporting on safeguards compliance is included as part of the quarterly Project Reports as specified in the Financing Agreement.

D. Monitoring & Evaluation

51. The project M&E framework will rely on the MINATUHITPR-DUS, which will be responsible for data collection and reporting. A staff will be allocated from the DUS to the Permanent Secretariat, and training will be provided to assure adequate quality and timeliness of reporting, including the specific development of an urban sector database. M&E activities consist of:

- At the national level, through Component 2, the PS will be supported to ensure regular collection and monitoring of data related to the annual city PAs. Capacity gaps related to collection of data on performance indicators will be filled. The local development committees (with participation of civil society representatives) will meet to validate city performance data before is transmitted to the PS.
- Through Component 2, the project will provide support in reforming and strengthening reporting systems at the city level.
- The annual independent PAs of cities, supported by mid-term and end-of-project evaluations and citizen satisfaction surveys, will provide data to measure the performance of project cities.
- The above will be complemented by mid-term and final technical audits and evaluations of the project, covering social, environmental and economic aspects.

52. The PS will be responsible for consolidating data into project monitoring reports. The project contributes to developing the government's internal performance monitoring and financial reporting system through direct support to cities and support to reforms in the reporting and budgeting system to facilitate simplified and timely reporting from cities to central government.

E. Role of Partners

53. The project will be fully funded by the World Bank, and no direct project collaboration is foreseen with other donors. During project preparation, the Task Team met with donors active in the sector to exchange information and coordinate whenever possible. Several of these interventions have financed elaboration of LDPs (or similar documents), and the lessons learned

are fully incorporated in the UDP design. The donor-supported operations of particular interest to the UDP are:

- UN-HABITAT is active in housing and land management, financed the 2008 National Housing Action Plan and has financed the elaboration of urban profiles for four cities (Kinshasa, Lubumbashi, Kisangani, and Bunia). The organization has facilitated contacts with sector experts and provided valuable inputs to project preparation in the areas of land management.
- Agence Française de Développement (AFD) in particular financed an Urban Development Project for Kinshasa and Lubumbashi, with focus on poor neighborhoods and which also provided some capacity building to BEAU. AFD is currently funding an urban water project for the urban fringe of Kinshasa and three cities of Bas-Congo and is preparing support to financing a strategic development plan for Kinshasa.
- The EU is involved in solid waste management in Kinshasa to the tune of €100M.
- The African Development Bank focuses interventions on urban transport. Having already financed a study on urban transport in Kinshasa, the African Development Bank could potentially invest in urban transport in the future.
- UNDP implemented a Decentralization and Local Development Support Project (US$25 million) in Nord-Kivu, Equateur, and Eastern Kasai Provinces, based on Provincial Development Plans and LDPs.
- The Belgian Technical Cooperation (BTC) financed the Community Development Project in seven cities for €23M. The project focused on infrastructure, institutions, local economic development and communication. Some quite positive outcomes were noted in terms of civil society organization, programming, and implementing water infrastructure. BTC will not continue this type of activity.
- Two NGOs of national coverage, CENADEP and INADES, have positive experiences in supporting the above-mentioned programs and are well represented in the provinces to support community-based development initiatives.
- DFID is implementing a water and sanitation project in cities of Eastern DRC and is contemplating an urban development operation for Kinshasa (details not yet determined at the time of appraisal of the UDP).

Annex 4: Operational Risk Assessment Framework (ORAF)

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

Stage: Board

<table>
<tr><th>Project Stakeholder Risks</th><th>Rating</th><th colspan="3">Substantial</th></tr>
<tr><td rowspan="3">Description :
The World Bank could be accused (by beneficiaries or NGOs) of withholding resources from investments in poverty reduction, due to the results-based allocation of resources to local infrastructure. However, this has not happened in other countries, and discussions with NGOs in the DRC suggest good support to the approach.

Diverging interests in connection with the complex decentralization process could push decision-makers at all levels (central, provincial and city) to resist change introduced by the project, i.e. shift in power relations towards the decentralized level, and improved management processes in city administrations. Especially the provinces could resist being “bypassed” in their habitual role as project implementers in provincial capitals.</td><td colspan="4">Risk Management:
Assuring strong involvement of beneficiary representatives in project preparation, developing adequate communications strategy, including IEC and demand-side activities to allowing citizens to engage with local administration regarding their performance, involving NGOs experienced in the community participation in implementation. Citizens will also be involved in validating data to be used for the PA of city administrations, based on a contractual approach with clear engagements of city administrations to specific performance targets. Implement On Track feedback mechanism to deepen and sustain the engagement of beneficiaries in the project in collaboration with the GAC team in the World Bank Africa Region Operational Support unit.

Aligning the project to the ongoing decentralization process and developing concrete examples of good performance through the selected approach.

A proactive attitude and approach has been adopted relating to transparency and public dissemination of project-related information and information on performance of city administrations, including publication and review of city administration performance by local population and communication in local languages.</td></tr>
<tr><td>Resp: Bank, client</td><td>Stage: Prep, Imp.</td><td>Due Date :</td><td>Status: NYD</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">Implementing Agency Risks (including fiduciary)</td></tr>
</table>

<table>
<tr><td>Capacity</td><td>Rating:</td><td colspan="3">High</td></tr>
<tr><td rowspan="2">Description :
Resources: The team’s assessment of departments in MINATUHITPR responsible for the urban sector suggest very limited resources (technical, organizational, financial, equipment) to implement project activities, and no experience with World Bank procedures. The previous Ministry of Infrastructure and Public Works (now also covering urban development) has some experience in implementing World Bank-funded projects. Limited capacity to implement M&E activities. Further, the coordination capacity is limited, and incentives to take on project management responsibility are limited.

Financial Management: No internal audits are carried out, and there is no computerized accounting system, no link between financial and physical data.

Procurement: The previous MIPW managed procurement on behalf of MUPH, and has some procurement capacity. However, weak capacity in procurement may delay project implementation and affect performance ratings of city administrations, but although problems will likely occur, they are not likely to have significant on the project objectives.

Environment and social: This operation is a category B project. Institutional capacity remains weak for ensuring a sound supervision of safeguards and minor problems are likely to occur as city administrations potentially take on responsibility for assuring implementation of infrastructure and associated safeguards measures.</td><td colspan="4">Risk Management :
Project preparation relied on the UCoP for fiduciary aspects and MINATUHITPR, with strong support from OVD, for technical aspects. MINATUHITPR has already received TA during preparation to allow them to play a more substantial role, but OVD will continue to assure a number of functions for which they already have capacity. The project will provide better working conditions to MINATUHITPR staff, finance training, and provide career development opportunities and the possibility to contribute visible results. It will further provide the opportunity to visit project cities.

