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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A

PROPOSED GRANT

IN THE AMOUNT OF SDR 186 MILLION
(US$250 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR A

DRC FOUNDATIONAL ECONOMIC GOVERNANCE REFORMS
DEVELOPMENT POLICY FINANCING

May 24, 2022

Macroeconomics, Trade and Investment Global Practice
Eastern and Southern Africa Region

Democratic Republic of the Congo

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

April 30, 2022

US$1.00 = CDF 2,005

US$1.00 = DTS 0.74388157

ABBREVIATIONS AND ACRONYMS

AFD	*Agence Française de Développement* (French Development Agency)
AFOLU	Agriculture, Forestry and Other Land Use
AGREE	Access Governance and Reform for the Electricity and Water Sectors Project
ASYCUDA	Automated Systems for Customs Data
BCC	*Banque Central du Congo* (Central Bank)
CAFI	Central African Forest Initiative
CCDR	Country Climate and Development Report
COPIREP	*Comité de Pilotage de la Réforme des Entreprises Publiques* (Steering Committee for Public Enterprise Reform)
COREF	*Comité d'Orientation de la Réforme des Finances Publiques* (Orientation Committee for Public Finance Reform)
COVID-19	Coronavirus Disease 2019
CPSD	Country Private Sector Diagnostic
CPF	Country Partnership Framework
CSP	*Conseil Supérieur du Portefeuille* (SOE monitoring unit within the Ministry of Portfolio)
CTR	*Comité Technique du Suivi et d'Evaluation des Réformes* (Technical Committee for Monitoring and Evaluation of Reforms)
DGDA	*Direction Générale des Douanes et Accises* (customs and excise authority)
DGDP	*Direction Générale de la Dette Publique* (Debt Management Unit)
DGI	*Direction Générale des Impôts* (tax authority)
DGRAD	*Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations* (non-tax renvenues authority)
DGTCP	*Direction Générale de la Trésorerie et de la Comptabilité Publique* (Treasury and Public Accounting General Directorate)
DIAF	Directorate of Inventories and Forest Management
DPF	Development Policy Financing
DPO	Development Policy Operation
DRC	Democratic Republic of Congo
DRM	Domestic Revenue Mobilization
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ENCORE	Enhancing Collection of Revenue and Expenditure Management Project
ERPA	Emissions Reductions Payment Agreement
ESIA	Environment and Social Impact Assessment

EU	European Union
FAO	Food and Agriculture Organization
FOMIN	*Fonds Minier pour les Générations Futures* (Mining Fund for Future Generations)
FONER	*Fonds National d'Entretien Routier* (National Road Fund)
ForSTRIP	Forest and Savanna Restoration Investment Program
GDP	Gross Domestic Product
GECAMINES	*Générale des Carrières et des Mines* (main DRC copper SOE)
GHG	Green House Gas
GIB	*Groupes Inter-Bailleurs* (development partners technical coordination mechanisms)
GIBADER	*Groupe Inter-Bailleur Agriculture et Développement Rural* (donor group on agriculture and rural development)
GIBEC	*Groupe Inter-Bailleur Environnement et Climat* (donor group on environment and climate)
GRID	Green, Resilient and Inclusive Development
ha	Hectare
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFC	International Finance Corporation
IGF	*Inspection Générale des Finances* (General Inspectorate of Finance)
IMF	International Monetary Fund
Isys-Régies	Management Information System for the digitalization of revenue payments
LIC	Low-Income Country
LOFIP	*Loi relative aux Finances Publiques* (Public Financial Management Law)
LOGIRAD	*Logiciel de Gestion Intégrée des Recettes Administratives et Domaniales* (digital Management Information System for DGRAD)
LOI	Letter of Intent
MEDD	Ministry of Environment and Sustainable Development
Mettelsat	*Agence Nationale de Météorologie et de Télédétection par Satellite* (National Meteorological Agency)
MIBA	*Société Minière de Bakwanga* (diamond SOE)
MOF	Ministry of Finance
NACA	National Advisory Council on Agriculture
NDC	Nationally Determined Contributions
NFCS	National Framework for Climate Services
NFMS	National Forest Monitoring System
NSAP	National Sustainable Agricultural Policy
PACT	Transport and Connectivity Support Project
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PNSD	*Plan National Stratégique de Développement* (National Strategic Development Plan)
PPA	Performance and Policy Action
PPAR	Project Performance Assessment Report
PPG	Public and Publicly Guaranteed
PRA	Prevention and Resilience Allocation
RCF	Rapid Credit Facility
REDD+	Reducing Emissions from Deforestation and Forest Degradation Program
REGIDESO	*Régie de Distribution d'Eau* (water utility)
RRA	Risk and Resilience Assessment
RVA	*Régie des Voies Aériennes* (airport SOE)
SCPT	*Société Congolaise des Postes et Télécommunications* (telecom SOE)
SCTP	*Société Congolaise des Transports et des Ports* (port SOE)
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SESA	Strategic Environment and Social Assessment
SICOMINES	*Sino-Congolaise des Mines* (China-DRC mining company)

SMP	Staff-Monitored Program
SNEL	*Société Nationale d'Electricité* (power utility)
SOE	State-Owned Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
USF	Universal Service Fund
VAT	Value-Added Tax
WBG	World Bank Group
WMO	World Meteorological Organization

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DEMOCRATIC REPUBLIC OF THE CONGO

DRC FOUNDATIONAL ECONOMIC GOVERNANCE REFORMS DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P177460	Yes	1st in a series of 2

Proposed Development Objective(s)

Supporting the Government's program of reforms to address DRC's key governance challenges in public finances, market opening and forestry, in order to accelerate inclusive and climate resilient development.

Organizations

Borrower: MINISTRY OF FINANCE

Implementing Agency: Ministry of Finance

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Financing	**250.00**

DETAILS

International Development Association (IDA)	250.00
IDA Grant	250.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Results

Indicator Name	Baseline	Target
Establishing core treasury and accounting function	Percentage of central non-wage expenditures of the Ministries of Primary Education and Health are directly executed (budget commitment authority) by the Ministries: 0% (Execution of expenditure concentrated at the Ministry of Finance level) (end 2020)	Percentage of central non-wage expenditures of the Ministries of Primary Education and Health are directly executed (budget commitment authority) by the Ministries: 50% (end 2023)
Digitalization of DGRAD (non-tax revenues authority) operations	Percentage of non-tax revenues collected digitally in Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 0% (end 2020)	Percentage of non-tax revenues collected digitally in Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 50% (end 2023)
Effective benefit-sharing mechanism in the extractive sector	The DRC EITI National Committee is not able to fully track and account for (i) the shares of mining royalties distributed to provinces, ETDs, FOMIN and for (ii) the share of turnover allocated to community development projects (end 2020)	The DRC EITI National Committee is able to track and account for (i) payments made (and their allocation) to the provinces, ETD and FOMIN according to their share of the mining royalty (province: 25 percent; ETD: 15 percent; and FOMIN: 10 percent), as well as (ii) payments made (and their allocation) regarding the 0.3 percent of the mining companies' turnover allocated to community development projects. (end 2023)
Liberalization of telecoms sector	Outdated legal framework with state exclusivity over long distance fiber optic cables (end 2020)	US$200 million new private investments in long distance fiber optic cables since 2021 (end 2023)
Public disclosure of audited financial statements and annual reports for SOEs	Audited financial statements and annual reports of strategic SOEs are not publicly disclosed (end 2020)	Audited financial statements and annual reports of six strategic SOEs (SNEL, REGIDESO, SCTP, RVA, SNCC, GECAMINES) are publicly disclosed for 2021 and 2022 (end 2023)
Compliance of forest concessions with applicable law	IGF questioned the legality of 18 forest concession contracts (end 2020)	The legality of all concession contracts is ascertained; all non-compliant contracts are cancelled; and all valid contracts are published (end 2023)
Annual forest cover losses	DRC’s annual forest cover losses reported through the National Forest Monitoring System stand at 667,867 hectares (ha) per year (average 2014-2018)	DRC’s annual forest cover losses reported through the National Forest Monitoring System are below 667,867 hectares (ha) per year (end 2023)
Governance mechanism for climate services to inform national strategies	No governance mechanism (end 2020)	Effective governance mechanism for climate services established to inform national resilience strategies (end 2023)

IDA PROGRAM DOCUMENT FOR A PROPOSED GRANT
TO THE DEMOCRATIC REPUBLIC OF CONGO

1. INTRODUCTION AND COUNTRY CONTEXT

1. **This proposed Development Policy Financing (DPF) aims to support the Government of the Democratic Republic of Congo (DRC) to spur sustainable and inclusive growth** by: (i) strengthening the management of expenditures and mining royalties; (ii) liberalizing telecoms and strengthening the transparency and governance of State-Owned Enterprises (SOEs); and (iii) strengthening governance for sustainable forestry. It is the first in a programmatic series of two Development Policy Operations (DPOs). This operation, in the amount of SDR 186 million (US$250 million equivalent) of International Development Association (IDA) funds, is aligned with the World Bank Group (WBG) FY22-26 Country Partnership Framework (CPF) for DRC and to the government's National Strategic Development Plan (*Plan National Stratégique de Développement*, PNSD) for 2019-2023. It also supports WBG corporate priorities, including promoting digitalization and addressing climate change. As such, it is closely aligned with the World Bank's strategic framework for "Green, Resilient and Inclusive Development" (GRID)[1] and the WBG 2021-2025 Climate Change Action Plan.[2]

2. **DRC's fiscal position and inflation are adversely impacted by the war in Ukraine even as its external position improves through higher prices for mineral exports.** DRC is a net importer of petroleum and petroleum products and therefore will see its import bill increase due to higher oil prices. However, the prices of metals and minerals DRC exports, especially that of cobalt, a key component in rechargeable batteries essential for electric vehicles, have also increased. Overall, DRC faces a positive terms-of-trade shock, and the current account balance is expected to slightly improve. However, in the current environment, and in the absence of an adequate social transfer program, the government is likely to only partially pass-through international prices to limit the impact on vulnerable populations. As a result, higher international fuel prices have given rise to domestic subsidies and could reduce the fiscal space for higher priority spending. Despite the fuel subsidy, rising imported food and fuel prices are likely to exert pressure on inflation, exacerbating the vulnerability of the urban poor. In the current environment, the government is likely to maintain fuel prices low to limit the impact on the poorest and avoid social upheaval. To cushion such impacts, the authorities are exploring, with the World Bank and the International Monetary Fund (IMF), the possibility of targeted social transfers.

3. **DRC's complex political context has hampered implementation of reforms since 2010, when DRC reached the Completion Point for the Highly Indebted Poor Countries initiative, but there are strong indications that a different trajectory is now possible.** The relatively peaceful power transition after the December 2018 election was followed by a period of strained relations when the former president's party held the majority in Parliament. A new coalition, detached from the previous president,

[1] World Bank. 2021.Green, Resilient, and Inclusive Development. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/36322 License: CC BY 3.0 IGO.
[2] World Bank Group. 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/35799 License: CC BY 3.0 IGO.

was formed in late 2020 and a new government established in April 2021. This has opened the way for the authorities to move forward on critical reforms, as highlighted in Box 1, ahead of the Presidential elections scheduled for December 2023.

Box 1. Nascent opening for reform implementation and a renewed social contract

There are indications that the social contract in DRC is changing. The government formed in the Spring of 2021 is committed to reforms and to addressing ongoing challenges to development. This is manifested in the adoption, in October 2021, of the country's first national conflict prevention and stabilization strategy and a new community-based reintegration and stabilization program in the eastern part of the country. This strategy (based around underlying factors of fragility – governance, justice, security and stabilization, and socioeconomic inclusion, and aligned with the drivers of fragility identified in the World Bank 2021 Risk and Resilience Assessment, RRA) serves as an anchor for the additional resources mobilized under the IDA19 Fragility, Conflict, and Violence Prevention and Resilience Allocation (PRA). There has also been progress in the implementation of the free primary education policy—the first high-level political commitment to reform and provision of basic services since the collection of school fees began 40 years ago. In addition, in July 2021, a program with the IMF was agreed upon, after the last program was interrupted in 2012 due to transparency concerns around large contracts in the mining sector. To further signal their commitment to strengthening governance in DRC, the authorities appointed a female technocrat as the new Governor of the Central Bank in July 2021. This has paved the way for competitive recruitment for leadership positions in the power and water utilities—key positions for improving the efficiency and effectiveness of agencies charged with the provision of critical services. Furthermore, the authorities have re-energized the Extractive Industry Transparency Initiative (EITI) process and disclosed 192 mining contracts (out of 201 contracts identified[3]) and made progress on long pending reforms including the promulgation of a new Telecom Law. In the fight against corruption, the General Inspectorate of Finance has been empowered to play an unprecedented role in addressing fraud and corruption, leading investigations into several high-level cases.

4. **The proposed DPO series aims to support the nascent opening for the implementation of key reforms to increase transparency and strengthen institutions**. The World Bank has not used DPF in DRC since 2005. To help put the country back on a more inclusive and sustainable path of development, the CPF highlights the importance to support critical governance reform across all WBG engagements and opens the door for the resumption of the DPF instrument to incentivize key reforms (see Box 2 below). The proposed operation focuses on foundational reforms to improve economic governance, with a strong focus on transparency and institutional strengthening, and with specific attention to forests – aiming for incremental progress across the DPO series to gradually deepen and broaden reforms. The operation also aims to contribute to addressing governance drivers of fragility identified in the 2021 RRA[4]: Driver 1 – a governance system under the control of a small group of political elites undermines the potential for a social contract between the state and its citizens and Driver 2 – a non-diversified economy tied to mineral

[3] Until December 2019, 20 contracts had been disclosed (IMF Country Report No. 21/168, p. 10). The mining contracts can be accessed at the following link: *https://www.itierdc.net/carte-de-la-rdc-cliquable/contrats-miniers/* (which includes a link to a monitoring table for contract disclosure, as of December 2021). According to the EITI DRC National Committee, 5 contracts are too large to be scanned and disclosed, 6 contracts were signed before disclosure became compulsory (in 2011) and, as of April 2022, 192 contracts are disclosed (up from 184 as of December 2021).
[4] The 2021 RRA identifies six drivers of fragility across three themes: governance, people and conflict.

wealth and with renegotiated political settlements for natural resource capture.

Box 2: New principles for WBG engagement under the DRC CPF for FY22-26

The CPF has three focus areas: (i) strengthen stabilization efforts for reduced risk of conflict and violence; (ii) strengthen systems for improved service quality and human capital development; and (iii) strengthen economic governance for increased private sector investment – with three cross-cutting themes. In view of DRC's vast natural resource base, climate and environment represent the first cross-cutting theme. The second cross-cutting theme is gender; aiming to reduce persistent gaps and inequities linked to gender in DRC. Governance, the third cross-cutting theme, will be mainstreamed across all WBG engagements in DRC. Support will aim to strengthen systems and institutions; sector governance, including the functioning of key SOEs; and transparency and demand-side governance.

Starting in FY18 and continuing under the new CPF, the World Bank is rebalancing investments towards human development sectors, particularly education and social protection – targeting poor, vulnerable, and conflict-affected populations. The World Bank will also refocus infrastructure investments towards promoting private investments in water and energy infrastructure to quickly increase people's access and towards improving road connectivity in geographic areas that are most affected by conflict and violence.