Consultants will be recruited to the PS to support fiduciary functions (one for procurement, one for financial management) and the project will fund the setting in place of adequate accounting systems, interconnected with the procurement system.

The Flying Capacity Building Team, whose primary objective is to support the cities, will spend part of their time in Kinshasa, during which time the FCBT will also provide hands-on training to the PS staff. An independent consultant firm will be charged with PA of city administrations.

The project will make sure ESMF and RPF are used locally to prepare environmental assessments and RAPs as required before any construction begins. Technical audits will further cover environmental and social aspects.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Prep, Imp.</td><td>Due Date :</td><td>Status: NYD</td></tr>
<tr><td>Governance</td><td>Rating:</td><td colspan="3">High</td></tr>
<tr><td>Description :
The Team’s assessment of departments in the MINATUHITPR</td><td colspan="4">Risk Management :
Sector governance is a major component of the project, which</td></tr>
</table>

<table>
<tr><td>responsible for urban development indicates a limited strategic perspective for the sector. MINATUHITPR could seize the possibility to provide more visibility to the sector, but would potentially be more interested in managing funds, which they do not currently have the adequate capacity to do. Sector governance is fragmented, with key agencies (OVD and BEAU) operating without adequate oversight from MINATUHITPR and integration into sector programming. Further, provincial level ministries also play a role in urban management, often duplicating the task of central ministries.

Transparency in resource disbursement is weak, and the accountability framework is inadequate. Coordination among the different layers of government is insufficient. Finally, the M&E system is weak and there is a weak tradition of scrutiny of budgets by civil society.

Economic governance risks in the DRC remain considerable, and permeate the whole of the political, economic and social spheres. Successful implementation of any project that addresses areas of strong vested interest (such as decentralization, PFM and public service management) will therefore be affected by negative dynamics.</td><td colspan="4">will target coordination, legislation, regulation, and oversight, both horizontally (between ministries and agencies) and vertically (between different levels of administration), and also strengthen M&E. The project will require annual external audits of its accounts.

Capacity building planned in the context of this project is expected to strengthen the civil society capacities needed to effectively exert oversight through citizen surveillance committees. Strengthening of demand-side governance will enhance scrutiny by the civil society. A system will also be set up to publicly disclose the status all project activities in order to provide beneficiaries the information need to effectively serve as monitors of project performance

An enhanced economic governance dialogue has been put in place since September 2010, and includes critical aspects of institutional reform in the public sector and in national-sub-national relations so that a positive dynamic is built around project interventions. This includes an emphasis on procurement and PFM reforms, including strengthened donor coordination around initiatives flowing from the 2012 PEFA, that will help reduce governance risks overall and in projects in particular.</td></tr>
<tr><td></td><td>Resp: Bank, Client</td><td>Stage: Prep, Imp.</td><td>Due Date :</td><td>Status: NYD</td></tr>
<tr><td>Project Risks</td><td colspan="4"></td></tr>
<tr><td>Design</td><td>Rating:</td><td colspan="3">Substantial</td></tr>
<tr><td>Description :
Lack of progress on decentralization, especially concerning the relationship between provinces and cities and continued postponement of LG elections could jeopardize the objective of enabling city authorities in the long run. However, the performance-based approach has proved very efficient in</td><td colspan="4">Risk Management :
The MINATUHITPR will have the responsibility to maintain a good statistical system with sufficient data to monitor most of the project outcomes. The PA process of city authorities will highlight any areas in need of special attention or problem cities, and if this situation continues, the MTR will present an</td></tr>
</table>

improving municipal-level governance in other countries, including ones with high levels of corruption. The security situation could escalate and complicate project implementation in one or more cities, especially in Eastern DRC. The government priorities could change with change of government. The number of organizational stakeholders involved, combined with the number of locations and the geographic spread could prove challenging in terms of project and coordination by the MINATUHITPR and implementation support by the World Bank. Risks are noted regarding the institutional and financial sustainability of project interventions, in particular the sustainability of project investments and the continued operation of the performance-based allocation as a transfer mechanism after the project. No particular technical risks are foreseen as technologies to be used have been tested and proven to be efficient in the field.	opportunity to assess if such city should remain in the project. The project is designed to include performance incentives for appointed mayors, and to require reporting to city populations rather than to the governor, which will mitigate some of the effects of postponed elections. If project activities cannot be implemented in any given city due to the security situation, activities in such city can be put on hold or suspended, and resources reallocated to other cities, depending on the severity of the situation. Since the PRS explicitly considers cities in connection with the creation of growth poles, priorities are not likely to change with a change of government, but if this happens, the project can be restructured to focus on changed sector priorities. Project coordination mechanisms will incorporate national sector ministries, and provincial and city authorities as well as civil society representatives. Sustainability issues are addressed through requiring an O&M plan for all infrastructure investments in the cities and through incentive-based improvements to municipal management, which will push for better maintenance of municipal assets, including those financed by the UDP, and with the ability to roll out the approach to other cities in the DRC. **Resp:** Bank | **Stage:** Imp. | **Due Date :** | **Status: NYD**
Social & Environmental	**Rating:** **High**
Description : MINATUHITPR does not have experience with World Bank safeguard policies and institutional capacities remain weak for ensuring a sound supervision of safeguards, especially in	**Risk Management :** The project has prepared an ESMF and RPF, as well as an ESMP and six ARAPs for the road works in the six cities. Capacity and institutional arrangements in place for project safeguards were

<table>
<tr><td>municipalities.

Risks include: (a) limited social capital and safeguards capacity at national, provincial and local project level; (b) limited knowledge of World Bank’s safeguards policy at MINATUHITPR and the six city administrations; (c) time consuming, expensive and challenging supervision by the PS to the cities.</td><td colspan="4">evaluated during project preparation. The UCoP has assured development of the safeguards framework and implementing studies for the first batch of investments. City authorities will only be responsible for implementation of neighborhood-level infrastructure, for which social and environmental impacts will be limited and properly screened, and only after they have demonstrated adequate capacity following initial capacity building under the project. Additional support to MINATUHITPR and cities in safeguards implementation will be provided as needed.

Mitigation measures to address the risks include: (a) training of relevant MINATUHITPR staff and city administrations in urban environmental issues, including World Bank’s safeguards policies; and (b) establishment of appropriate work programs for environmental and social mitigation measures.