Finally, the World Bank is deepening its involvement in addressing entrenched structural and institutional issues which have been constraining growth and poverty reduction. Across sectors, reforms will be promoted through investment operations with results-based financing modalities and potentially through DPF, complemented by continuous high-level policy dialogue.

5. **This DPO series also supports the revitalization of the Government's platform to drive policy reforms and mobilize development partners around its reform agenda (through the Technical Committee on Reforms, under the Ministry of Finance).** This platform will allow to monitor reform implementation and ensure policy reforms supported by the DPO series are effectively implemented and lead to the expected improvements in expenditure management, domestic revenue mobilization, mining benefit sharing, telecom enabling environment, SOE corporate governance and forestry and climate governance. Successful implementation of this DPO series could pave the way for further DPF following the elections.

6. **DRC, the largest country by surface area in Sub-Saharan Africa and with a population estimated at 92.4 million[5], is a deeply fragile country.** DRC has a long history of conflict, political upheaval and instability, and authoritarian rule, which have impacted economic growth, led to weak institutions and deep-rooted governance challenges, and hampered the delivery of services to the Congolese people. Almost twenty years after the official end to the Congo Wars, DRC suffers from a grave humanitarian crisis and human development indicators are among the lowest in the world. With abundant and diverse natural resources, to include significant mineral resources, a strategic location at the center of Africa, bordering nine countries, and a large and young population, DRC has considerable economic potential. Nevertheless, it has been unable to convert its ample potential into sustainable economic growth and shared prosperity. A common thread through time is the quest of certain vested parties to exploit and benefit from DRC's immense natural resources, and the legacy of colonization, bad governance, mismanagement of natural

[5] World Bank (April 2022): Macro Poverty Outlook (estimate, the latest census took place in 1984).

resources, and protracted conflict and violence have all contributed to limited progress in building human capital and infrastructure and resulted in economic underperformance and high levels of poverty.

7. **Since 2005, the country's poverty rate has declined, but the number of poor has increased.** DRC currently has the third largest population of poor in the world. The two existing household budget surveys (2005 and 2012) revealed a decline in the extreme poverty rate (based on the international poverty line of US$1.90 for extreme poverty), from 94.3 percent in 2005 to 77.2 percent in 2012. However, with a population growth rate of three percent, the number of poor people increased by about 1.5 million every year. Moreover, there are significant spatial disparities both in terms of the incidence of poverty and the number of poor. Projections, based on GDP growth rates, suggest that the extreme poverty rate would have declined even less significantly during the past decade and that the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has led to an increase in the incidence of poverty—to 72.9 percent in 2020 (from an estimated 72.5 in 2019). Most recent projections indicate that poverty may have slightly decreased in 2021—to 72.1 percent.[6]

8. **Climate change poses a risk to DRC's sustainable development.** Due to a combination of political, geographic, and social factors, DRC ranks 178 out of 182 on the 2019 Notre Dame Global Gain Index[7], illustrating high vulnerability to climate change. Climate change – in the form of physical risks from more frequent and intense climate impacts – poses a systemic threat to agriculture and resource-based sectors, on which DRC's economy relies heavily. Infrastructure investments in the critical energy, transportation and water sectors are especially exposed. Climate-related shocks in DRC, including floods, droughts, and diseases such as malaria outbreaks, are expected to increase in frequency and intensity over time[8], with the poor more exposed and vulnerable. Climate change is also expected to exacerbate fragility, conflict, and violence by intensifying contestation over scarce resources, reducing economic opportunities and social cohesion, and straining public institutions and trust in the state.[9]

9. **DRC's development trajectory depends on sustainable forest management.** Within the Congo Basin Forest, the second largest tropical rainforest in the world, DRC's rainforest covers two thirds of the country's vast territory. It provides livelihoods for many of the 59 percent of the country's population who live in rural areas,[10] and stores the equivalent of 85 billion tons of carbon dioxide roughly equals three years of global energy-related Carbon Dioxide (CO^2) emissions.[11] Forests play an important role in reducing the vulnerability of communities and systems (crops, livestock, water systems, infrastructure) to climate change (see Box 3). As such, DRC's forests represent invaluable assets for containing the effects of climate change. Forests are also key to growing, transforming, and sustaining the national economy. Significant potential economic benefits lie in employment and royalties from biodiversity conservation, forest

[6] World Bank (April 2022): Macro Poverty Outlook.
[7] The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience - *https://gain.nd.edu/our-work/country-index/.*
[8] *https://climateknowledgeportal.worldbank.org/country/congo-democratic-republic/vulnerability*
[9] Van Bronkhorst, Bernice and Franck Bousquet. Tackling the intersecting challenges of climate change, fragility and conflict. January 27, 2021. World Bank. Available at*: https://blogs.worldbank.org/dev4peace/tackling-intersecting-challenges-climate-change-fragility-and-conflict.*
[10] World Bank (2016). Managing a valuable resource: Policy notes on increasing the sustainability of the DRC's Forests. Review of the Forest Sector of the DRC (P152956).
[11] Equivalent to almost three years of global energy-related CO_2 emissions. Source: Nasa earth news at *https://www.jpl.nasa.gov/news/nasa-survey-technique-estimates-congo-forests-carbon* based on Xu, L., Saatchi, S.S., Shapiro, A. et al. Spatial Distribution of Carbon Stored in Forests of the Democratic Republic of Congo. Sci Rep 7, 15030 (2017).

management and industries, as well as in the mobilization of climate finance. However, the reliance of DRC on shifting cultivation for food production, wood as a primary fuel source, and informal methods for mining and logging, leads to significant deforestation (almost 700,000 hectares lost annually over 2014-2018). Forest loss has a significant adverse impact on rainfall patterns, water quality, and food security—in DRC and the wider Congo Basin. It is accelerating climate change, both locally and globally, and presents a threat to biodiversity.

Box 3. The importance of forests in adapting to climate change

Forests can play an important role in enhancing DRC's resilience to climate change.[12] They provide a suite of valuable environmental services, including direct provisioning services (such as fuelwood collection, wild harvest food, and construction materials) as well as important regulating services (such as microclimate regulation, water purification, and erosion control). In DRC provinces where vegetation degradation is most extensive (Nord Kivu, Sud Kivu, and Kasai Oriental), 6.4 million people (38 percent of the population) live in areas where 40 percent or more of their accessible natural resources are in decline, significantly compromising the ability of people to obtain sufficient resources from these areas.[13] Deforestation and land degradation also increase exposure to climate change impact for communities and systems (such as crops, livestock, water systems, infrastructure). They reduce the ability of forests to retain rainfall, recharge aquifers, and release water slowly into streams. Reliance on seasonal water sources and groundwater recharge leave populations vulnerable to an increased variability in rainfall pattern and to the impacts of land clearing on the environmental service of water regulation. Furthermore, forests offer protection from natural disasters, preventing landslides and flooding and reducing temperatures during high temperatures. Therefore, forest landscape conservation, restoration, and management play a critical role in climate change adaptation strategies. Likewise, agroforestry systems can support diversification of production in changing and more variable climate; introduce low water demand species in shading systems to address higher temperatures and variable precipitation; and increase soil organic matter to address increased soil erosion and water runoff.[14]

10. **Forest related Green House Gas (GHG) emissions, which account for roughly 90 percent of DRC's total emissions**,[15] make it the twelfth GHG emitter globally, while the country is characterized by relatively low fossil fuel GHG emissions. DRC is estimated to have high potential for cost-effective land-based mitigation (i.e., available up to US$100/tCO^{2}eq) with roughly 400 million tCO^{2}eq per year, largely through the protection of forests and other ecosystems (95 percent), that could enable the country to achieve net negative emissions by mid-century.[16] However, the feasibility for DRC to realize such potentials is considered as low due to governance, economic investment, and socio-cultural conditions, with enhanced investments and country-specific plans needed to address them. Demand for carbon credits, which is

[12] Chandrasekharan Behr, Diji Aaron Russell, Bruno Locatelli, Emilia Pramova, Godfrey Jeff Alumai. 2015. How Forests Enhance Resilience to Climate Change: What We Know about Forests and Adaptation. Washington DC: Program on Forests (PROFOR).
[13] Adrian Vogl, A., Rutebuka, E. 2022, Ecosystem Services in Threatened Forests Edges of DRC. World Bank.
[14] Meybeck, A., Gitz, V., Wolf, J. and Wong, T. 2020. Addressing forestry and agroforestry in National Adaptation Plans – Supplementary guidelines. Bogor/Rome. FAO and FTA. https://doi.org/10.4060/cb1203en
[15] Source: *https://www.climatewatchdata.org/ghg-emissions?source=CAIT*
[16] Roe, S. et al. Land-based measures to mitigate climate change: Potential and feasibility by country. Global Change Biology (2021).

growing in response to net-zero commitments from governments and corporates,[17] constitutes one promising source of finance to tap DRC's potential for land-based mitigation and achieve large scale impact. In September 2018, the World Bank approved a US$55 million pilot carbon transaction for the Mai-Ndombe Province (Purchase/Sale of Emission Reductions (ER) to be generated under the Mai Ndombe ER Program, P160320) as an innovative way to leverage public and private financing and scale up investment in DRC's Forest.

11. **Against this backdrop, the proposed DPO series supports transparency and institutional strengthening as the foundations for green, resilient, and inclusive development in DRC**. The policy and institutional reforms supported by this DPO series frame a medium-term agenda that is expected to shift the dynamic towards strengthened governance with improved transparency and accountability. To achieve this goal, the operation is structured as a programmatic series of two single-tranche DPOs, across three pillars. Designed as a "re-engagement" DPO series, it will build on the opening for reform implementation through a first operation (DPO1), consolidating reform momentum through a second operation (DPO2), ahead of the planned December 2023 Presidential elections.

12. **The DPO series addresses binding constraints identified in the CPF that hamper stronger growth and poverty reduction in the country**. First, the DPO series aims to support the establishment of core public financial management (PFM) functions, as sound PFM is critical to the efficient and effective use of scarce public resources to deliver public services. Second, the DPO series supports the liberalization of the telecom sector, an essential enabling sector for inclusive growth, and improved governance of SOEs, as their poor performance in key sectors (telecom, transport, energy, water, mining) is constraining economic and social development. Third, the DPO series supports improved governance in the forestry sector – a vital sector for the DRC population and the world. The DPO series promotes transparency, as a requisite step towards increased accountability, across the three pillars. There is a wide consensus in the country on the criticality of these long-pending (and deeply analyzed) reforms, already identified as critical reforms at the time of the World Bank re-engagement in DRC in 2001. The current government has demonstrated its commitment to tackle these overdue reforms with a renewed sense of urgency – as illustrated, in particular, through the satisfactory implementation of the IMF Extended Credit Facility (ECF)[18] program and completion of the prior actions of this DPO series.

- **Pillar 1: Strengthening the management of public expenditure and mining royalties.** This pillar will support the establishment of core PFM functions. The national budget will serve as an effective tool for implementing the government's development priorities only if its execution is improved and if fiduciary risks are addressed. While strengthening expenditure management, the operation also supports improved domestic revenue mobilization (DRM) and strengthened management of mining royalties. Increasing revenues is a priority for meeting critical development needs, in an equitable manner, in the context of a sustainable fiscal framework.
- **Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance.** This pillar supports the opening up of the telecom sector. In addition, this pillar aims to strengthen the transparency and governance of SOEs that operate in key economic sectors (ports, airports, railway, energy, water and mining).

[17] The World Bank. 2021. "State and Trends of Carbon Pricing 2021" (May), World Bank, Washington, DC.
[18] The IMF approved in July 2021 a 3-year arrangement under the ECF for the DRC in an amount equivalent to SDR 1,066 million (100 percent of quota or about US$1.52 billion).

- **Pillar 3: Strengthening governance for sustainable forestry.** This pillar will strengthen the governance of the forestry sector, recognizing that continued weak governance and mismanagement impede the realization of benefits that the forest sector can bring nationally and globally. This pillar also aims to strengthen the availability and transparency of the information-base for DRC's climate resilient development, including forest and land use sectors.

13. **Considering DRC's deep institutional and political fragility, the risks associated with this DPO series are high**. However, the government has demonstrated strong commitment to reforms and an ability to deliver on its commitments, as shown by the successful implementation of the IMF ECF approved in July 2021; the promulgation of a new Telecom Law (long delayed by vested interest groups); and actions to improve the corporate governance of SOEs (change of management at GECAMINES [*Générale des Carrières et des Mines*], the copper SOE, and launch of competitive recruitment for the leadership of the water and energy SOEs and the road maintenance fund). Continued strong World Bank Group and IMF engagement is expected to sustain the reform momentum ahead of the scheduled 2023 Presidential elections.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

14. **DRC's economy grew in 2021 on strength in the mining sector and a recovery in the non-mining sectors.** After a slowdown to 1.7 percent in 2020, economic activity rebounded in 2021, with GDP growth estimated at 5.7 percent.[19] The mining sector was a key driver, contributing more than half (3.0 percentage points) of the overall expansion. Copper and cobalt production rose by 12.0 and 7.6 percent, respectively, as domestic production capacity increased with the launch in mid-2021 of the Kamoa-Kakula mining project. The easing of COVID-19 restrictions and higher revenues from the mining sector supported growth of non-mining sectors by 3.9 percent in 2021 compared to a 1.3 percent contraction in 2020.

15. **The external position improved, supported by higher commodity prices and production together with the IMF Special Drawing Rights (SDR) allocation.** The current account deficit narrowed to an estimated 1.0 percent of GDP in 2021, down from a 2.2. percent in 2020, due to improved terms of trade and higher mining export volumes. Mining exports grew by 58.0 percent by value, driving overall export growth to 58.9 percent. Imports expanded by 53.8 percent. Despite a small decline in foreign direct investment (FDI), the narrower current account and the IMF's SDR allocation boosted international reserves to 6.4 weeks of imports at end-2021 from 2.1 weeks in 2020. The buildup of reserves provided a larger buffer that eased pressure on the exchange rate. As a result, the depreciation of the Congolese franc (CDF) slowed to 7.5 percent in 2021, from 12.4 percent in 2020.

16. **Higher commodity prices also lifted domestic revenues, which coupled with increased grants, allowed fiscal consolidation to be achieved despite higher expenditures.** Fiscal accounts were balanced in 2021 compared to a budget deficit of 1.2 percent in 2020. Driven by higher social and infrastructure spending, public expenditure increased to 13.1 percent of GDP in 2021 from 10.1 percent in 2020.

[19] As more recently available information is assessed, the growth rate could be higher.

Domestic revenues rose from 8.7 percent of GDP in 2020 to 11.2 percent in 2021 and more than offset the increase in expenditures. Higher revenues were driven by strong performance in income and value-added tax collections as well as non-tax revenue (of which mining revenue accounts for 30 percent), estimated at 3.2 percent of GDP in 2021 from 2.5 percent in 2020.

17. **Inflation was contained and remained below the target set by the Central Bank of Congo (BCC).** Inflation decelerated from 15.8 percent in 2020 to 5.3 percent in 2021 (end of period, year-on-year), below the BCC target of 7.0 percent, as currency stability and Central Bank policy tightening in late 2020 kept prices stable. Food prices rose by 5.1 percent in 2021, below overall inflation. With inflation subdued, the Central Bank progressively cut its policy rate from 18.5 percent in August 2020 to 8.5 percent in mid-June 2021 and to 7.5 percent in early 2022. To contain money growth, the BCC used indirect instruments such as mandatory excess reserve ratios and auctions of its debt securities (called BCC bills). As a result, the growth in money supply slowed to 35.2 percent in 2021 from 45.9 percent in 2020 despite the policy rate cuts. The banking sector remains heavily dollarized, with a stable dollarization rate: 85.1 percent of deposits and over 90.0 percent of loans denominated in foreign currencies, mainly in US dollars.