NGOs with good knowledge of the local population will play a key role during implementation to assure full involvement of the beneficiary population, both in terms of investment selection and works implementation.</td></tr>
<tr><td></td><td>Resp: Bank</td><td>Stage: Prep, Imp.</td><td>Due Date :</td><td>Status: NYD</td></tr>
<tr><td>Program & Donor</td><td>Rating:</td><td colspan="3">Low</td></tr>
<tr><td rowspan="2">Description :
This project is a stand-alone operation. It is coordinated with other projects in the sector and draws on previous experiences, but does not depend on any co-financing.</td><td colspan="4">Risk Management :
Continue dialogue with donors commenced during identification.</td></tr>
<tr><td>Resp: Bank</td><td>Stage: Imp.</td><td>Due Date :</td><td>Status: Ongoing</td></tr>
<tr><td>Delivery Monitoring & Sustainability</td><td>Rating:</td><td colspan="3">High</td></tr>
<tr><td>Description :
The MINATUHITPR might not be able to sustain project implementation due to limited prior activities and inadequate</td><td colspan="4">Risk Management :
The urban statistics directorate in the MINATUHITPR will play a key role in planning and monitoring project interventions and</td></tr>
</table>

<table>
<tr><td rowspan="2">alignment with the emerging decentralization process.

Limited tradition for M&E in the sector could hinder the full implication of the MINATUHITPR urban statistics division.

Sustainability of investments in the sector has generally been limited.

MINATUHITPR has limited experience in program management and are focused on revenue-generation activities for the Ministry.</td><td colspan="4">assure the link to the implementation of the sector action plan, and strategy (to be developed).

Assure adequate PA of city authorities though independent PAs.

Incorporate revenue generation and targeting towards maintenance in the project.

Training in the areas of leadership, management, and work planning for senior MINATUHITPR staff will be complemented by the sector diagnostic that will provide clear guidelines on milestones and activities for TA.</td></tr>
<tr><td>Resp: Bank, Client</td><td>Stage: Prep, Imp.</td><td>Due Date :</td><td>Status: NYD</td></tr>
<tr><td colspan="5">Overall risk rating: High</td></tr>
<tr><td colspan="5">Large number of stakeholders (national and sub-national level) and sectors (due to demand-driven nature of neighborhood sub-projects). The institutional environment, the weakness of line ministries and cities, and uneven progress on decentralization may slow down activities during implementation. The project has built-in incentives for this process to advance, but the speed with which the performance-based approach is adopted by the city authorities may impact implementation. The program overall risk is rated high.</td></tr>
</table>

Annex 5: Implementation Support Plan

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

1. The Implementation Support Plan (ISP) takes into account the nature of the project approach, which marks a departure from previous experiences in implementing emergency projects in the urban sector in the DRC, and the risks associated with this shift, as outlined in the ORAF.

Strategy and Approach for Implementation Support

2. Overall, implementation of the project will depend on strong implementation support, beyond standard supervision, given the lack of capacity and to make sure the approach to urban development, with focus on the role of LGs and their interaction with citizens, can take hold. Technical advice will be necessary in urban development and decentralization. The use of existing structures for implementation poses high risks (with high return), and the ISP lays out the necessary activities for the World Bank to meet its fiduciary obligations in this context. The World Bank will devote some 35 staff weeks per year and a total of about 200 staff weeks through FY19 to help the government implement the project and supervise progress. Specific elements of the implementation support strategy are:

- Close implementation support. The Task Team Leader (TTL) is based in Brazzaville while fiduciary staff and governance, communication, social, and environmental specialists are based in the Country Office (CO). Any change to this would necessitate revisiting the ISP.
- Fiduciary risks in terms of management of funds by the PS are limited by the provision of additional TA, but support to PS will be necessary in the project start-up phase. Missions, as well as direct involvement by the CO, will focus on the PS'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 (twice per year), and close World Bank country office involvement will be critical to help mitigate fiduciary risks, associating, to the extent possible, NGOs to improve supervision in the field.
- The World Bank's fiduciary responsibility in relation to the involvement of LGs will be assured through implementation support missions to project cities once a year, including a procurement specialist and with regular visits to all project cities, to support the full implementation and respect of the PIM, and to verify the continued relevance of support measures in place (training of staff, TA) and readiness of LGs to take on responsibility for procurement. As the risk of fraud and corruption is estimated to be high, the procurement specialist will also play a central role in early warning of bad practices. The TTL will also play a role in assuring quality of works contracted by LGs. As mentioned in the Governance and Anti-Corruption Action Plan (Annex 6) the local consultative forums established in project cities will play a key role in supervising project activities.
- The project cities will receive TA as needed, but the World Bank will need to play a role in supporting the establishment of working relationships between national and provincial

administrations and the LGs, and to support the LGs 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 World Bank, as this requires ongoing and flexible interaction with the government.
- As there is lack of adequate M&E capacity in the Urban Statistics Division (and limited possibility of finding qualified consultants to support the Division), hands-on guidance will be required during the initial missions to assure that reporting on results is adequate.

Implementation Support Plan

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

- During project preparation, weekly audio-conferences with UCoP, the PS and focal point in MINDEC were instituted to support preparation. This will continue as needed to assure regular follow-up to agreed actions.
- The procurement specialist will play a central role in supporting the PS in adopting a sound approach to procurement and to assure the World Bank's fiduciary obligations. Twice yearly implementation support missions will be carried out, with at least the TTL and Procurement Specialist. This will continue until the MTR or until the World Bank is satisfied that sound practices are in place. Following this, implementation support missions covering all cities will be yearly for the remainder of the project.
- Support to respect of environmental and social safeguards will need staffed missions to all 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. This will continue until the MTR or until the World Bank is satisfied that sound M&E practices are in place, following which ongoing M&E support can be provided from Headquarters.
- The MTR mission will require participation of the entire spectrum of specialists having participated to appraisal.