18. **Despite robust growth and moderate inflation, poverty reduction has been elusive as the benefits from growth are yet to be more widely shared.** Preliminary estimates put poverty at 72.1 percent in 2021, a 0.8 percentage points decrease compared to 2020.

Table 1: Democratic Republic of Congo – Key Macroeconomic Indicators 2018-2024

	2018 Actual	2019 Actual	2020 Actual	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.
Annual percentage change, unless otherwise indicated							
National income and prices							
Real GDP	5.8	4.4	1.7	5.7	6.0	6.4	6.1
Extractive GDP	16.9	1.0	9.7	10.1	9.5	9.5	8.3
Non-Extractive GDP	1.9	5.8	-1.3	3.9	4.5	4.9	5.0
GDP deflator	29.8	4.0	8.9	21.8	11.3	6.7	8.1
Consumer Price Index (year-average)	29.3	4.7	11.2	9.1	9.5	7.0	6.0
% of GDP, unless otherwise indicated							
Fiscal Accounts							
Expenditure	11.1	12.9	10.1	13.1	16.2	14.9	14.5
Revenue and grants	11.1	10.8	9.0	13.1	13.7	13.3	13.5
Revenue	10.0	9.4	8.7	11.2	12.3	12.4	12.9
Grants	1.1	1.4	0.2	1.9	1.4	0.8	0.6
Overall fiscal balance (incl. grants)	0.0	-2.0	-1.2	0.0	-2.5	-1.6	-1.1
General Government Debt	19.9	19.5	22.4	21.7	21.2	19.8	16.0
Annual percentage change, unless otherwise indicated							
Selected Monetary Accounts							
Broad Money	30.1	28.9	45.9	35.2	…	…	…
Credit to the economy	20.3	6.7	12.2	6.0	…	…	…
Net credit to the Government	1.4	5.4	0.0	-10.1	…	…	…
% of GDP, unless otherwise indicated							
Balance of Payments							
Current Account Balance	-3.5	-3.4	-2.2	-1.0	0.1	-0.5	-0.8
Exports of goods and services	34.1	30.1	28.0	37.3	41.3	42.8	43.4
Imports of goods and services	37.7	33.5	29.3	37.8	40.5	44.0	45.7
Gross reserves (weeks of imports)	2.3	4.3	2.1	6.4	6.5	6.9	7.0
Memo							
GDP, nominal (millions of US$)	47,146.3	50,398.8	49,702.4	59,514.0	66,887.5	74,761.2	84,408.9
Total government (% of GDP, eop)	19.9	19.5	22.4	21.7	21.2	19.8	16.0
Population (in million)	84.1	86.8	89.6	92.4	95.2	98.2	101.1

Source: Congolese authorities; and IMF and World Bank staff estimates and projections, March 2022.

Table 2: Democratic Republic of Congo – Key Fiscal Indicators (percent of GDP), 2018-2024

	2018 Actual	2019 Actual	2020 Actual	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.
Total revenue and grants	11.1	10.8	9.0	13.1	13.7	13.3	13.5
Tax revenue	7.4	6.8	6.2	8.0	8.8	9.3	10.1
Taxes on goods and services	3.0	2.8	2.8	3.5	4.1	4.1	4.5
Taxes on profits and property	3.6	3.2	2.6	3.9	4.0	4.3	4.4
Taxes on international trade	0.8	0.8	0.8	0.7	0.8	0.9	1.2
Non-tax revenue	2.6	2.6	2.5	3.2	3.4	3.2	2.8
Grants	1.1	1.4	0.2	1.9	1.4	0.8	0.6
Expenditure	11.1	12.9	10.1	13.1	16.2	14.9	14.5
Current expenditure	7.9	10.3	9.9	9.4	11.3	10.8	9.9
Wages and salaries	3.5	4.3	5.3	4.8	5.1	5.0	5.0
Goods and services	2.1	2.0	1.6	2.2	2.1	2.1	2.1
Interest payments	0.4	0.3	0.2	0.2	0.3	0.3	0.3
Current transfers	1.8	3.8	2.7	2.4	3.6	3.3	2.7
Capital expenditure	1.7	2.2	0.3	3.5	4.9	3.9	4.7
Domestically financed	0.5	0.9	0.3	2.0	2.3	2.4	2.6
Foreign financed	1.1	1.2	0.1	1.5	2.6	1.5	2.1
Overall balance (commitment basis)	-0.2	-2.9	-1.7	0.5	-2.3	-1.4	-0.9
Change in domestic arrears (repayment = -)	*0.1*	*0.8*	*0.5*	*-0.5*	*-0.2*	*-0.2*	*-0.2*
Primary balance	0.3	-2.6	-1.5	0.7	-2.0	-1.1	-0.6
Overall balance (cash basis)	0.0	-2.0	-1.2	0.0	-2.5	-1.6	-1.1
Financing	0.0	2.0	1.2	0.0	2.5	1.6	1.1
External (net)	-0.4	0.1	0.5	3.0	2.7	1.9	1.3
Budget loans (disbursements)	0.0	0.0	0.8	0.5	0.5	1.0	0.4
Project loans (disbursements)	0.0	0.5	0.1	1.6	2.5	1.3	1.2
IMF SDR allocation	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Amortization of external debt	-0.4	-0.4	-0.4	-0.3	-0.4	-0.4	-0.3
Domestic (net)	0.4	1.9	0.7	-3.0	-0.1	-0.3	-0.3
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: IMF and World Bank estimates, March 2022.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

19. **The favorable terms-of-trade shock from higher commodity prices and increased mining production will continue to drive economic growth in 2022**. GDP growth is estimated to accelerate to 6 percent in 2022 and 6.4 percent by 2023. The mining sector is expected to expand further in 2022 and pick up pace as Kamoa-Kakula – aimed at becoming the second largest copper mine in the world – enters its second phase of production in late-2022. Increased resources from the mining sector, together with political stability, the lifting of remaining COVID-related restrictions, and improved regulation in the telecom sector to promote digital development will boost services sectors, which will also be main growth drivers. In 2023, the services sector is expected to grow by 6.5 percent (up from a 5.7 percent growth rate in 2021) while growth in the manufacturing sector could reach 2.8 percent (compared to no-growth in 2021). Overall, growth in the non-mining sectors is expected to reach approximately 5 percent by 2023.

20. **With higher prices of metals and increased production, the current account is projected to be close to balance in 2022 despite the impact of the war in Ukraine on fuel and food import prices.** DRC is a net importer of petroleum and petroleum products and therefore will see its import bill increase due to higher oil prices (by a range of 1 to 1.7 percent of GDP). However, the prices of metals and minerals DRC exports, especially that of cobalt, have also increased and overall DRC faces a positive terms-of-trade shock. Overall, the impact on external accounts is muted, and the current account is projected to post a small surplus of 0.1 percent of GDP.

21. **Inflation is expected to increase given higher prices of grains and fuel, exacerbating the vulnerability of the poor.** The economic consequences of the war in Ukraine, through rising global food and oil prices, could exert strong pressure on inflation, lifting the average inflation rate by 2 to 3.3 percentage points. With cereals and transport expenses accounting for 11 percent of the households' consumption basket, higher oil and wheat prices could raise the burden on households' expenses and reduce their purchasing power by up to 9 percentage points, thus, exacerbating vulnerability of the poorest. Nevertheless, pressures are likely to be partly mitigated by a strong external position that will support a stable to appreciating currency, as well as potential support from the Government through explicit or implicit subsidies. Monetary policy has space to tighten further, if necessary, although given the external nature of the shock, allowing some exchange rate appreciation may lead to sufficient tightening.

22. **Despite higher mining revenues, the fiscal deficit could widen to about 2.5 percent by 2022 as the government is likely to provide some cushion to higher oil and food prices.** The budget approved by the parliament was revised upward from the Government's proposal at about US$10.7 billion, a 52.2 percent increase compared to the previous budget of 2021. This expansive budget proposal relies on projections based on higher commodity prices, macroeconomic stability, and better control of the COVID-19 pandemic in the world. In 2022, the government plans to use US$511 million out of half of the IMF SDR allocation assigned to the budget (around US$750 million) to increase public investment to support the government's local development program in 145 territories. The deficit could widen in the short term given the economic impact of the war in Ukraine and the financing needs ahead of presidential elections in late 2023. However, efforts to improve domestic revenue mobilization and the government's prudent fiscal policy (which has tended to be run on a cash-available basis with little reliance on domestic or external market borrowing) underpin the projected fiscal consolidation in the medium-term. Fiscal

consolidation is also expected to be supported by the reimbursement of domestic arrears, the reversal of SDR spending as well as the decline in current transfer[20] expenditures which are expected to normalize. Overall, fiscal consolidation represents normalization in public spending post crisis and post elections period.

23. **Public debt, including debt of GECAMINES and *Sino-Congolaise des Mines* (SICOMINES), is low at 22.8 percent of GDP,** while external and domestic arrears are under reconciliation. Public and Publicly Guaranteed (PPG) external and domestic debt covers debt contracted and guaranteed by the central government, the Central Bank of Congo and some state-owned enterprises (SOEs), i.e. GECAMINES (the copper mining SOE) and SICOMINES (a joint venture between GECAMINES and Chinese investors). About half of public external debt is owed to official creditors. Domestic debt in 2021 relative to GDP remains unchanged, with the increase in nominal CDF terms mostly reflecting domestic arrears and the recording of bank loans under the now phased-out CREDOC ("*Crédit Documentaire*"), a scheme which used central bank's deposits as guarantees for central government loans. A profile of the debt holders is shown in Table 3.[21] SICOMINES owes about 40 percent of external debt for mining and infrastructure projects, to be repaid with dividends over 10 and 15 years, respectively.[22] External arrears partly date from pre-HIPC (Highly Indebted Poor Countries) Completion Point, with some GECAMINES arrears adding to the stock. External arrears amount to US$287 million.[23] Four non-Paris Club creditors hold claims against the DRC and are in negotiation or under reconciliation process.[24] The remaining external arrears are claims by commercial creditors. The overall domestic debt is composed of arrears and short-term T-bills mainly composed of reconciled arrears and VAT arrears to exporters. In addition, arrears to oil companies amount to 0.6 percent of GDP.

[20] Current transfers include fiscal transfer to provinces; transfer to revenue collecting agencies (tax and non-tax revenue collection agencies: DGI, DGRAD, DGDA); and economic and social interventions, as well as Value-added tax (VAT) reimbursement (VAT reimbursement will step up in 2022, as the government plans to resume the refund of outstanding VAT that had been suspended in 2020).

[21] The deferred debt service under the Debt Service Suspension Initiative (DSSI) is estimated at US$309.2 million between May and December 2020 and US$279.3 million between January and June 2021, respectively.

22 SICOMINES' infrastructure loans have a government guarantee which can only be called after 2050. Its debt is expected to be repaid by 2027 and is collateralized by SICOMINES' earnings. Source: Debt Sustainability Analysis, IMF Country Report 22/3, Democratic Republic of Congo, January 2022.

23 In accordance with the LIC DSF Guidance Note, the arrears do not trigger a determination of an in-debt-distress risk rating when they are *de minimus* cases where arrears are less than 1 percent of GDP.

[24] The authorities met representatives of Angola in November 2021 and submitted a settlement proposal, a meeting with Namibian representatives is expected in March, draft correspondence has been prepared for Rwanda, and the authorities intend to propose a meeting with Taiwan, China.

Table 3: Democratic Republic of the Congo: Public Debt by Creditor 2020-22[1]

	Debt Stock		
	2020		
	(in M US$)	*(Percent total debt)*	*(Percent GDP)*
Total	11,233.1	...	23.1
External	7,395.7	65.8	15.2
Multilateral creditors	2,429.8	21.6	5.0
IMF	27.3	0.2	0.1
World Bank	1,501.8	13.4	3.1
AfDB (incl. African Development Fund)	368.7	3.3	0.8
Other Multilaterals	531.9	4.7	1.1
o/w: European Investment Bank	74.5	0.7	0.2
Arab Bank for Economic Development in Africa	36.8	0.3	0.1
Bilateral creditors	3,826.0	34.1	7.9
Paris Club	61.2	0.5	0.1
o/w: France	61.0	0.5	0.1
Brazil	0.2	0.0	0.0
Non-Paris Club	3,764.8	33.5	7.7
o/w: Exim Bank of China	3,254.7	29.0	6.7
Exim Bank India	164.2	1.5	0.3
Bonds	-	-	-
Commercial creditors	1,139.9	10.1	2.3
o/w: FG Hemisphere	93.2	0.8	0.2
Financial Investment Holding	45.2	0.4	0.1
Other international creditors	-	-	-
Domestic	3,837.4	34.2	7.9
o/w: T-Bills	55.0	0.5	0.1
o/w: Loans	241.8	2.2	0.5
Memo items:			
Collateralized debt	2,641.4	23.5	5.4
Contingent liabilities[2]	n/a	n/a	n/a
o/w: Public guarantees	n/a	n/a	n/a
o/w: Other explicit contingent liabilities	n/a	n/a	n/a
Nominal GDP	48,707	...	...

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except for the government's guaranteed debt.
2/ Data could not be confirmed with the authorities during the mission.

24. **According to the latest Debt Sustainability Analysis (DSA) of December 2021, debt is sustainable, and DRC's risk of external and public debt distress remains moderate, with some space to absorb shocks**. Generally, all external debt is owed or guaranteed by the government. With improved access to external financing, external debt is expected to increase to 16.5 percent of GDP in 2021, driven among others by the IMF's emergency assistance and the budgetary use of part of the SDR allocation. The present value of external debt is estimated at 12.7 percent of GDP, and reflects the extent of concessional debt, which is projected to remain broadly unchanged given a prudent non-concessional borrowing limit

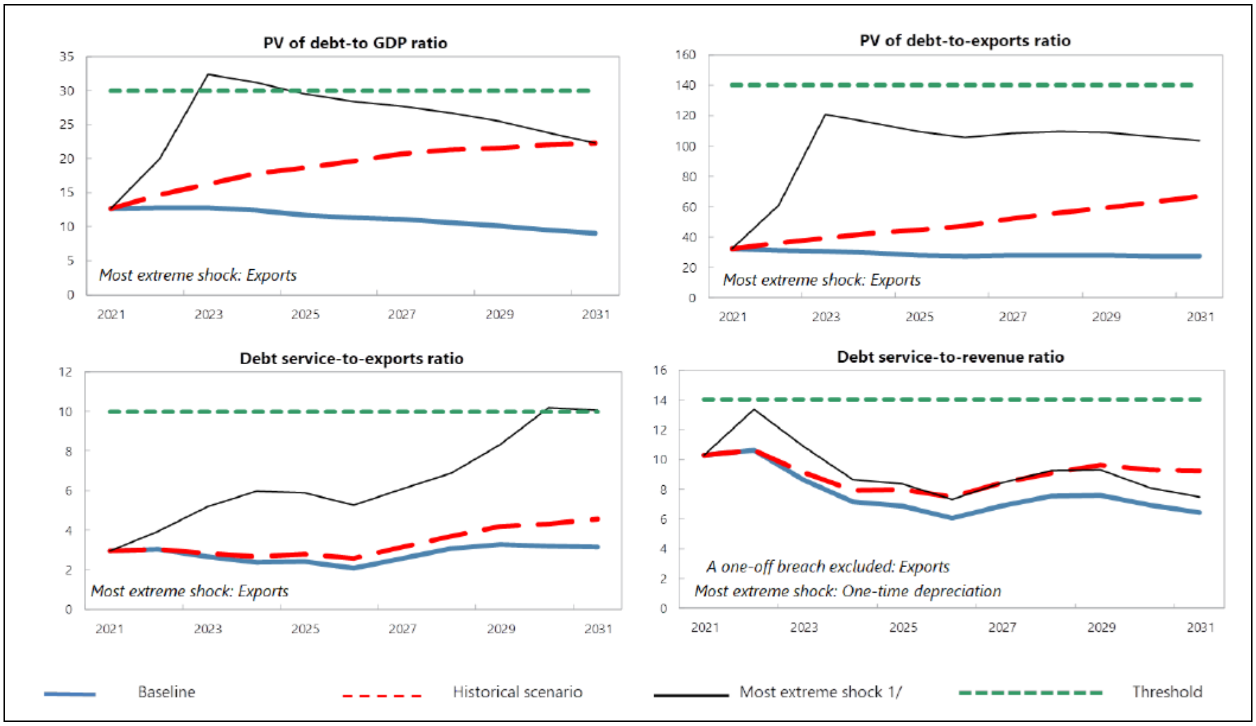
(further described below). Despite higher debt issuance and temporary larger fiscal deficits, partly reflecting large investment needs financed by budget support, the medium-term trajectory of external and public debt, supported by the stronger macroeconomic outlook, does not give rise to debt sustainability concerns. However, several external debt ratios breach their thresholds under the most extreme shock scenario of lower nominal exports reflecting DRC's vulnerability to commodity price volatility (Figure 1). Due to breaches of the thresholds under the stress tests, both external and overall public debt are at moderate risk of debt distress.

25. **Given limited buffers, DRC has committed to prudent borrowing policies by prioritizing concessional loans.** As part of the Sustainable Development Finance Policy (SDFP), the World Bank and the Government of the DRC agreed on two Performance and Policy Actions (PPAs) for FY22. Under the first PPA, DRC has committed to a ceiling on contracting new non-concessional debt, while the second PPA provides for greater disclosure of SOE debt, in line with Pillar 2 of this operation. The World Bank coordinates closely with the DRC debt management unit (*Direction Générale de la Dette Publique*, DGDP) to assess proposed new loans and improve debt reporting.

- PPA1 – FY22. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG)[25] non-concessional debt in FY22 beyond the US$300 million ceiling set under the IMF ECF program, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy. This PPA is expected to be met as non-concessional borrowing as of end-March 2022 stood at US$50 million and the Government indicated no additional borrowing plans by June 30, 2022.
- PPA2 – FY22. DRC publishes the annual debt report for 2020 covering all public and publicly-guaranteed external and domestic debt, as well as domestic arrears and contingent liabilities. In addition, the Q4 2021 bulletin includes information on debt of strategic SOEs.[26] This PPA has been met as the annual debt report for 2020 and quarterly bulletin including information on debt of strategic SOEs has been published on March 28, 2022.

[25] This follows the Low-Income Country (LIC) DSA coverage of PPG debt, as such ceilings cover new borrowing of public and publicly guaranteed external debt. The public sector comprises the central government, local governments, the central bank (BCC), state-owned enterprises (only GECAMINES, SNEL, and MIBA are included in the Quantitative Performance Criteria) decentralized territorial entities and public entities controlled and financed by the central government.
[26] Strategic SOEs include SNEL (electricity), MIBA (diamonds) and GECAMINES (copper).

Figure 1: DRC: Figure 1. DRC: Debt Sustainability Analysis (DSA), 2021-2031



Source: IMF and World Bank estimates, December 2021.

26. **The outlook for economic growth and poverty reduction is subject to substantial risks around a possible resurgence of the pandemic, local and international conflicts (including the war in Ukraine), as well as vulnerability to climate change.** DRC's economy remains vulnerable to commodity price movements and growth performance of its major trading partners which might be disturbed by geopolitical conflicts and a resurgence of the pandemic. The economic consequences of the war in Ukraine and associated sanctions on Russia, through rising global food costs and higher oil prices, could exert strong pressure on inflation and on households' consumption[27], raising the burden on expenditures by up to 15 percent and subsequently reducing private consumption growth. Thus, social risks from the shock remain high for a largely poor (72 percent) and food insecure (69 percent) population. With the agriculture sector employing over 60 percent of the working age population, vulnerability to climate change related risks (floods, droughts) is substantial. Finally, continued political uncertainty ahead of the planned 2023 presidential elections might delay reform efforts and put pressure on the fiscal balance. DRC's immediate challenge is to maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

27. **The macroeconomic framework is deemed adequate for the purpose of the proposed operation, based on improved fundamentals and the government's prudent policy stance and commitment to implementing reforms.** Monetization of the fiscal deficit by the Central Bank, which had resumed in 2020 due to the COVID-19 pandemic, has been swiftly stopped. A "Stability Pact", banning

[27] DRC imports 60 to 70 percent of its wheat from Ukraine and Russia, which represent 9 percent of food imports.

BCC's monetization of the deficit, was officially signed between the Central Bank, the Ministry of Budget, and the Ministry of Finance in August 2020 and has already helped to alleviate inflationary pressure. To deepen domestic government debt markets, increase the options for deficit financing and relax the cash-based management of the budget, the BCC launched in late 2019 local currency-denominated T-bonds. The government has been following a cash budget plan that has restricted deficits to what the Government can raise through T-bonds and international grants and (mostly) concessional loans. The BCC has been pursuing adequate monetary policy that has ensured declining inflation, a stable currency and overall macroeconomic stability and is now in a position to pursue expansionary policies if needed. The government has been improving revenue collections, helping it achieve fiscal consolidation in 2021 by improving both tax and non-tax revenue collection despite increasing pressure on social and public infrastructure spending. These developments, as well as prudent borrowing largely on concessional terms, have resulted in stable debt ratios. Together with the ongoing economic reforms, including those supported by this operation and the IMF's ECF program, the macroeconomic framework is adequate and expected to remain sustainable over the medium-term.

Table 4. Fiscal Financing Needs and Sources, 2018-2024 (in percent of GDP)

	2018 Actual	2019 Actual	2020 Actual	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.
Gross financing needs	**0.4**	**2.4**	**1.5**	**0.3**	**2.9**	**2.0**	**1.3**
Primary deficit	-0.3	2.6	1.5	-0.7	2.0	1.1	0.6
Debt service	0.8	0.7	0.6	0.5	0.7	0.7	0.6
Interest payments	0.4	0.3	0.2	0.2	0.3	0.3	0.3
Domestic	0.4	0.2	0.1	0.2	0.2	0.2	0.2
External	0.0	0.1	0.1	0.0	0.1	0.1	0.1
Amortization	0.4	0.4	0.4	0.3	0.4	0.4	0.3
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.4	0.4	0.4	0.3	0.4	0.4	0.3
Other debt creating flow*	-0.1	-0.8	-0.5	0.5	0.2	0.2	0.2
Gross financing sources	**0.4**	**2.4**	**1.5**	**0.3**	**2.9**	**2.0**	**1.3**
External (net)	0.0	0.5	0.9	3.3	3.1	2.3	1.6
Budget loans (disbursements)	0.0	0.0	0.8	0.5	0.5	1.0	0.4
*o/w WBG DPO (loan)***	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.3*	*0.0*
Project loans (disbursements)	0.0	0.5	0.1	1.6	2.5	1.3	1.2
IMF SDR allocation	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Domestic (net)	0.4	1.9	0.7	-3.0	-0.1	-0.3	-0.3
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: IMF and World Bank estimates, March 2022.

*Includes arrears and clearance.

**DPO1 for 2022 is on grant terms and is included under grants in Table 2. DPO2 (2023) is expected to be under credit terms, as per the IDA20 Policy.

Table 5. External Financing Needs, 2020-2024 (million US$)

	2020 Actual	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.
Financing Requirement [A]	**664.1**	**2,452.3**	**415.0**	**187.1**	**-144.1**
Current Account Balance (excl. budget grants)	1,193.9	806.3	343.0	203.0	-72.0
Amortization (incl public infra under SCCA*)	-360.6	-369.0	-474.0	-572.9	-573.1
Change in reserves (+: increase)	-169.2	2,015.0	546.0	557.0	501.0
Financing Sources [B]	**664.1**	**2,452.3**	**415.0**	**187.1**	**-144.1**
Foreign Direct Investments and portfolio investments (net)	1,458.6	1,629.7	1,745.1	1,810.9	1,870.8
Capital Account Balance [B]	626.4	171.3	467.2	406.2	208.0
Medium and long-term debt disbursements	-1,420.9	651.3	-1,797.3	-2,030.0	-2,222.9
o/w World Bank[1/]	0.0	0.0	250.0	250.0	0.0
o/w IMF financing (net)	-16.8	430.5	426.7	430.7	216.9
o/w SDR allocation	0.0	1,466.6	0.0	0.0	0.0
Financing Gap [C]= [A]-[B]	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: Congolese authorities; and IMF and World Bank staff estimates and projections, March 2022

1/ Only includes Development policy operations

*Sino-Congolese Cooperation Agreement

2.3. IMF RELATIONS

28. **Following the 2019 political transition, the DRC authorities sought to re-engage with the IMF**. Article IV Consultations were concluded in September 2019, which paved the way for a first Rapid Credit Facility (RCF), for an amount of 25 percent of quota or US$368 million, to provide urgent balance of payment support and for a Staff-Monitored Program (SMP), to support reforms aimed at boosting revenue, tackling corruption, and improving governance – both approved in December 2019. Following the onset of the COVID-19 pandemic, the IMF approved a second RCF in April 2020 (25 percent of quota or US$363 million).

29. **The IMF approved a new US$1.52 billion (100 percent of quota) ECF in July 2021**. The key priorities of the ECF are: (i) stepping up domestic revenue mobilization; (ii) strengthening governance including natural resource management and transparency; and (iii) strengthening the monetary policy framework and the central bank's independence. The first ECF review was approved by the IMF Board in December 2021, leading to a cumulative disbursement under the ECF of US$429.2 million. The completion of the second review, combined with Article IV Consultations, is scheduled for June 2022.[28]

[28] The IMF mission was completed on May 9, 2022 (which should lead to an estimated disbursement of US$212 million). https://www.imf.org/en/News/Articles/2022/05/09/pr22144-imf-staff-completes-2022-article-iv-program-review-mission-to-democratic-republic-of-congo

30. **The World Bank and the IMF have been collaborating closely since the renewed IMF engagement in the country.** In addition to general coordination in the context of Article IV consultations, the SMP initiated in 2019 and the ECF approved in 2021, the World Bank and the IMF have been working closely on the definition of a social spending floor under the IMF ECF and technical assistance relating to: the establishment of the General Directorate for Treasury and Public Accounting within the Ministry of Finance (filling a major gap in PFM); the implementation of a Corporate Income Tax, a Personal Income Tax and the development of a new tax code; and the development of a Priority Action Plan for the implementation of the 2022-2028 Public Finance Reform Strategic Plan. Further collaboration is expected in the context of the ongoing IMF Public Investment Management Assessment (PIMA), which includes a Climate-PIMA module, and the forthcoming World Bank Country Climate and Development Report (CCDR).

3. GOVERNMENT PROGRAM

31. **The 2019-2023 PNSD places people at the center of government action to combat poverty.** Further, the PNSD lays out a vision for the country's development: to become a middle-income country with a diversified and inclusive economy within the next two decades. The plan is estimated to cost US$25 billion and has five pillars: (i) human capital, social, and cultural development; (ii) good governance, state authority, and peacebuilding; (iii) consolidation of economic growth, transformation, and diversification; (iv) territorial development, reconstruction, and modernization of infrastructure; and (v) environmental protection, climate change, and sustainable development. The Government's National Strategy for Conflict Prevention, Stabilization, and Community Resilience Building also recognizes that enduring political instability and cycles of conflict have led to weak governance and institutions, hampering reform implementation, service delivery, and private sector growth – and need to be addressed in a coordinated and comprehensive manner. The implementation of the free primary education policy in 2019 has been a landmark reform for the new leadership of the country and is a promising sign that the new authorities are striving the rebuild the social contract in DRC. The approval of a new IMF ECF is also a major milestone, after nearly a decade of hiatus.

32. **The authorities took several measures to address the spread of the COVID-19 pandemic, but progress in vaccination campaigns remains slow.** The COVID-19 pandemic challenged an already weak social infrastructure, but its severity on health (mainly death toll, estimated at 1,337 as of May 10, 2022) was contained compared to other predominant domestic illnesses (malaria, measles and Ebola outbreaks) and insecurity (conflict in Eastern DRC). However, the impact on its economy due to the contraction in global demand and restrictive measures was strongly felt. Job losses associated with the pandemic also worsened the poverty rate in 2020 (paragraph 7). The government's response to COVID-19 included a range of fiscal measures within a preparedness and response national plan budgeted initially for US$135 million (or 0.3 percent of GDP) with the support from development partners. In 2020, the government also approved a free water and electricity provision for a period of two months. Mines pursued production at the onset of the pandemic which allowed a growth rate of 1.7 percent in 2020. The COVID-19 vaccination campaign, launched in April 2021, has shown limited results, with 2.4 percent of the target

population vaccinated[29] (as of May 10, 2022). The challenges of a large-scale vaccine rollout – including significant vaccine hesitancy among the population – remain substantial. This is why the prolonged pandemic might still pose a risk for the medium-term outlook.

33. **The authorities have shown a steadfast commitment to fighting corruption and strengthening accountability.** To improve governance and fight corruption, the authorities have instructed the General Inspectorate of Finance (IGF) to undertake investigations into several public institutions where fraud and embezzlement is suspected, including linked to COVID-19 and Ebola responses, the President's 100-day program, and the free primary education policy. Following these investigations, several high-level political figures have been convicted of charges, where the high-visibility court cases have also been televised. In addition, the IGF is conducting investigations into several other public institutions, which has led to the sentencing of the heads of the airport authority and road maintenance fund, as well as the arrest of the head of the port authority. While there have been questions whether some of the IGF interventions are politically motivated, these investigations have sent the unprecedented message that embezzlement of public funds is no longer tolerated. To reinforce this message and to proactively fight against embezzlement, the IGF is conducting regular "financial patrols" in public enterprises and tax authorities. The DRC EITI process has also been re-energized, with the publication of most mining contracts and of the DRC EITI Executive Committee Report for 2018, 2019 and first semester of 2020, in March 2021.