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

Main focus in terms of support to implementation:

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Start-up phase, first performance evaluation of LGs	Procurement, financial management, M&E, GAC	150k	Coordination with AFD, BTC, UN-HABITAT, DFID
Until MTR (yr. 2-3)	First release of performance-based allocation	Procurement, financial management, social development, intergovernmental transfers/LG finances, M&E	100k/yr. 200k total	Continued coordination with AFD, BTC, UN-HABITAT, DFID

MTR (yr. 3)	MTR	Procurement, financial management, social development, intergovernmental transfers/LG finances, M&E	100k	Participation of AFD, BTC, UN-HABITAT, DFID
Following MTR (yr.4-6)	Consolidation and roll-out of performance-based allocation mechanism	Procurement, financial management, intergovernmental transfers/LG finances	75k/yr. 225k total	Continued coordination with AFD, BTC, UN-HABITAT, DFID
Total (6 years)			**625k**	

Skills Mix Required

Skills Needed	Number of Staff Weeks (for duration of Project)	Number of Trips	Comments
Procurement	20	CO-based	Twice yearly missions for start-up phase, then yearly
Procurement	2	1 (HQ-based)	To support CO-based procurement specialist during MTR
Financial management	12	CO-based	Participate to yearly implementation support missions
Decentralization/ institutional aspects	8	2	For start-up and MTR. Consultant
Governance and Anti-Corruption	6	CO-based	Staff weeks for sector support
M&E	15	8	Twice yearly missions for start-up phase, then yearly
Social development	6	3 (Two trips first year, MTR)	Staff/consultant as available.
Communication specialist	6	CO-based	To participate to 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		Participate to yearly implementation support missions and MTR
Social safeguards	12	CO-based	Participate to yearly implementation support missions and MTR
Legal	1	0	Staff weeks for any restructuring
Disbursement	1	0	Staff weeks for Task

			Team support
TTL	80	CO-based (Brazzaville)	Ongoing implementation support to the client, frequent implementation support missions for the first years, yearly thereafter
Total	**205**		

Annex 6: Governance and Anti-Corruption Action Plan

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

1. The Governance and Anti-Corruption Action Plan below was developed with the government during preparation and sent by letter from the government to the World Bank on February 21, 2013.

Overview

2. The project supports the implementation of the government's governance and decentralization agenda in the DRC, both at central, provincial and city levels. The project incorporates a set of inter-related activities spanning key central executive entities as well as six cities in six provinces. The multiplicity of implementing agencies coupled with the inherently weak governance and accountability mechanisms currently in place create substantial governance, procurement and fiduciary risks. This is particularly relevant because a portion of the project proceeds will finance contracts for consultancy services and training, which are susceptible to corruption, collusion, fraud, waste and mismanagement. Experience has shown that difficulty in measuring or applying the output of such expenditures also makes them vulnerable to procurement irregularities and lapses in internal control.

Objective

3. This annex presents mechanisms to strengthen project governance and management and thereby mitigate the risk of corruption, collusion, fraud, waste and mismanagement, and to ensure that project objectives are achieved. This action plan: (a) maps the potential risks arising from the fragile governance and accountability environment, (b) presents mechanisms integrated into the PIM to address these risks, and (c) designates responsibility for implementing these mechanisms to particular project units. The Governance and Anti-Corruption Action Plan demonstrates the commitment of the government of the DRC, and more specifically, the MINATUHITPR, MINDEC, and Ministry of Land Affairs and other agencies to strengthen public sector efficiency, transparency and integrity.

Strategy

4. The government project team recognizes the inherent complexity and risks of a project that cuts across a number of units within one ministry, let alone a project that traverses several ministries, provincial authorities and city administrations in a high-risk environment. The project proposes to address these complexities, and the governance challenges they pose, in a systematic manner, actively promoting greater transparency, accountability and integrity through project design and implementation arrangements. These actions can be summarized as follows:

5. <u>Project implementation arrangements:</u> Project implementation arrangements combine a mix of centralized responsibility and decentralized arrangements to facilitate efficient, effective and accountable procurement execution, contract management and monitoring of project outcomes. Central procurement and financial management capacity vested in the Permanent Secretariat will ensure overall quality control on procurement and financial management in the

project, while city-level oversight mechanisms, with strong scrutiny by civil society organizations, will play a similar role at their level.

6. Building the administrative capacity of existing structures and developing effective tools: The project management team (PS) was selected based on merit and will be provided with training and supported by highly qualified technical consultants, particularly in fiduciary areas. The process of nominating staff to the PS has been followed closely by the World Bank. The hiring process for additional fiduciary staff will likewise receive close attention by the World Bank. This provides additional guarantees on the quality of the recruitment process.

7. Results-oriented M&E framework: A results oriented M&E framework has been developed for the project to track progress and demonstrate the impact of project activities and implementation arrangements, including particularly performance and transparency of city administrations.

8. Enhanced disclosure and transparency: A proactive attitude and approach has been adopted relating to transparency and public dissemination of project-related information and information on performance of city administrations, including publication and review of city administration performance by local population and communication in local languages.

9. Strengthened procurement guidelines and procedures: Detailed procurement guidelines will be implemented to promote efficient and timely procurement, and minimize procurement-associated risks. In addition, external presence by civil society at bid opening should be facilitated for ICB and NCB bids. The engagement of an independent firm to evaluate performance of city administrations, including in procurement, will be assured.

10. Strengthened financial management guidelines and procedures: Detailed procedures for strengthened financial controls, including payment validation procedures, are being designed for all project activities to mitigate fiduciary risks. In addition, the integration of the procurement system into the financial management system with the use of integrated management software will improve controls and allow for better post procurement reviews.

11. Complaints handling mechanisms: All complaints from bidders, observers, or other parties should be promptly forwarded by the PS to the PSC for consideration and follow-up action. The complaint handling system will also allow citizens and CSOs lodge complaints and monitor the status of its resolution.

12. Sanctions & remedies: The project has zero tolerance for corruption, collusion and fraud. Any suspicion of such practices shall warrant immediate investigation with severe penalties for any party found culpable of such practices.

13. Training: The project has incorporated comprehensive training measures for procurement and financial management staff of the PS to improve the management of contracts in the project.

Critical Success Factors

14. Ownership and Support. The success of the project depends on continued support from many actors ranging from the MINATUHITPR, MINDEC, Ministry of Land Affairs, six

provincial authorities and city administrations. Consultants, contractors and auditors will also play important roles in the project.

15. Periodic Review. Strengthened project procedures and guidelines will not by themselves eliminate corrupt and fraudulent activities. It is highly conceivable that some vested interests will seek to adapt and discover new methods to maintain their position. The PS will review implementation of Annual Action Plans on a regular basis and the PSC will further assess progress on at least semi-annual basis. Indeed, the main purpose of this project is to develop and institutionalize improved governance mechanisms in public administration and expenditure management, particularly at the city level, consistent with the government's reform agenda.

Mitigation Measures

16. The project will incorporate, in the reform strategy, activities to strengthen those entities functioning as strategic checks and balances in the framework of public administration and expenditure management in a decentralized government system, including the development of a comprehensive M&E framework, regular reporting and public dissemination of reports on the implementation of the PAs. The table below presents the measures.

Governance Risks	Risk Description	Mitigation Actions
Complex political environment and interference.	The DRC is a particularly complex political environment, with strong vested interests and a weak coordination and coherence in the government. Vested interests and fragmented governance structures are likely to hinder an across-the board approach to programs implementation.	Maintaining an active political-economy dialogue on key aspects of the reform agenda and seek to build consensus at every step of the way. The Governance Matrix designed as part of the Country Assistance Strategy will continue to define the approach for engagement with the authorities. *Timing: on-going*
Weak internal management structures, controls and oversight.	A prolonged period of public sector mismanagement led to very limited government capacity with as a result the inability to achieve the projected reforms, including decentralization agenda and to put in place control and oversight mechanisms.	The "*Cour des Comptes*", the Supreme Audit Institution, having been assessed as weak, a qualified, experienced, and independent external auditor will be recruited on approved terms of reference. *Timing: six months after effectiveness*
Capacity risks at the city level.	Project preparation has showed the lack of capacity at the city level, and there will be risk of	The cities will receive capacity support (training and TA through a team of experts) and their capacity

	implementation shortcomings.	reassessed before transferring any activity to their responsibility. *<u>Timing</u>: on-going*
Risk of circumventing internal control systems.	The possibility of circumventing internal control system, with practices such as bribes, abuse of administrative and/or political positions, misprocurement (e.g. recruitment of payment agency/external technical or financial auditors) is a critical issue.	The implementing agency will prepare a code of conduct including clear procedures for disciplinary action. In addition, a detailed FM manual (as part of the PIM) with specific sections on the management and payments will be designed to mitigate fiduciary risks. *<u>Timing</u>: completed*
Procurement risks.	Procurement processes remains the Achilles' heel of most DRC operations as capacity is weak, leading to frequent delays in handling procurement cases. In addition to this, competition is very limited given the country's environment.	Procurement functions for the project will be handled by the PS, with adequate support by a qualified procurement consultant to be recruited. *<u>Timing</u>: completed as of negotiations* A capacity building program will gradually enhance capacity to handle procurement processes. *<u>Timing</u>: on-going* Integration of the procurement system with the FM system. *<u>Timing</u>: three months after effectiveness* Cities will only carry out procurement for small contracts and only after the concerned staff has undergone adequate training and been assesses as qualified by World Bank procurement specialists, by the MTR. *<u>Timing</u>: MTR*
Limited capacity of the PS.	The management of program implementation will be the responsibility of the PS,	Fiduciary aspects of the project will be handled by a capable expert to be

	under MINATUHITPR. This poses risks of implementation delays since the PS has shown to have very limited capacity.	recruited. *Timing: completed as of negotiations*

Project Implementation Arrangements

17. Separate TORs delineating the roles and responsibilities for all project personnel were prepared by the government project team during preparation, agreed with the World Bank and included in the PIM, and shall form the basis for annual reviews of project governance and accountability arrangements.

18. Appropriate procedures/guidelines relating to all project units pertaining to, but not limited to, matters of procurement, financial management and reporting, record keeping, complaints handling and M&E have been prepared and included in the PIM and will be periodically reviewed by the government project team.

19. The PS shall be responsible for all project component procurement activities, except those explicitly delegated to city authorities. In view of the limited capacity of the PS and cities alike, an expert will be recruited to support and review procurement activities in the PS. A team of experts will further support the implementation of procurement in the cities, if and when they are accorded the responsibility of carrying out procurement.

20. The implementing agencies, including potentially the city authorities, shall remain responsible for the management and verification of progress of contracts under their respective project component, linking accountability for project outcomes directly to the respective government spending unit.

21. At city level, the team of experts, consisting of 4-5 experts financed by the project, will include a specialist with the mandate to support and monitor procurement and financial management processes related to city-level project activities. Cities will be encouraged to hire dedicated procurement specialist as part of the incentives to take on procurement responsibility.

22. The PS will coordinate and perform overall M&E functions.

23. The PS has established clear criteria in the PIM for composition of local consultative forums.

24. The PS procurement team will:

- Undergo training prior to project effectiveness and, if necessary, thereafter in World Bank procurement guidelines and government procurement regulations to ensure compliance with such processes.
- Be supported by a qualified procurement consultant who will provide expert assistance and strengthen internal project capacity in, but not limited to, the preparation of advertisements and tender documents, evaluation of bids, conduct of negotiations, timely

preparation of contracts, submission of procurement-related reports, and maintaining procurement records to ensure smooth, timely and efficient procurement.

25. The PS financial management team will:

- Undergo training on financial management and reporting, including the preparation and utilization of World Bank IFRs. The IFRs will provide an opportunity to strengthen fiduciary oversight by integrating procurement, implementation and financial management.
- Be supported by a financial management consultant, or team as needed, to provide expert assistance and build internal project capacity as necessary in the proper conduct of the financial management and reporting related tasks in accordance with the procedures defined in the PIM.

Results-Oriented M&E Framework and Action Plan

26. The PS shall sign off on, and monitor, the project and subcomponent results-oriented M&E indicators as part of the project result-oriented M&E framework and action plan, including those to evaluate the effectiveness of the Annual Action Plan in achieving its objective.

27. The PS shall:

- Develop, monitor and review the project and sub-component results-oriented M&E indicators as part of the project result-oriented M&E framework and Annual Action Plan, including those to evaluate the effectiveness of the Action Plan in achieving its objective. Their participation in training on procurement and financial management will constitute the first element of this training program.
- Review consolidated M&E reports, particularly in relation to the implementation of the Action Plan, to track progress and demonstrate the impact of project activities and implementation arrangements and the performance of city administrations.

28. All implementing agencies, including the provincial and city authorities, shall be responsible for the collection and collation of data to formulate M&E baselines and compile reports.

29. The PS will be responsible for the collection and consolidation of reports and their distribution to the PSC.

Enhanced Disclosure and Transparency

30. The PS shall:

- Establish and maintain a project website which provides updated information on project activities and can be accessed by the general public, and arrange the provision of an electronic link between the websites of all the ministries participating in the project with that of the project.

- Make publicly available, through the project website: (a) all annual audit reports (financial or otherwise, and including qualified audit reports) and audit management letters prepared in accordance with the financing agreements for this project, and all formal responses and follow-up actions of the government; (b) all annual procurement plans and schedules, including all updates thereof; (c) all short-lists of consultants (firms and individuals for contracts over threshold levels established in the PIM) together with the names and dates of all expressions of interests received; (d) in the case of pre-qualification, all lists of pre-qualified contractors and suppliers together with the names and dates of proposals received; (e) summaries of all bidding documents as well as all requests for proposals issued in accordance with the procurement provisions of this agreement; (f)all contracts; and (g) all World Bank mid-term review reports.
- Ensure that publication of annual city PAs is carried out in accordance with the PIM.