34. **The authorities have taken key steps to advance climate action.** In December 2021, DRC submitted its revised Nationally Determined Contribution (NDC) to the Paris Agreement, raising its 2030 GHG emissions reduction target from 17 to 21 percent. This also includes a specific reduction target for forest and other land use sectors which by far account for the country's largest share of GHG emissions (86 percent).[30] Reducing Emissions from Deforestation and Forest Degradation (REDD+)[31] is an area where DRC has made notable progress in mainstreaming climate change into the policy framework. A National REDD+ Strategy was adopted (2012) and backed by an Investment Plan with significant donor funding.[32] The World Bank and DRC signed in September 2018 a landmark, first-of-a-kind Emissions Reductions Payment Agreement (ERPA, P160320), unlocking performance-based payments of up to US$55 million for the emissions reductions achieved through REDD+ investments in the Mai Ndombe Emissions Reductions Program. However, implementing REDD+ in DRC still involves a range of reforms. Agriculture and land-use planning remain a priority in DRC where shifting cultivation represents the main driver of deforestation. The use of transparent and up-to-date information on forest trends is also foundational for the country to optimally manage its forest wealth and mobilize climate finance. In addition, in the context of the 2021 United Nations Climate Change Conference (COP26), DRC signed on November 2, 2021 the Letter of Intent (LOI) with the multi-donor Central African Forest Initiative (CAFI). The LOI aims sets to halt and reverse forest loss and land degradation by 2031 while ensuring sustainable development and promoting inclusive rural transformation. To support this objective, the LOI allocates US$500 million for financing priority interventions during the 2021-2026 period.

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[29] With target population having received one dose of COVID-19 vaccine: 2.4 percent and target population fully vaccinated 1.5 percent. The government is implementing a vaccine acceleration plan (March – December 2022) to vaccinate 20 percent of the target population by June 30, 2022, and up to 40 percent of the target population by December 31, 2022. The target population consists of health care personnel, people over 55 years of age and people with comorbidities.

[30] Democratic Republic of Congo. (2021). Revised Nationally Determined Contribution.

[31] REDD+ activities include programs focused on conservation, sustainable management and increasing of forest carbon stocks.

[32] Financing mobilized to date for the country's REDD+ projects notably include US$246 million from the Central Africa Forest Initiative (CAFI) and about US$130 million from the World Bank to date through various Trust Funds.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

35. **The operation will support the Government of DRC's effort to achieve more sustainable and inclusive growth,** which is fully aligned with the 2019-2023 PNSD and with the World Bank's GRID approach. In addition, the operation supports the implementation of several sectoral strategies recently approved by the DRC authorities: the 2021-2023 EITI roadmap approved in March 2021; the 2022-2028 Public Finance Reform Strategic Plan, approved in November 2021; and the DRC Letter of Intent to CAFI for 2021-2031, also approved in November 2021.

36. **The DPO series will be anchored on three pillars covering seven policy areas**:

- **Pillar 1: Strengthening the management of public expenditure and mining royalties.** Policy areas include: (i) Strengthening expenditure management through the establishment of core treasury and accounting functions and (ii) Strengthening domestic revenue mobilization and management of mining royalties.
- **Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance.** Policy areas include: (i) Completing the liberalization of the telecom sector through the removal of the State monopoly on long-distance fiber optic cables; and (ii) Increasing SOE transparency and strengthening the corporate governance of SOEs.
- **Pillar 3: Strengthening governance for sustainable forestry.** Policy areas include: (i) Improving governance for sustainable forest management; (ii) Addressing deforestation and forest degradation; and (iii) Supporting climate resilient development.

37. **The policy areas in the DPO series build on the strong and productive partnership between the DRC authorities, the World Bank, and development partners**. The selected policy actions rely on significant technical work and policy dialogue, in some cases over many years, including the recently completed (March 2022) IFC's DRC Country Private Sector Diagnostic (CPSD): "Putting Natural Resources to Sustainable Productive Use".[33] Pillar 1 focusing on core PFM functions builds on the World Bank PFM engagement through the Strengthening PFM and Accountability Project (P145747) closed in December 2021 and the preparation of the new PFM operation, ENCORE, approved in December 2021. It also builds on support provided by other development partners, notably the French Development Agency (*Agence Française de Développement*, AFD), which has been supporting the digitalization of the tax and non-tax authorities. The World Bank's analytical work and the 2019 Public Expenditure and Financial Accountability (PEFA) assessment have informed the policy dialogue. Lessons from the Growth with Governance in the Mineral Sector Project (P106982), closed in 2018, and recommendations from the EITI DRC report for 2018, 2019 and first semester of 2020 have been incorporated into the design of Pillar 1. Pillar 2's design has been informed by the long, and mostly unsuccessful, World Bank efforts at improving the governance and performance of SOEs in the mining, energy, water, transport (railway, ports, airports) and telecom sectors. It also relies on an analysis of SOE governance in DRC[34] completed in 2019. The pillar

[33] *https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/cpsd*-democratic-republic-of-congo
[34] Democratic Republic of Congo, Governance of State-Owned Enterprises, World Bank, May 2019 (not publicly disclosed)

on sustainable forestry (Pillar 3) also builds on an extended World Bank engagement in the forestry sector, including the ongoing Improved Forested Landscape Management Project (P128887), Mai-Ndombe Emissions Reduction Program (P160320), and Forest Dependent Communities Support Project (P149049), as well as the Forest and Nature Conservation Project (P100620, 2009-2015). This pillar also leverages engagements from other development partners, notably the Central African Forest Initiative (CAFI). The World Bank will also prepare a CCDR that will include in-depth analysis to inform the ongoing policy dialogue aimed at scaling the World Bank's engagement on climate change in DRC.

38. **The proposed DPO series builds on lessons from past budget support operations approved for DRC between 2002 and 2005 and from the World Bank's DPF engagement in fragile environments.** Learning from these lessons (summarized in Annex 6) and in line with the CPF principle of mainstreaming governance in all future WBG engagements, the proposed operation focuses on foundational reforms. The objective is to aim for incremental but sustained progress across the DPO series by accelerating and deepening reforms. It focuses on policy actions which are realistic, selective and balanced across key dimensions of the World Bank's engagement in DRC, complementing the IMF ECF program. The chosen policy areas are those where significant analytical work and policy dialogue have been undertaken over the years, which has allowed to build a consensus on the proposed reforms and will help ensure effective implementation.[35] The implementation of the reforms supported by the DPO series will be sustained through several complementary IDA-financed operations, which will provide the required technical assistance and investments to support effective implementation of the reforms (highlighted in Table 7). As such, this "re-engagement" DPO series aims to have a demonstration effect, showing progress on economic governance through a gradual and sustained approach to reforms, empowering change agents in the country to build a broad-based coalition and to overcome vested interests. This approach builds on the findings of the World Bank 2021 Development Policy Financing Retrospective, which highlights that "*In Fragile, Conflict and Violence (FCV) affected countries, DPF financing played a critical role in advancing policy and institutional reforms, despite policy reversals*".

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

39. **The prior actions, indicative triggers, and result indicators supporting the DPO series are summarized in Annex 1.** Below is a description of the prior actions selected for the first operation, the indicative triggers under the second operation, and the expected results. Prior actions are on track to be completed by mid-May 2022, while triggers should tentatively be completed in early 2023 (well ahead of the Presidential elections scheduled for December 2023). For each policy area, the context, and the rationale for WBG support is also provided, while the analytical underpinnings that have helped design this operation are highlighted in Table 6. The operations supporting the implementation of the prior actions and triggers are listed in Table 7.

40. **The scope and level of ambition of the program have been tailored to DRC's country context characterized by deep fragility and conflict and are aligned with the engagement strategy defined in the CPF.** The proposed DPO series will start with support for foundational reforms, that are implemented and deepened over the next year and beyond. The proposed operation plays a central role in the

[35] The three DPOs undertaken in DRC between 2002 and 2005 did not benefit from a large analytical base, as the World Bank re-engaged in the country in 2001, while parallel World Bank operations mostly focused on reconstruction efforts.

implementation of the DRC CPF, which explains its relative breadth, tackling PFM, SOEs, telecoms, climate change and forest. The scope and level of ambition of the policy actions have been carefully balanced to support fundamental reforms as well as ensure reform realism cognizant of the implementation capacity of the DRC administration.

Pillar 1: Strengthening the management of public expenditure and mining royalties

Policy area 1: Strengthening expenditure management by establishing core treasury and accounting functions

41. **Rationale**. Budget execution and reporting, as well as government cash management, need to be strengthened to ensure the budget can serve as an effective tool for implementing the government's development priorities. The provisions of the 2011 Public Financial Management Law and 2013 General Regulations on Public Accounts mandated the establishment of a treasury and accounting function (General Directorate of Treasury and Public Accounting – *Direction Générale du Trésor et de la Comptabilité Publique, DGTCP*). The absence of this core function severely affects ex-ante controls of budget expenditure, government management of cash and bank accounts, proper tracking and recording of government spending and financing, and the preparation and presentation of reliable budget and financial accounts and reports for central and provincial governments. Improving the transparency of expenditure management also directly contributes to creating the basis for a mutually accountable, two-way relationship between the state and citizens as it allows citizens to track whether government is considering their priorities in spending state resources (RRA driver 1).

42. **Program**. While the creation and operationalization of the DGTCP is considered an essential pillar of a modern PFM system, there has been reluctance to move forward on this reform from parties which benefited from the status quo. The role of the Central Bank as the de facto Accountant General in the current PFM system has also been problematic. The 2019 Public Expenditure and Financial Accountability (PEFA) assessment also highlighted the critical importance of completing this reform. The absence of DGTCP and associated lack of proper accounting and treasury systems contribute to DRC low scores in the 2019 PEFA (with DRC scoring at D or D+ for 26 out of the 31 PEFA indicators). Excessive centralization of payment approvals caused major bottlenecks in budget execution. The establishment of DGTCP is a key priority of DRC's 2022-2028 Public Finance Reform Strategic Plan. The establishment of DGTCP is also critical for other key PFM reforms underway, notably the transition towards a Treasury Single Account and the deployment of the Integrated Financial Management Information System, supported by the ENCORE project (P171762) and the IMF ECF program.

Prior Action #1: To strengthen expenditure management, the Recipient's Prime Minister has issued Decree No. 22/12B, dated March 31, 2022, creating the General Directorate of Treasury and Public Accounting within the Ministry of Finance, as said decree has been published in the Official Gazette, Special Edition, dated May 2, 2022.

Indicative Trigger #1: The Recipient has operationalized the DGTCP through the following actions (i) Appointment of DGTCP leadership [General Director and six Directors]; (ii) publication of the decree from the Prime Minister establishing the framework and organic structures of the DGTCP; (iii) Signing of the Ministerial Order establishing the National Network of Public Accountants; and (iv) Creation of

DGTCP Accounting Unit in at least two line ministries.

43. **Rationale of indicative Trigger #1**. Following the promulgation of the decree establishing the DGTCP, its operationalization will require the appointment of the management team (i.e., the General Director and six Directors), additional implementing regulations, as well as the recruitment of a first batch of public accountants.[36] Special consideration will be given to ensure that women are adequately represented within the DGTCP, at the technical and management levels. These measures will allow the gradual and effective transfer of budget commitment authority from the Ministers of Finance and Budget to line ministries. The roll-out of DGTCP's accounting units across line ministers and at the provincial level will take place over several years and is supported by technical assistance[37] from the World Bank financed ENCORE operation (P171762).

44. **Expected results.** By end 2023, core treasury and accounting function will be established at the central level within the Ministry of Finance and at the Ministries in charge of primary education and health (as priority ministries for improved service delivery).[38] Thus, the Ministries of Primary Education and Health will directly execute (i.e., budget commitment authority) at least 50 percent of central non-wage expenditures, respectively, by end 2023 – as gradual progress towards ultimately directly executing 100 percent of central non-wage expenditures.

Policy area 2: Strengthening domestic revenue mobilization and management of mining royalties

45. **Rationale**. Increasing revenues is a priority to meet urgent spending needs within a sustainable fiscal framework. Given DRC's current narrow tax base and low revenue mobilization (11.2 percent of GDP in 2021), the Government has little room to absorb shocks in the short term and limited ability to finance urgent public expenditures to deliver services to the population and invest in physical and human capital. By raising revenues that could then be spent in a more equitable fashion, this policy area is crucial in addressing the poorly redistributive economic governance system (RRA driver 2). DRC has substantial potential to increase revenues: DRC is the largest producer of cobalt, estimated at over 60 percent of global production, and the fifth largest copper producer globally and Africa's largest. The extractive sector represents 30 percent of GDP but contributes only 13 percent to government revenues (1.5 percent of GDP) (2020). Mining sector revenues averaged 8.9 percent of commodity exports in DRC in 2014-2017, compared to 17.5 percent among resource-intensive Sub-Saharan African countries. In 2020, the ratio for DRC was 10.9 percent, which suggests that DRC is facing potential revenue losses, thus, not collecting all what it should. DRC joined the Extractive Industry Transparency Initiative (EITI) in 2005. While DRC was assessed in 2019 as making "meaningful progress", EITI noted that corruption and mismanagement of funds in the extractive sector persist. A new EITI validation started in January 2022 and is on-going. Ensuring benefit sharing lies at the core of supporting a more distributive, equitable economy (RRA driver 2).

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[36] The decree on the administrative regulations applicable to public accountants requires that accountants be recruited through a competitive process. To prepare for DGTCP operationalization, COREF – with support from the Strengthening PFM and Accountability Project (P145747, which closed in December 2021) – conducted a training and preliminary evaluation of 252 accountants.

[37] ENCORE covers the costs of establishing DGTCP Units at central and in line ministries (incremental costs), as well as costs associated with budget expenditure processes reengineering (consulting services, equipment, training, operating costs).

[38] These three Ministries represent 47 percent of executed budget in 2021.

46. **Program**. A priority of the DRC's Public Finance Reform Strategic Plan 2022-2028 is the digitalization of the DRC tax authorities (*Direction Générale des Impôts*, DGI, for income taxes; *Direction Générale des Douanes et Accises*, DGDA, for customs and excises; and *Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations*, DGRAD, for non-tax revenues) to strengthen DRM and reduce fraud and corruption. Over the years, there has been significant support from development partners for the computerization of the tax system (with, in particular, the ongoing roll-out of ASYCUDA World across DGDA and the digitalization of revenue payments through *Isys-Régies*). However major efforts are still necessary and one critical ongoing reform is the digitalization (through LOGIRAD) of DGRAD operations, which manually collects around 17 percent of annual government revenues, including mining royalties. Mining royalties, for the central government, are estimated at around US$550 million in 2021, which represents 1 percent of GDP. With mining revenues accounting for about 3 percent of GDP in 2021 (about US$1.7 billion), assuming an under-collection of the order of 50-80 percent, DRC's revenues could be increased by US$0.8 to 1.4 billion through improved governance.

47. Prior Action #2 builds on the successful roll-out of *Isys-Régies* whereby payments are only official recognized if they are processed through *Isys-Régies*.[39] The effective roll-out of *Isys-Régies* brought unprecedented transparency in revenue payments, with key stakeholders able to monitor payments in real time. Prior Action #2 makes the use of LOGIRAD (*Logiciel de Gestion Intégrée des Recettes Administratives et Domaniales*), a digital Management Information System, compulsory for non-tax revenues managed by DGRAD.

48. In addition, the new DRC authorities have shown strong commitment to increased transparency in the mining sector. These efforts have included the nomination of a new National Coordinator for EITI and a re-energized EITI process, with the publication of most mining contracts (192 out of 201 contracts) and the publication of the 2020 audited financial statements for GECAMINES. Further efforts are required to ensure that increased transparency in the extractive sector benefits communities and the Congolese population at large.