Strengthened Procurement Guidelines and Procedures

31. The PS shall develop (and, as needed, revise) a standard format/template for all advertisement and criteria for acceptable newspapers with sufficient circulation for placement of advertisements.

32. The PS shall:

- Conduct surveys on available products and their prices in the market and the alternative of hiring consultants for procurement of complex goods/ equipment/services to define the specifications in TORs.
- Use uniform specifications for procurement of standard items.
- Prepare any specifications to be included in Requests for Proposal (RFPs)/Invitations to Bid.
- Place Specific Procurement Notices (SPN) in local media as outlined in the PIM and, where necessary, on the UNDB website.
- Specify within any SPN/Invitations to Bid, the requirement for all proposals to include clear and detailed specifications and cost breakdowns for all proposals and not impose any restrictions (geographic or otherwise) to limit the participation of consultants/bidders.
- Invite representatives of end-users and civil society organizations to attend bid openings.
- Prepare and maintain reports of bid openings for all contracts subject to prior review by the World Bank.
- Seek at least three quotations in cases of shopping.
- File and maintain procurement documents in accordance with PIM guidelines.
- Ensure that all SPN and information on bid opening are placed on the project website.
- Maintain a project price data-base of commonly procured items (including office supplies) from previous competitively tendered contracts.

- Explicitly state in all SPNs for all procurements valued at or more than US$l00,000 the requirement for all firms to submit as part of their proposal their full particulars including:
    - The postal and email address, telephone and fax numbers, URL of the registered office, and address of the principal place of business if different from the registered office.
    - The names, addresses and telephone and fax numbers of all principal officers of the firm.
- Require all individual consultants to disclose a signed statement of any relationship up to the third degree with any grade/level Head of Department official from the agencies involved in project implementation, as the case may be.
- Be responsible for conducting adequate checks and due diligence on any information and/or signed statements provided by firms and individual consultants.

Strengthened Financial Management and Payment Validation

33. The PS shall:

- Require written confirmation by relevant beneficiaries of progress against agreed deliverables in project contracts before payments to contractors are released.
- Require verification of satisfactory completion of any workshops and training activities prior to reimbursement of any expenses incurred by the participants or the project.
- Require signature of at least 2 authorized individuals outlined in the PIM for any withdrawals of funds from the project designated account.
- Require minimal document requirements for payment authorization, to be retained at the PS and attached to the relevant payment voucher for audit purposes, even if not required to be submitted to the treasury payment field office:
    - Formal invoices on company letterheads, with complete contract addresses and tax registration number.
    - For individual consultants, copies of ID cards to be appended to invoices.
    - For claims for reimbursable expenses as specified in the contract, original third party invoices & receipts (including travel tickets, hotel bills, contracts for rental of office equipment, receipts for operating expenses).
    - For goods, warranty cards, evidence of delivery (packing list or transportation documents and acceptance, and certificate of origin if imported).
    - For training, workshops and seminars, signed list of attendees and photographs from events.

34. The designated units in participating ministries and provincial and city authorities shall submit standardized quarterly progress reports to the PS (according to the format to be included in the PIM) including information concerning contracts, contractors, implementation progress, project-related workshops and other activities, financial operations, and basic data related to the number, typology and status of complaints.

Complaints Handling Mechanisms

35. The PS shall periodically review the results of complaints handling mechanism for the project, particularly provisions for follow-up investigations of serious and unresolved complaints by the internal auditors, and/or third party audit to ensure independency and reliability of the system. The procedures for complaints handling are set out in the PIM and will be reviewed on a semi-annual basis.

Sanctions and Remedies

36. The PS requires the concerned ministry/institution to take action, including prosecution, against staff involved in corruption, collusion, nepotism.

37. The PS shall apply a '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 possible prosecution.

38. The PSC may, with the written agreement of the World Bank, drop/discontinue an entire sub-component if the PS fails to properly deal with issues of corruption, collusion, nepotism, fraud and/or persistent procurement irregularities.

Annex 7: City Monographs

DEMOCRATIC REPUBLIC OF CONGO: URBAN DEVELOPMENT PROJECT

1. This additional annex provides a brief overview of the essential characteristics of each city. Data is taken from the urban, financial and organizational audits of each city carried out as part of project preparation.

Bukavu

Population	277,102	Budget 2011 – US$ (including communes)	1,519,197 (2,404,774)
Number of communes	3	Budget execution 2011 – US$ (including communes)	557,099 (1,028,052)
Number of neighborhoods	13	Budget execution – percentage (including communes)	36.7% (42.8%)
Number of municipal staff (including communes)	56 (197)	Income per capita – US$ (including communes)	0.73 (1.35)

Overview

2. The city's origins date back to 1900, when the Belgians installed a military camp to constrain the advance of the Germans from Rwanda. The development of the city proper started in 1940. Development over the past two decades has been anarchic due to the influx of displaced persons. The city plays an important economic role as center of trade with Rwanda and Burundi, although economic activity is dominated by the informal sector. The city, in the South Kivu province, borders on Lake Kivu and is quite hilly, which poses particular problems to urban development, with slopes of over 20 percent in places.

3. The city is divided into three residential areas: (a) the old colonial city close to the lake, with large villas; (b) residential neighborhoods constructed between 1935 and 1960 on the elevations of the Bagira and Kadutu communes, principal residential areas for staff of the administration; and (c) unplanned neighborhoods, which constitute more than half of the city, developed on the periphery of the city and on steep hillsides.

Infrastructure and services

4. The city's main infrastructure is composed of:

- 135 kilometers of urban roads, of which 3 kilometers in concrete, 63 kilometers asphalted (22 kilometers being rehabilitated), the rest in earth.
- 1 central market and 8 neighborhood markets.
- 6 industrial production facilities (breweries, plastics, and quinine extraction).
- 2 naval yards.
- 5 banks.

- 20 institutions of higher learning.
- 37 state primary schools and 211 other primary schools (private and religious).
- 28 state secondary schools, 123 others.

Principal urban development issues

5. Urban planning has been non-existent for several decades, leading to problems especially related to :

- Traffic and parking.
- Stabilization of built-up slopes.
- Sanitation and solid waste management.
- Access to water.
- Disorganized commercial activities.
- Management of trans-border activities.

Kalemie

Population	212,260
Number of communes	3
Number of neighborhoods	15
Number of municipal staff (*)	225

(*) Number covers Tanganyika Territory, since the city was only recently officially erected. Budget numbers not available for the city, since previously included in the budget for the Territory.