49. A revised mining code was introduced in June 2018, seeking to increase the benefits to the country, with higher taxes and royalties (royalties on non-ferrous metals, including copper, increased from 2 to 3.5 percent; a new 10 percent royalty on "strategic minerals[40]"; and a new 50 percent tax on "windfall profit[41]"), as well as provisions to increase benefit-sharing. Article 242 stipulates the distribution of mining royalties: 50 percent to the central government, 25 percent to the provincial government where the mine is located, 15 percent to the *Entité Territoriale Décentralisée* (ETD, decentralized territorial entity) where the mine operates and 10 percent to the *Fonds Minier pour les Générations Futures* (FOMIN, Mining Fund for Future Generation). Currently, because of the incomplete legal framework for benefit sharing, the DRC EITI National Committee (DRC EITI report for 2018, 2019, H12020[42]) notes that while it can fully account for the mining royalties transferred to the central level (50 percent of royalties), with expected revenues

[39] The World Bank encouraged the issuance of the order and circular from the Minister of Finance in the context of discussions on a possible DPO to help address the COVID-19 crisis (P174026). This demonstrates how DPF complements technical assistance (from the World Bank and/or development partners), providing incentives to undertake key reforms and overcome face vested interests.
[40] Cobalt was declared a "strategic mineral" in November 2018.
[41] Windfall profits are defined as profits realized when the price of the mineral resource is more than 25 percent higher than envisaged in the feasibility study.
[42] https://www.itierdc.net/publications/rapports-itie-rdc-2000/rapport-itie-rdc-2018-1er-sem-2020/

matching realized revenues, this is not the case with the royalties allocated to provinces, ETDs and FOMIN.[43]

50. The decree 22/20 dated 13 May 2022 (Prior Action #3a) details the mechanism of the payment and management of mining royalties allocated to provinces (25 percent) and ETDs (15 percent). This decree stipulates that the mining royalties are affected to the province and ETD public finances and should therefore be managed as such (included in the annual budgets of the province and ETD, transferred to the province/ETD account, managed as per public accounting rules). The decree also stipulates transparency rules (compliance with EITI process, quarterly and annual public disclosure of payments received). It also specifies modalities of royalties' payment when a mine operates across ETDs or provinces. In addition, the 2018 mining code (Article 258 bis) stipulates that 0.3 percent of the mining company's turnover should be allocated to community development projects. The DRC EITI report highlights that mining affected communities have not received an estimated amount of US$59.8 million that was due to them in 2018 and 2019. An inter-ministerial order between the Ministry of Mines and the Ministry of Social Affairs (Prior Action #3b) was signed on December 21, 2021, which specifies the rules and procedures to manage the 0.3 percent endowment to community development projects.[44] This inter-ministerial order highlights key guiding principles, including transparency, accountability, citizen's engagement, and equity. The order stipulates that a specialized local institution shall be established in each mining community to manage the endowment. The order prescribes its governance structure and its operating procedures (including financial management, procurement and monitoring and evaluation). The order also includes a template for the internal regulations of the specialized local institution.

51. The ENCORE operation (P171762) includes a focus on strengthening mining revenue management and will in particular support citizen engagement initiatives that assure women and the most vulnerable have an increased voice in decision making in the use of local mining revenue. The ENCORE operation will therefore provide critical technical assistance to help ensure that mining royalties affected to provinces and ETDs are soundly managed, as well as the 0.3 percent of turnover of mining firms for community development projects. Transparency of mining payments, supported by the EITI process, as well as citizen's engagement, through civil society, will play an essential role to ensure a sounder management of mining revenues.

[43] While for the central level, expected revenues are aligned with realized revenues (US$589.5 million), it is not the case with the royalties allocated to provinces (25 percent), ETDs (15 percent) and FOMIN (10 percent): for provinces: -US$69.65 million between what was expected and what was collected, -US$89.15 million for ETDs and -US$94.8 million for FOMIN (for a total difference of -US$256 million).

[44] The order builds on a successful pilot developed by a mining firm in DRC, which established a not-for-profit company to manage the community development projects financed by the 0.3 percent of turnover of the mining firm (https://alphaminresources.com/sustainability/)

Prior Action #2: To strengthen the management of non-tax revenues, including mining royalties, the Recipient has issued: (i) Decree No.22/18, dated May 4, 2022 making the use of LOGIRAD the DGRAD's computerized Management Information System, compulsory, published in the Official Gazette, Special Edition, dated May 12, 2022; and (ii) Order No. 016/CAB/MIN/FINANCES/2022 dated May 13, 2022 clarifying roles and obligations in the use of LOGIRAD.

Prior Action #3:
3a: To ensure benefit-sharing of mining revenues in accordance with the 2018 Mining Code, the Recipient has issued Decree No. 22/20, dated May 13, 2022 on the sharing and management of mining royalties to be paid to the provinces and the decentralized territorial entities, as said Decree has been published in the Official Gazette, Special Edition, dated May 13, 2022.
3b: To ensure the effective use of the 0.3% of the mining company's turnover allocated to community development projects under Article 258 bis of the Mining Code, the Recipient's Ministry of Mines and the Ministry of Social Affairs have issued a joint Inter-ministerial Order No. 00820/CAB.MIN.MINES/01/2021 and No. 003/CAB.MIN/AFF. SOC.AH.SN dated December 21, 2021, approving a manual specifying, *inter alia*, the rules and procedures to manage these funds.

Indicative Trigger #2: To improve collection of non-tax revenues, the Recipient has completed the deployment of LOGIRAD in at least 5 provinces (including Kinshasa, Lualaba and Haut-Katanga) and 5 revenue collecting institutions (including the Ministry of Mines).

Indicative Trigger #3: To ensure that the mining sector enables inclusive and sustainable socio-economic development in the DRC, the Recipient has promulgated a revised decree establishing the Mining Fund for Future Generations (FOMIN) as per Articles 8 bis and 242 of the Mining Code.

52. **Rationale for indicative Trigger #2**. The decree and related order will make the use of LOGIRAD compulsory. However, it is important to ensure the effective gradual roll-out of LOGIRAD in all required services. DGRAD is responsible for the collection of a vast number of non-tax revenues, including mining royalties. Trigger #2 therefore supports the initial phase of the deployment of LOGIRAD in at least five provinces (including Kinshasa – as well as in Lualaba and Haut-Katanga, where copper production is concentrated) and in at least five institutions collecting non-tax revenues (including the Ministry of Mines). The LOGIRAD roll-out is supported by financing from AFD and the European Union (EU), as part of their broader initiative to support the digitalization of the three tax authorities. LOGIRAD has already been developed (*https://logirad.dgrad.cd/*) and piloted in Kinshasa (within 21 revenue collecting institutions). The deployment phase is expected to start in July 2022, (deployment of software and hardware, and training), so that the use of LOGIRAD becomes mandatory by January 1, 2023 in these provinces and services.

53. **Rationale for indicative Trigger #3**. The 2018 Mining Code stipulates that 10 percent of mining royalties shall be allocated to a “Mining Fund for Future Generations” (FOMIN) but does not further define the purpose of this mining fund. A decree from the Prime Minister was published in November 2019, establishing FOMIN. However, there have been concerns from the DRC administration, civil society and development partners with the design of FOMIN as per this decree. This decree allows an extremely broad use of FOMIN resources (e.g., geological research; industrial mining projects, including for mining SOEs and for the transformation of mining products; economic diversification projects; basic infrastructure;

SME financing), which may not be ideal as the FOMIN resources could quickly be squandered in unproductive uses. There are also questions about FOMIN's governance structure, as an independent "public institution" (*établissement public*) reporting solely to the Ministry of Mines, which may not ensure a transparent and efficient use of resources. It is therefore proposed to support the DRC authorities to revise the FOMIN decree to ensure consensus among stakeholders, including civil society, on the strategic objectives of FOMIN (in term of resource allocations) and on the most effective governance structure to achieve these objectives.[45]The focus will be on ensuring that economic stabilization is duly reflected as part of FOMIN's strategic objectives; establishing tight rules for the use of FOMIN resources and a high level of transparency; ensuring independent external financial audits (publicly disclosed) and strong governance mechanisms including inclusive participation of stakeholders (government, mining private sector, civil society).

54. **Expected results.** By end 2023, it is expected that the digitalization of DGRAD (non-tax revenues authority) is implemented (i.e., LOGIRAD replaces the manual system in place in DGRAD in key provinces and revenue collecting institutions), and that at least 50 percent of non-tax revenues (including mining royalties) are collected through LOGIRAD in Kinshasa, Lualaba and Haut-Katanga, allowing greater transparency. By end 2023, an effective benefit-sharing mechanism in the extractives sector is in place and the DRC EITI National Committee is able to track and account for (i) payments made (and their allocation) to the provinces, ETD and FOMIN according to their share of mining royalties (province: 25 percent; ETD 15 percent; FOMIN: 10 percent), as well as (ii) for payments made (and their allocation) regarding the 0.3 percent of turnover of mining companies allocated to community development projects.

Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance

Policy Area 3: Completing the liberalization of the telecom sector through the removal of the State monopoly on long-distance fiber optic cables

55. **Rationale**. Until September 2021, the telecom sector in DRC was governed by the 2002 Telecom Law, which was outdated and conferred exclusivity over long-distance fiber on the state-owned incumbent (*Société Congolaise des Postes et Télécommunications*, SCPT, the telecom SOE), which distorted competition, affected quality of service across the country, and hindered private investment. As a result, DRC has the second highest cost (after the Central African Republic) of mobile broadband globally, expressed as a percentage of GNI per capita (26 percent for 1 GB).[46] With mobile and internet penetration rates at 42 and 17 percent respectively, DRC is among the bottom 15 countries in the world.[47] Several leading telecom investors are waiting for the removal of the SCPT's exclusivity over long-distance fiber to invest in DRC, which represents a huge connectivity gap across the continent. Increasing mobile and internet penetration by completing the liberalization of the telecom sector can enable a much wider use of digital tools in making government decisions transparent and decision makers accountable (RRA driver 1). It can also be leveraged to strengthen the interconnectedness of communities which in a large, diverse

[45] The leadership of FOMIN was appointed in December 2021 (by Presidential Decree, as per the prevailing legal framework). In recent discussions with the DRC EITI National Committee and the World Bank, the FOMIN leadership team has stressed its commitment to revise the FOMIN decree to refine the possible use of FOMIN resources and to ensure a transparent and efficient use of resources.
[46] https://a4ai.org/extra/baskets/A4AI/2020/mobile_broadband_pricing_gni (accessed March 6, 2022)
[47] DRC Digital Economy Assessment, World Bank, 2020

country can be a key factor for cohesion (RRA driver 5[48]). Over the medium-term the spread and adoption of digital technologies can serve as a critical basis for generating jobs and reducing poverty.

56. **Program**. DRC initiated the revision of the 2002 Telecom Law in 2009, with support from the World Bank. This new law, aligned with good international practices, would end all monopolies and exclusivities in the sector and open the digital infrastructure market to private investments and public-private partnerships. The adoption of the new law is a major breakthrough overcoming strong opposition from vested interests of existing operators and the state-owned monopoly. The law was approved by the Parliament in November 2018 (prior to the December 2018 Presidential elections), but was not signed by the then President, and was thus not effective.

Prior Action #4: To liberalize the telecommunications sector, the Telecommunications Law No. 20/017 was promulgated and published in the Official Gazette No.62, Special Edition, dated 22 September 2021. ***Indicative Trigger #4:*** The Recipient has promulgated the following implementing regulations of the Telecommunications Law No. 20/017: (i) decree creating the regulatory authority under the Ministry of Telecommunications; (ii) decree creating the Universal Service Fund; and (iii) Ministerial order on infrastructure licenses.

57. **Rationale for indicative Trigger #4**. The adoption of the new Telecom Law through publication in the official gazette in September 2021 represents a major breakthrough. The new law further liberalizes the sector and provides a sound legal basis for private investment in fiber infrastructure. However, to be implemented, this new law requires a series of accompanying regulations.[49] The proposed trigger focuses on three of the most critical regulations: decrees relating to the Universal Service Fund (USF) and the new regulatory authority, and a Ministerial order relating to infrastructure licenses. The new law stipulates that the government will establish, through a decree, a public institution to manage the USF which aims promote telecommunications and Information and Communication Technologies (ICT) in rural and peri-urban areas where there is limited interest from the private sector to offer services. The USF will be financed by a contribution of 3 percent of telecom and ICT operators' turnover. The draft decree establishing the USF was drafted with World Bank technical assistance and is aligned with good international practices. It has been transmitted to the Prime Minister's office for onward approval. Further technical work and consultations are still needed for the decree creating the new regulatory authority under the Ministry of Telecommunications (the 2002 Law on the creation of the Telecommunication Regulatory Authority put this authority under the DRC Presidency; as per the 2021 Telecom Law, the regulatory authority will now report to the Ministry of Telecommunication and requires a new Decree, as the 2002 law is abolished). Similarly, further technical work and consultations are ongoing to draft the Ministerial order related to infrastructure licenses (i.e., order setting the conditions and procedures for granting concession licenses). The Transport and Connectivity Project under preparation (PACT, P161877) has been providing technical assistance on the drafting of these priority regulations and the project includes a US$6 million sub-component on strengthening digital sector governance. A key focus of the DPO series and of PACT is to ensure a sound governance framework for the USF and the regulatory

[48] RRA Driver 5: DRC deals with numerous local conflicts, and the fragmentation is exacerbated by dysfunctional security and justice systems.
[49] Twenty-eight required new legal instruments have been identified.

authority, with annual independent external audits (publicly disclosed), to ensure that financial resources are efficiently and effectively used to develop the sector for the benefits of the Congolese population.

58. **Expected results.** The new law and related regulations complete the liberalization of the telecom sector, which is expected to unleash at least US$200 million in new private investments in long distance fiber optic cables between 2021 and 2023. In the medium-term greater connectivity is expected to generate more and better jobs and strengthen the delivery of public services.

Policy area 4: Increasing SOE transparency and strengthening the corporate governance of SOEs

59. **Rationale**. SOEs control key economic sectors (ports, airports, railway, energy, water, mining, and telecom), but represent a major constraint to economic growth and a drain on public finance due to weak governance and performance. Most SOEs suffer from operational issues, including low tariffs, technical and commercial loss, and overstaffing, and are constrained by weak capacity. Longstanding efforts to strengthen management, governance, and efficiency of SOEs—including through the introduction of management contracts—have not been successful, and the operations of many SOEs are still characterized by weak governance, lack of transparency, and financial losses. The deep infrastructure deficit caused by underperforming SOEs is a major impediment to inclusive economic development in DRC, as reflected in the 2019 Global Competitiveness Report, where DRC ranked 140 out of 141 countries on the infrastructure pillar (and ranked 139 out of 141 countries across all pillars)[50]. An essential initial step to improve the governance and operations of SOEs is to make the SOE sector more transparent, thus ensuring that key financial and operational information on SOEs is publicly available[51]. Increasing SOE transparency is a key mechanism to address the elite capture mechanisms that have dominated key economic sectors (RRA Governance theme). In addition, global experience has demonstrated that poor SOE performance is usually caused by fundamental problems in their corporate governance, i.e., in the underlying rules, processes, and institutions that govern the relationship between SOE managers and their government owners. These governance problems include politicized boards and management, lack of autonomy in day-to-day operational decision making, weak financial reporting and disclosure practices, and insufficient performance monitoring and accountability systems. And, where these shortcomings are more common, SOEs are also often a source of corruption.[52] Strengthened SOE corporate governance, combined with increased SOE transparency, contributes to addressing the elite capture mechanisms that have dominated key economic sectors (RRA Governance theme).

60. **Program**. Efforts at pursuing the reform of DRC's SOEs envisaged in four 2008 laws on state disengagement[53] from public enterprises have been re-energized since September 2021, with the release of a report on the financial and operational situation of key SOEs and a roadmap for reforms. The Minister of Portfolio (*Ministère du Portefeuille*) represents the State ownership of SOEs, while the *Conseil Supérieur du Portefeuille* (CSP, Superior Portfolio Council) is tasked with SOE monitoring, and the *Comité de Pilotage*

[50] World Economic Forum (2019), Global Competitiveness Report.
[51] DRC, Governance of State-Owned Enterprises, World Bank, 2019
[52] Corporate Governance of State-Owned Enterprises, a Toolkit, World Bank (2014)
[53] *Loi n°08/007 du 7 juillet 2008 portant dispositions générales relatives à la transformation des entreprises publiques* (law on SOE transformation)*; Loi n°08/008 du 7 juillet 2008 portant dispositions générales relatives au désengagement de l'Etat des entreprises du Portefeuille* (law on state disengagement from SOEs)*; Loi n°08/009 du 7 juillet 2008 portant dispositions générales applicables aux établissements publics* (law on public institutions)*; Loi n°08/010 du 7 juillet 2008 fixant les règles relatives à l'organisation et à la gestion du Portefeuille de l'Etat* (law on the management of State portfolio).

de la Réforme des Entreprises Publiques (COPIREP, Steering Committee for Public Enterprise Reform) is the technical advisory body for SOE reform. Both institutions report to the Ministry of Portfolio. There is thus a window of opportunity to support efforts at reforming the DRC SOE sector, with an initial focus on transparency, improved corporate governance and accountability. This is complemented by restructuring efforts targeted at specific SOEs, notably SNEL (*Société Nationale d'Electricité,* power utility) and REGIDESO (*Régie de Distribution d'Eau*, water utility) through the DRC Access Governance and Reform for the Electricity and Water Sectors (AGREE, P173506) operation[54] approved in March 2022. This also complements efforts at increasing transparency of SOE debt through the SDFP PPA for FY22, which supports the publication by DGDP of the debt bulletin for Q4 2021 covering debt information from GECAMINES, SNEL and MIBA (*Minière du Bakwanga*, the diamond SOE)[55], and gradually extending the coverage thereafter.

61. As mentioned above, there is renewed commitment from the DRC authorities to tackle weak financial and operational performances of SOEs, recognizing it is a prerequisite for improving the corporate governance of SOEs. The new DRC leadership has so far relied heavily on IGF to investigate allegations of fraud and corruption, leading to the arrest of several heads of SOEs as well as to conduct "financial patrols" in SOEs to discourage attempts at embezzlements. Civil society has been calling for a change of paradigm in the selection of the state representatives (*mandataires publics*) in SOEs, asking that the selection process not be only based on political considerations, but also on technical and managerial competencies.

62. At present, publicly available information on DRC SOEs is extremely limited. Through Prior Action #5, SOEs will be required to publicly disclose their annual reports three months after the end of the financial year and audited financial statements six months and one week after the end of the financial year, on a website accessible to the public.[56] The effective implementation of this requirement will be monitored by CSP and COPIREP, with an initial focus on the 2021 audited financial statements and 2021 annual reports of strategic SOEs.[57]

63. The Council of Ministers approved, in January 2022, to proceed with the competitive recruitment of the leadership team of SNEL and REGIDESO. The competitive selection process is undertaken by COPIREP[58] and the call for expressions for interest was launched on February 22, 2022. The authorities have also decided to proceed with the competitive selection of the leadership team of the National Road Fund (*Fonds National d'Entretien Routier*, FONER[59]), at the same time.

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[54] The REGIDESO restructuring strategy was approved in September 2021 (the strategy was prepared in 2018, with support from the DRC Urban Water Supply Project, P091092). A study to propose key options for SNEL restructuring is under procurement (through AGREE, P173506).
[55] The selection of these SOEs was undertaken in coordination with the IMF, as it is estimated they represent the highest level of debt.
[56] Hard copies of financial statements of selected SOEs can be obtained through the company registry but no information is available online.
[57] DRC strategic SOEs are SNEL (power utility), REGIDESO (water utility), SCTP (port), RVA (airports), SNCC (railway), and GECAMINES (copper mining).
[58] COPIREP had undertaken a competitive selection process for *mandataires publics* in 2008 after the approval of the four laws on state disengagement, the first time in DRC history.
[59] FONER is an independent "public institution" (*établissement public*) and not a SOE. However, "public institutions" suffer from the same deep governance weaknesses observed in SOEs. The DRC President appoints state representatives (*mandataires publics)* in both SOEs and "public institutions".

Prior Action #5: **5a.** To increase the transparency of SOEs, the Recipient has made mandatory the publication of their annual reports within three months following the end of their financial year and of their audited financial statements, within six months and one week after the end of their financial year, on a website publicly accessible, pursuant to the Ministry of Portfolio's Circular N° 0345/MINPF/MKA/COPIREP/AKM/2022. **5b:** To improve the corporate governance of SNEL, REGIDESO, and FONER, the Ministry of Portfolio has launched a competitive, meritocratic and transparent recruitment of the chairman, general managers and deputy general managers of the three public entities by publishing the Notices of Expression of Interest for the nine positions. ***Indicative Trigger #5:*** **5a.** To increase the transparency of SOEs and strengthen accountability, the SOE Monitoring Unit within the Ministry of Portfolio (*Conseil Supérieur du Portefeuille,* CSP) publishes an annual report on the financial and operational performance of SOEs for 2021, including a focus on strategic SOEs.[60] **5b.** To strengthen the oversight of strategic SOEs, the Recipient has adopted and published a regulation that provides a framework for the selection of statutory auditors (C*ommissaires aux Comptes*) by the SOE's board of directors, including the criteria to be considered. **5c.** The competitive, meritocratic and transparent recruitment of the Chairmen, General Managers and Deputy General Managers of SNEL, REGIDESO and FONER has been completed, with the nomination, by Presidential Ordinance, of the selected candidates issued from the recruitment process.

64. **Rationale for indicative Trigger #5**. To pursue efforts at increasing transparency of SOEs, the CSP will publish a report[61], each year (by end October), on the financial and operational performance of DRC SOEs, including a focus on strategic SOEs, building on the publicly available annual reports and audited financial statements. In addition, to strengthen the quality and reliability of audited financial statements of SOEs, the framework for the selection of statutory auditors for SOEs will be strengthened (including criteria such as industry expertise, audit experience, qualifications of the audit team, and proposed approach to conducting the audit) – as the current criteria for selecting statutory auditors are not transparent and the qualifications of some of the appointed audit firms raises concerns as to their ability to audit large business entities.[62] In addition, the proposed trigger will ensure that the competitive selection of the leadership team for SNEL, REGIDESO and FONER is completed, with the nomination, through Presidential Ordinance, of the leadership team based on the selection process undertaken by COPIREP. The competitive selection process was initiated on February 22, 2022. An international firm was selected to support the recruitment process. The competitive recruitment process led by COPIREP was finalized on May 4, 2022 and the final report on this selection process was shared with the Congolese authorities for onward action (nomination by Presidential Ordinance of selected candidates). Efforts to improve the transparency and corporate governance of SOEs are also supported by the ENCORE operation

[60] DRC strategic SOEs are SNEL (power utility), REGIDESO (water utility), SCTP (port), RVA (airports), SNCC (railway), and GECAMINES (copper mining)
[61] Technical assistance will be provided through ENCORE to CSP to ensure a satisfactory quality of the report, as past and irregular CSP reports had significant deficiencies (Democratic Republic of Congo, Governance of State-Owned Enterprises, World Bank, May 2019)
[62] Democratic Republic of Congo, Governance of State-Owned Enterprises, World Bank, May 2019 (not publicly disclosed)

(P171762) which includes a focus on strengthening SOE performance monitoring, reporting, and auditing.

65. **Expected results**. By end 2023, the audited financial statements and annual reports for 2021 and 2022 for SNEL (*Société Nationale d'Electricité*, power utility), REGIDESO (*Régie de Distribution d'Eau*, water utility), SCTP (*Société Congolaise de Transport et des Ports*, ports), RVA (*Régie des Voies Aériennes*, airports), SNCC (*Société Nationale des Chemins de Fer*, railway), and GECAMINES (*Générale des Carrières et des Mines*, copper mining) will be available on a website accessible to the public.[63] In addition, the leadership of SNEL, REGIDESO, and FONER will have been meritocratically selected.

Pillar 3: Strengthening governance for sustainable forestry

Policy Area 5: Improving governance for sustainable forest management

66. **Rationale.** Occupying about 150 million hectares (roughly equivalent to the combined land area of Turkey, Germany, and Romania), the forests of DRC provide livelihoods and ecosystem services to some of the poorest and most densely populated areas of the country and represent invaluable assets for enhancing climate change resilience of communities and systems (crops, livestock, water, infrastructure). Congolese forests and peatlands are also global carbon sequestration assets and provide habitat for endemic species; their possible destruction is a threat to the global environment. Forests are key to growing, transforming, and sustaining DRC's national economy, with potential economic benefits lying in the generation and trade of forest carbon credits, employment and royalties from biodiversity conservation, and forest management and industries. Therefore, sustainably managing forests is key to DRC's development trajectory. Against this backdrop, the history of DRC's forests has been dominated by vested interests, misappropriation, disregard for local and indigenous communities' rights, poor law enforcement, and corruption.

67. Following breaches of the moratorium initially established in a 2002 Ministerial Order,[64] a 2005 Presidential Decree[65] mandated that the moratorium be extended until (i) the results of a legal review were published; (ii) geographic zoning of the permanent forest production estate was completed; and (iii) a new competitive system for awarding forest concessions was in place. The Presidential Decree also stated that existing concessions could not be traded, swapped, transferred, or exchanged while the moratorium was in place, and that the moratorium could only be lifted by a subsequent Presidential Decree. From 2004 to 2009, the World Bank collaborated with the Government and development partners in the legal review of DRC forest contracts. Pursuant to the review, 12.7 million hectares of forests claimed under dubious and illegal contracts were canceled and approximately 10 million hectares were converted into long term concessions.[66] The final results of the review were disclosed in 2014. Serious breaches of the moratorium have occurred since 2015[67] in a context of weakening Government commitment to

[63] The Kin Elenda (P171141) and PACT (P161877) operations also support the disclosure of the annual reports and audited financial statements of REGIDESO and RVA, through covenants in their respective Financing Agreements. However, the DPO series aims to ensure that the disclosure of annual reports and audited financial statements for SOEs is a national requirement which is effectively implemented and therefore does not depend on requirements included in World Bank Financing Agreements.
[64] Ministerial Order CAB/MIN/AF.F.E.T/194/MAS/02 of May 14, 2002
[65] Presidential Decree No. 05/116 of October 24, 2005
[66] More detail on the review is provided in Annex 6.
[67] There was no apparent breach to moratorium from 2005 to 2014.

governance and decreased development partner engagement with supporting national forest institutions (with, in particular, the closure of the Forest and Nature Conservation Project, P100620, in 2015).

68. **Program.** In July 2021 the Government adopted an urgent plan, presented by MEDD, with ten actions to ensure sustainable management of forests.[68] Good governance is a pre-requisite for halting the misappropriation of forests, accruing socioeconomic benefits to the rural poor, financing the Government's budget, and building the level of confidence required for the DRC to become a trusted supplier of credits in the emerging international trade of forest carbon credits. This Government's plan is reflected in the November 2021 Letter of Intent (LOI) between DRC and CAFI. Placing strong emphasis on restoring sector governance and building institutional capacity, the LOI re-affirms the principles established in the 2005 Presidential Decree that the moratorium on new concessions cannot be lifted[69] until (1) a consultative geographical planning process is completed, and (2) the allocation of future concessions is organized in line with a transparent competitive process.[70]

69. Twenty-two apparent breaches of the moratorium have been brought to the attention of the MEDD (in charge of forests) and other Government authorities since 2020 by civil society. Noting the low priority initially assigned to this matter by MEDD, the Prime Minister asked, in June 2020, the General Inspectorate of Finance (IGF) to launch an investigation[71] that confirmed the breaches to the moratorium; documented serious administrative offenses; and highlighted institutional and individual responsibilities. Of the 22 concessions identified by civil society organizations, six were canceled by MEDD in December 2021, and nine were referred, by civil society organizations, to the *Conseil d'État* (administrative Supreme Court) for cancellation.

70. On April 1, 2022, MEDD published the 2021 Report of the General Inspectorate of Finance (IGF) on forest concessions.[72] On the same day, the President of DRC instructed the Minister of the Environment and Sustainable Development, in collaboration with the sectoral ministries and the institutions involved in climate governance, to prepare, within two weeks, a roadmap on the forestry sector, highlighting urgent measures to preserve and improve the performance of the sector, for consideration by the Council of Ministers.[73] This roadmap is considered critical for reassuring public and private partners interested in investing in the forestry sector. This measure builds upon the President's instruction in October 2021 that suspicious concessions be suspended, while the appropriate authorities complete the necessary analyses to resolve the cases.[74] On April 12, 2022, the Minister of the Environment and Sustainable Development

[68] Minutes of the 11th meeting of the Council of Ministers (July 9, 2021). Ministry for Communication and Media (2021). DRC.
[69] The lifting of the moratorium was one of the ten urgent measures announced by the authorities in July 2021, which created major concerns among international environment NGOs.
[70] These measures are consistent with Presidential Decree No. 05/116 of October 24, 2005. It is assessed that DRC has an adequate legal framework relating to the transparent award of logging concessions. Challenges have persisted in the implementation of the legal framework.
[71] *Rapport de mission relatif au contrôle de la légalité des allocations et cessions des concessions forestières et des droits dus au Trésor public par les exploitants forestiers formels. Inspection Générale des Finances, Mai 2021.* Mission report on the control of the legality of allocations and transfers of forest concessions and of fees due to the Treasury by formal loggers. IGF, May 2021
[72] *https://medd.gouv.cd/rapport-de-mission-relatif-au-controle-de-la-legalite-des-allocations-et-cessions-des-concessions-forestieres-et-des-droits-dus-au-tresor-public-par-les-exploitants-forestiers-formels/*
As part of the CAFI LOI, the DRC authorities had committed to disclose the report by end 2021.
[73] Minutes of the 47th meeting of the Council of Ministers (April 1, 2022).
[74] Minutes of the 24th meeting of the Council of Ministers (October 15, 2021)

announced that the forest concessions[75] identified as problematic in the IGF report were suspended and that a commission would be established to review these contracts and decide whether to cancel the contracts or to lift the suspension. The MEDD order establishing this commission was approved by the Council of Ministers on April 15, 2022. Civil society has raised concerns regarding the representativity of the commission, with a heavy representation of MEDD and possible conflict of interest. In this context, development partners have stressed the importance to undertake this review in an inclusive and transparent framework, with consultations with various stakeholders, in line with the DRC commitments in the CAFI Letter of Intent.