Overview

6. The city of Kalemie, administrative center of the Tanganyika Territory (Katanga Province) has only recently been accorded the status of city (2012), and municipal and communal institutions are not yet fully in place. Due to the unrest in Eastern DRC, the population exploded from 41,000 in 1981 to 212,000 presently.

7. Kalemie is primarily a port city and terminus for the rail road through Lubumbashi. It is linked to the RN5 road, which is currently being rehabilitated. A flotilla of about 15 large boats use the port and assure exchange industrial products between the ports of Kigoma (Tanzania), Mpulungu (Zambia), Uvira and Moba (DRC). Connections to Rumenge (in Burundi) are assured by smaller vessels.

8. The city is composed of three main areas: (a) the “low” colonial city along the lake, the administrative center and wealthy neighborhood; (b) the “cité” on the slopes bordering the lake, marked by disorganized development; and (c) a more recent extensions towards the airport, with anarchic development and overconsumption of land. The slopes of the hills are built-up, and large rainfalls are often accompanied by mudslides.

Infrastructure and services

9. The city's main infrastructure is composed of:

- 1 recently asphalted road, linking the city center to the airport. The rest is in earth or crumbling asphalt.
- No central market or neighborhood markets, however anarchic commercial activities along the roads and on vacant land.
- 2 naval yards.
- No banks.
- 1 university and 3 other institutions of higher learning.
- 1 main hospital and 3 smaller hospitals.
- 25 health centers (of which 9 rehabilitated)
- Water network being rehabilitated and extended.
- Connected to the Bandera power station, but frequent power cuts (1 of 3 turbines operational).

Principal urban development issues

10. The principal urban development issues are as follows:

- Operationalizing the municipal institutions.
- Anarchic installation of commercial activities
- Unplanned development of the city.
- Sanitation and solid waste management (cholera is a problem).

Kikwit

Population	163,993	Budget 2011 – US$ (including communes)	301,575,281 (1,541,353,249)
Number of communes	4	Budget execution 2011 – US$ (including communes)	62,174,706 (121,772,444)
Number of neighborhoods	17	Budget execution – percentage (including communes)	20.6% (7.9%)
Number of municipal staff (including communes)	48 (253)	Income per capita – US$ (including communes)	0.38 (0.74)

Overview

11. Kikwit was conferred the status of city in 1970. It is a regional hub and a transit city, situated at the junction of several transport corridors (RN1 going from Kinshasa to the East), regional roads to Kahemba, Tembo and the border with Angola, and the Kwilu River. It is also

relatively close to Kinshasa (525 kilometers) and is the most populous city of the Bandundu Province. Numerous international organizations are represented. The tertiary sector dominates the city (85 percent) and construction materials are readily available for earth bricks.

Infrastructure and services

12. The city's main infrastructure is composed of:

- 2 main roads and 1 secondary road are asphalted. 212 roads total, most of which are highly degraded; 20 percent are no longer suitable for motorized traffic.
- 5 main drainage canals. Recently constructed retention basins are under-dimensioned and serve as informal waste depots.
- No transport terminal or bus station – parking along the main road.
- 1 central market.
- 5 neighborhood markets, a commercial center, and about 20 large stores.
- REGIDESO (the national water utility company) has facilities to treat surface water and six wells, but they are not in operation due to overage of the network and problems to assure electric power for the pumps.
- In 2006 the city had 155 stand posts; most neighborhoods are served.
- Sporadic access to electricity when fuel is available to operate the SNEL (the national electricity utility company) thermal central. Less than 1 percent of the population is connected to the electricity grid (in Plateau and Basse Ville only).
- 150 state primary schools.
- 89 state secondary schools.
- 48 private schools.
- About a third of schools need rehabilitation and 24 are properly fenced off.
- 2 hospitals.
- 42 health centers (most of which are run by the state and are run down).

Principal urban development issues

13. Urban planning has been non-existent for several decades, leading to problems especially related to:

- Kikwit is suffering particularly from environmental problems such as erosion, waste water, household waste, and water-borne deceases.
- Erosion is threatening many constructions and the water network.
- Lack of access to water and electricity also remain low. SNEL had not delivered electricity for the 8 months prior to completion of project preparatory studies.
- Isolated neighborhoods due to the deteriorated road network.

Kindu

Population	366,000	Budget 2011 – US$ (including communes)	2,816,145 (4,094,730)
Number of communes	3	Budget execution 2011 – US$ (including communes)	192,567 (295,305)
Number of neighborhoods	9	Budget execution – percentage (including communes)	6.8% (7.2%)
Number of municipal staff (including communes)	49 (151)	Income per capita – US$ (including communes)	0.53 (0.81)

Overview

14. Kindu (Maniema Province) owes its emergence to the location between the railroad from Lubumbashi and the Congo River, with access to the cities in the East. It obtained status as a city in 1988, and is composed of the three communes Alunguli, on the right bank of the Congo River, and Mikelenge and Kasuku on the left bank.

15. The city has a rich agricultural hinterland, but had been highly affected by the conflicts in the East of the country. Only in the last years have efforts picked up to modernize the city with the construction of a university, rehabilitation of the airport, upgrading of the central market, and (ongoing) asphalting of 12 kilometers of urban roads. Mining could pick up in the vicinity of the city.

Infrastructure and services

16. The city's main infrastructure is composed of:

- 125 kilometers of urban roads, of which 6.7 kilometers are asphalted, 12 kilometers being rehabilitated and asphalted, and the rest in earth.
- 1 central market and 6 neighborhood markets.
- 1 naval yard.
- 2 banks.
- 1 university and 5 other institutions of higher learning.
- 85 state, private, and religious primary schools.
- 57 secondary schools.
- 34 health centers and hospitals.
- 1,200 water points (faucets, stand posts, wells), but none in the Alunguli commune.
- Electric power plant constructed in 1952 (5.9 MW) and 6 power generators totaling 1,500 KW).
- No industrial production.
- 1,200 artisans and other small-scale production.

Principal urban development issues

17. The recent emergence of the city as a growth pole leads to particular issues for urban development:

- The city suffers from low access rates to water. Recent efforts by donors to increase access are not completed due to lack of funds, and sporadic electricity supply leads to difficulties to run the water pumps.
- Uncontrolled extension of the city leads to over-consumption of land and no provisions for urban services (especially roads, drainage, water, and electricity) and local markets.
- Inexistence of secondary roads or even main roads in some neighborhoods.
- Low access rates to water.
- Isolation of the Alunguli commune on the right bank of the Congo River and low access to urban services.

Matadi

Population	204,016	Budget 2011 – US$ (including communes)	3,084,359 (7,520,539)
Number of communes	3	Budget execution 2011 – US$ (including communes)	885,786(947,959)
Number of neighborhoods	17	Budget execution – percentage (including communes)	28.7% (12.6%)
Number of municipal staff (including communes)	45 (163)	Income per capita – US$ (including communes)	3.24 (3.47)

Overview

18. Matadi was founded in 1886. It is the administrative center of the Bas-Congo Province, situated on a hilly and rocky site on the Congo River. The principal activities of the city are related to the port, through which passes a large part of the exterior exchanges of the DRC. Matadi is linked to Kinshasa by rail, for export of agricultural and mining products and import of goods. The port is further linked to Kinshasa by an oil pipeline.

Infrastructure and services

19. The city's main infrastructure is composed of:

- An inadequate road network, with many neighborhoods isolated during the rainy season (20 kilometers of roads become impassable). Small bridges play an important role for access.
- 1 central market and several neighborhood markets. They are for the most part run-down.
- The water network only convers part of the city (principally the old city center). There are 100 public stand posts, of which only 45 are operating.

- Extended power cuts due to run down distribution network and shortage of production capacity.
- Drainage mainly by natural means. Uncontrolled construction has contributed to serious erosion.
- There is no sewerage network and waste water is disposed of in pits and drains. Some traditional and public latrines exist.
- Solid waste management is not organized and there is no landfill. Several informal dumpsites exist throughout the city.
- 177 primary schools (91 public and 86 private).
- 94 secondary schools (54 public and 40 private).
- Most schools are in need of rehabilitation and new equipment.
- At least 18 health centers and 118 other health services.

Principal urban development issues

20. The main issues raised for Matadi are related to the unplanned expansion of the city and concern:

- Absence of planning documents and reliable statistics.
- Run-down administrative buildings (city and commune) and lack of offices for local (neighborhood) leaders.
- Dilapidated road infrastructure in the city center and absence of roads in the periphery.
- Low capacity of the drainage network, which further only serves the city center.
- Lack of solid waste management system.
- Low access rates to water.
- Absence of proper sanitation and too few public latrines.
- Insufficient electrical power supply and poor public lighting.
- Run-down nature of schools, health centers, and sports facilities.

Mbandaka

Population	660,056	Budget 2011 – US$ (*)	4,610,244,355
Number of communes	2	Budget execution 2011 – US$ (*)	65,284,171
Number of neighborhoods	20	Budget execution – percentage (*)	1.4%
Number of municipal staff (including communes)	76 (304)	Income per capita – US$ (*)	0.10

(*) Numbers were not available for the communes of Mbandaka.

Overview

21. Mbandaka is the administrative center of the Equateur Province; it became a city in 1958. The city is located in the navigable basin formed by the Congo and Ruki Rivers. The principal activities are traditional agriculture, cattle farming and fishery (still traditional, in spite of strong industrial potential). The city is principally connected to the rest of the country via the river.

Infrastructure and services

22. The city's main infrastructure is composed of:

- The only newly upgraded road is the RN6 (1.5 kilometers upgraded of 6 kilometers foreseen). Most of the road network is in advanced stage of degradation, but roads are in general quite wide.
- 3 large markets and smaller markets in almost all neighborhoods.
- 1 bus station.
- 1 bank and 1 savings bank.
- Water supply operated by REGIDESO is irregular and does cover the whole city.
- Parts of the city are supplied through stand posts (15), non-improved water sources and open wells.
- Electricity supplied through thermal central, but only 10 percent of the city is covered by the network.
- Public lighting on 4 kilometers of roads, half of which is not operational.
- School system divided between public, private, catholic, protestant, Kimbangist, and Islamic providers.
- 1 university and 3 other institutions of higher learning.
- 3 hospitals, several health centers and one rehabilitated but not equipped medical lab.

Principal urban development issues

23. The city administrative area expands over 1,775 square kilometers, with 7 rural neighborhoods and 13 urban neighborhoods, making it difficult to reach the entire population with services. Particular problems include:

- Urban planning documents date back to 1957.
- Sporadic supply of electricity and network only covering 10 percent of the city.
- Water production capacity low; the population largely relies on dug or open wells.
- Risk of pollution of water sources from latrines.
- Some neighborhoods are subjected to flooding.
- Many schools in advanced state of degradation and under-equipped.
- The same goes for health centers.

DEMOCRATIC REPUBLIC OF CONGO
SELECTED CITIES AND TOWNS
PROVINCE CAPITALS*
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES**
INTERNATIONAL BOUNDARIES
* The creation of 26 new Provinces was approved by the ratification of the 2005 Constitution, to take effect by February, 2009. The existing 11 Province Capitals, shown with green circles, will retain their status, with the exception of Bandundu. Future Province Capitals are shown with white circles.
** The existing 11 Province boundaries and names are shown in dark green; future in light green.
JULY 2011
This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.
0 100 200 300 400 Kilometers
0 100 200 Miles
IBRD 33391R2
DEM. REP. OF CONGO
10°E
15°E
25°E
30°E
5°N
0°
5°S
10°S
CENTRAL AFRICAN REPUBLIC
SOUTH SUDAN
UGANDA
RWANDA
BURUNDI
TANZANIA
ZAMBIA
MALAWI
ANGOLA
CABINDA (ANGOLA)
CONGO
GABON
ATLANTIC OCEAN
Lake Albert
Lake Edward
Lake Kivu
Lake Victoria
Lake Tanganyika
Lake Mweru
Lake Malawi
Margherita Peak (5,110 m)
Mitumba Mts.
KINSHASA
KINSHASA CITY
BAS-CONGO
KONGO CENTRAL
BANDUNDU
KWILU
KWANGO
MAI-NDOMBE
EQUATEUR
NORD-UBANGI
SUD-UBANGI
MONGALA
TSHUAPA
ORIENTALE
BAS-UELE
HAUT-UELE
ITURI
TSHOPO
NORD KIVU
NORD-KIVU
SUD KIVU
SUD-KIVU
MANIEMA
KASAI ORIENTAL
KASAI OCCIDENTAL
KASAI
LULUA
LOMAMI
SANKURU
KATANGA
TANGANYIKA
HAUT-LOMAMI
LUALABA
HAUT-KATANGA
Kinshasa
Matadi
Boma
Mbanza-Ngungu
Bandundu
Kenge
Kikwit
Mbandaka
Gbadolite
Gemena
Lisala
Bumba
Kisangani
Buta
Isiro
Bunia
Goma
Bukavu
Kindu
Kananga
Mbuji-Mayi
Lodja
Kalemie
Kamina
Kolwezi
Lubumbashi