71. These steps show a renewed commitment of the Government to halting and reversing illegal appropriation of forest land, and to pursuing the path towards better forest governance which, after a promising start, had been interrupted in the past decade. Further evidence of the Government commitment's to improving sector governance, nature conservation and sustainable management of production forests is contained in its decision to include the forest sector in national reporting to the Extractive Industries Transparency Initiative (EITI).[76]

Prior Action #6:
To improve governance in the forestry sector, the 2021 Report of the General Inspectorate of Finance on the control of the legality of the allocations and transfers of forest concessions, and on taxes due to the Recipient's Treasury by logging companies, has been published in April 2022.

Indicative Trigger #6:
6a. To strengthen the implementation of sustainable forest management measures, forest concessions found in breach of the Moratorium have been subjected to the processes required under the law and cancelled.
6b. To strengthen transparency of the forestry sector, the Government has updated and published the list of legal logging and other concession contracts, as required by the Forestry Code.

72. **Rationale for indicative Trigger #6.** Building on Prior Action #6, Trigger #6 will restore the path of reforms interrupted by the illegal allocation of concessions that took place between 2014[77] and 2020. The proposed trigger (the application of due process against concessions found to be illegal at the end of an ongoing legal review) will help the Government overcome resistance and red tape that can be expected of institutions that have until recently allowed or ignored illegal allocation. To further strengthen transparency in the forestry sector, Trigger #6 supports the publication of all industrial and conservation logging concession contracts, as required by the 2002 Forest Code.

73. Trigger #6 is aligned with the CAFI LOI, which includes the following milestone: "The legal review of forestry concessions for industrial operations is completed by mid-2022 in consultation with the various

[75] The IGF identified 18 problematic concessions; MEDD indicated that six concessions were suspended on December 8, 2021 and 12 on April 5, 2022, totaling 18. International civil society has raised concerns on the transparency of this process and questions whether all problematic concessions have been suspended (https://www.greenpeace.org/africa/fr/communiques-de-presse/51131/rapport-de-linspection-generale-des-finances-la-vice-premiere-ministre-ministre-de-lenvironnement-sobstine-a-entretenir-la-confusion%EF%BF%BC/).
[76] Joint Communiqué between MEDD and the Donor Group on Environment and Climate (GIBEC). February 18, 2022.
[77] Date of the publication of the second legal review of forest concessions. The IGF investigation on forest concessions focused on the period between July 31, 2014 and June 24, 2020.

stakeholders; the results published; and the forestry concessions that are judged illegal with regard to the national legislation, are canceled by [end of 2022]".

74. The commission established to review concession contracts will rely on the findings of the IGF report and on the on-going legal review of forest concessions financed by the European Union, in the context of the CAFI LOI. An international firm was selected to review the legality and compliance of industrial forest concessions (81 concessions), with a view to (i) establish their legality in terms of allocation, transfer and change of use (e.g., conservation) and compliance with the management plan; (ii) propose recommendations on the future of concessions deemed illegal or non-compliant by considering the measures prescribed by the Forest Code and Congolese law and by proposing, where the Code is silent, corrective measures that comply with Congolese law. A Committee, composed of representatives of the administration (MEDD), civil society and development partners was established to monitor progress of this review, which is expected to be finalized by June 2022.

75. The DPO series is allowing the World Bank to re-initiate a high-level policy dialogue on forestry, which was discontinued following the closure of the Forest and Nature Conservation Project (P100620) in 2015 and the shift of focus, thereafter, towards a climate and conservation angle (see Annex 6). This is welcome by CAFI's development partners, which have encouraged the World Bank to include CAFI milestones in DPF. The formulation and implementation of Indicative Trigger #6 will require intense high-level policy dialogue to ensure that the process to deal with concessions found to be in breach of the Moratorium will be fair, transparent and will follow due process. It will also rely on a strong consultative process, in line with the CAFI LOI general principle that applies to all milestones: "respect for the principles of consultation, participation and transparency in conducting reform and political processes" (which is repeated in the specific milestone discussed in paragraph 73: "in consultation with the various stakeholders").

76. **Expected results.** By end 2023, compliance of forest concessions with applicable law is achieved: the legality of all forest concessions contracts is ascertained, all non-compliant contracts are cancelled, and the list of all valid contracts is published.

Policy Area 6: Addressing deforestation and forest degradation

77. **Rationale**. Despite the country's progress on REDD+, and supporting capacity-building programs, access to transparent and accurate forest information and forest loss assessment in DRC remains a challenge. High-quality and reliable data, including forest-carbon estimates, are an essential foundation for in country-led actions to reduce deforestation. They can be used to monitor deforestation events linked with the extension of forest concessions or the development of large agro-industrial and mining projects. They are also critical for reporting on commitments and unlocking results-based climate finance. DRC has established a National Forest Monitoring System (NFMS) which is operated by the Directorate of Inventories and Forest Management (DIAF) within the Ministry of Environment and Sustainable Development (MEDD). However, there is no systematic publication nor use of NFMS information to monitor and report on the state of DRC's forests, except in the context of specific donor-funded programs.

78. **Program**. The NFMS was operationalized over the period 2017-2021 with CAFI funding and

technical assistance from the Food and Agriculture Organization (FAO).[78] The NMFS provides provincial and national level forest data, which supported the preparation of the updated DRC Forest Reference Emissions Level (2018), with forest change data produced for each of the 26 provinces and aggregated at the national level; Biennial Update Report for the period 2018-2020 with its technical annex on REDD+ (2021); Major Deforestation Events reports for 2017-2018 and 2019-2020; and the revised NDC (2021).[79] In order to systematize the use of the NFMS data for transparent regular monitoring of deforestation and forest degradation in DRC, MEDD issued an order that mandates DIAF to publish the NFMS data on forest cover changes, on a biennial basis.

Prior Action #7: To improve the quality of reporting and enhance transparency on forest data, the Recipient has mandated the biennial assessment on deforestation and forest degradation, pursuant to the Recipient's Ministry of Environment and Sustainable Development's Order No. 023/CAB/VPM-MIN/EDD/EBM/CBM-TSB-PDK/02/2022 dated May 6, 2022.

Indicative Trigger #7: To address deforestation and forest degradation from agriculture, the Council of Ministers has adopted a sustainable national agricultural policy that integrates the principles of land-use planning and forest and peatland conservation and promotes the development of sustainable commercial agriculture in savannah areas.

79. **Rationale for indicative Trigger #7**. With slash-and-burn a main driver of deforestation in DRC,[80] the development of sustainable agriculture with reduced impact on forests is a priority for the country to implement REDD+ and achieve climate resilient development. This is because forests do not only mitigate climate change through carbon storage but also provide a suite of valuable environmental services which are critical to reducing the vulnerability of communities and systems to climate change. A National Sustainable Agricultural Policy (NSAP) is currently under preparation. It is led by the Ministry of Agriculture and supported by FAO with CAFI funding. The NSAP encourages a shift to climate-resilient cropping systems and steers agricultural development as a priority towards savannah areas. It promotes the principles of land use planning and sustainable management of forests and peatlands. The draft NSAP is currently under review with stakeholders, including the donor group on agriculture and rural development (*Groupe Inter-Bailleurs Agriculture et Développement Rural*, GIBADER). A National Advisory Council on Agriculture is also expected to be established to serve, among other things, as a platform for monitoring the implementation of the NSAP.

80. **Expected results.** By end 2023, DRC's annual forest cover losses reported through the National Forest Monitoring System will be reduced to less than 667,867 hectares (ha) per year (the 2014-2018 average).[81]

[78] http://www.rdc-snsf.org/portal/#/
[79] Ministry of Environment and Sustainable Development & Food and Agriculture Organization of the United Nations. (2021). Program for the Finalization and Implementation of the National Forest Monitoring System of the Democratic Republic of Congo. Final Report.
[80] Between 2000 and 2014 smallholder clearing (slash-and-burn agriculture) in DRC alone accounted for nearly two-thirds of total forest loss in the Congo basin. A. Tyukavina, M. C. Hansen, P. Potapov, D. Parker, C. Okpa, S. V. Stehman, I. Kommareddy, S. Turubanova, Congo Basin Forest loss dominated by increasing smallholder clearing. Sci. Adv. 4, eaat2993 (2018)
[81] This result indicator (ceiling) is set at the average annual forest cover losses for 2014-2018 as per the latest data from DRC's National Forest Monitoring System. This is consistent with DRC's commitment under the new CAFI LOI which sets a ceiling of 667,867 ha of annual forest cover losses to be revised downwards by the end of 2023.

Policy Area 7: Supporting climate resilient development

81. **Rationale**. DRC's high vulnerability to the impact of climate change is primarily related to socioeconomic factors, such as poverty, population density, and conflict. Therefore, integrating climate change adaptation into long-term development plans and sectoral policies is key to securing social and economic outcomes. Addressing deforestation is also critical to reducing the vulnerability of communities and systems (crops, livestock, water systems, infrastructure) to climate change (see Box 3).

82. **Program.** To support the implementation of adaptation measures and improve the understanding of climate change and its impacts, DRC launched the development of a National Framework for Climate Services (NFCS) with support from the World Bank financed Hydromet Project (P159217). The NFCS will bring together DRC's main hydro-met service providers, including the National Agency of Meteorology and Remote Sensing by Satellite (METTELSAT) and other Government and/or research organizations,[82]under a platform overseen by the Ministry of Transport and Communication. It will provide comprehensive climate information and advice to support decision making and preparedness for a range of end-users (policy makers, private sector, academia, communities). A comprehensive and costed roadmap was finalized in 2021 to fully operationalize the NFCS by 2025.

Prior Action #8: To strengthen the assessment of climate impacts and mainstream resilience in climate-sensitive sectors, the Recipient has established the National Framework for Climate Services pursuant to Decree No. 22/19 dated May 13, 2022, published in the Official Gazette, Special Edition, dated May 13, 2022.

Indicative Trigger #8: To govern the provision and use of hydrometeorological information and ensure efficient delivery of hydromet services, the Government has submitted for approval to the Parliament the draft Meteorological Law.

83. **Rationale for indicative Trigger #8.** Trigger #8 aims to address the regulatory gap in the provision of hydromet services in DRC, including a clarification of mandates and responsibilities, provisions for data sharing, collaboration, and funding. The Meteorological Law will strengthen the country's frameworks to inform investments for climate resilience. A first draft Meteorological Law was prepared in 2013. It is currently under stakeholders review with consultations being led by METTELSAT and supported by the World Bank and the World Meteorological Organization (WMO).

84. **Expected results.** An effective governance mechanism for national climate services has been established to inform national resilience strategies by end 2023.

[82] Including the National Agricultural Study and Research Institute (INERA), the Waterways Authority (RVF), the Seaway Company (CVM), the Congo Basin Water Resources Research Center (CRREBaC), the Center for Studies and Research on Renewable Energy (CERERK) and the Capacity for Disaster Reduction Initiative (CADRI).

Table 6: DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Operation Pillar 1: Strengthening the management of public expenditure and mining royalties	
Prior action #1	DRC Public Financial Management and Accountability Review, World Bank (Vol. 1, 2015; Vol 2, 2017) 2019 PEFA for DRC (2020)
Prior action #2	2019 PEFA for DRC (2020) DRC Evaluation on the Administration and Collection of Revenues from the Mining Sector, World Bank (2017) DRC Tax-Gap Analysis, World Bank (2017) Using Extractive Industry Rents to Promote Growth and Development, World Bank (2017) Governance and Anti-Corruption Assessment, IMF (2021)
Prior action #3	DRC EITI report 2018-2019-H12020 (2020)
Operation Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance	
Prior action #4	DRC Digital Economy Assessment, World Bank (2020) DRC Country Private Sector Diagnostic, CPSD, World Bank Group (2022)
Prior action #5	DRC Governance of SOEs, World Bank (2019)
Operation Pillar 3: Strengthening governance for sustainable forestry	
Prior action #6	Deforestation Trends in Congo Basin: Reconciling Economic Growth and Forest Protection, World Bank (2012) Managing a valuable resource: Policy notes on increasing the sustainability of the DRC's Forests. Review of the Forest Sector of the DRC, World Bank (2016).
Prior action #7	Deforestation Trends in Congo Basin: Reconciling Economic Growth and Forest Protection, World Bank (2012) Managing a valuable resource: Policy notes on increasing the sustainability of the DRC's Forests. Review of the Forest Sector of the DRC, World Bank (2016).
Prior action #8	Technical assistance under the Strengthening Hydrometeorological and Climate Services Project (P159217)

Table 7: DPF Prior Actions and Supporting Operations

Prior Actions	Supporting Operations
Operation Pillar 1: Strengthening the management of public expenditure and mining royalties	
Prior action #1	Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), US$250 million
Prior action #2	Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), US$250 million AFD-EU project to digitalization of tax administration, US$17 million
Prior action #3	Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), US$250 million
Operation Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance	
Prior action #4	Transport and Connectivity Support Project (PACT, P161877), US$500 million (under preparation)
Prior action #5	Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), US$250 million Access Governance and Reform for the Electricity and Water Sectors Project (AGREE, P173506), US$600 million Transport and Connectivity Support Project (PACT, P161877), US$500 million (under preparation)
Operation Pillar 3: Strengthening governance for sustainable forestry	
Prior action #6	Forest and Savanna Restoration Investment Program under preparation (ForSTRIP, P178642), US$300 million, under preparation
Prior action #7	Forest and Savanna Restoration Investment Program under preparation (ForSTRIP, P178642), US$300 million, under preparation
Prior action #8	Strengthening Hydrometeorological and Climate Services Project (P159217), US$8 million

4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

85. **This DPO series is closely aligned with the World Bank Group Country Partnership Framework for DRC for FY22-26 (No. 168084-ZR) discussed by the Board of Executive Directors in February 2022, as it contributes to each of the three focus areas**: (i) Strengthen stabilization efforts for reduced risk of conflict and violence; (ii) Strengthen system for improved service delivery and human capital development; and (iii) Strengthen economic governance for increased private sector investment. The 2021 RRA has identified governance failures as a major driver of fragility in DRC. Efforts at strengthening governance are cutting across the three CPF pillars and are at the core of the new DRC CPF. The DPO series includes a strong governance focus across all policy areas and it complements governance milestones supported under the PRA approved for DRC as part of the CPF. The governance PRA milestones are complementary to DPO Pillar 1 and 2 with a focus on enhancing fiscal decentralization, strengthening of the Supreme Audit Institution (*Cour des Comptes*), and increasing access to information. Further, the PRA milestones on socio-economic inclusion are complementary to DPO Pillar 1 with a focus on land management and development of the artisanal mining sector. In addition, reforms supported under the DPO series aim to improve service delivery, with a focus on infrastructure (power, water, roads, telecom) and social sectors (education and health). Reforms also focus on ensuring sustainable management of natural resources and achieving climate resilient development, with a focus on the extractive sector and forests. The new CPF considered resuming the use of DPF in DRC, if there is an adequate macroeconomic and policy framework and government track record and commitment to a substantive policy reform program.

86. **Reforms under this proposed DPO series reinforce and complement other IDA-financed operations in DRC.** The US$250 million Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), approved in December 2021, supports the establishment of core PFM functions at the national and provincial levels. This includes a focus on strengthening mining revenue management and SOE governance. The US$500 million Kinshasa Multisector Development and Urban Resilience Project (Kin Elenda, P171141), approved in March 2021, supports increased transparency of the water SOE. The US$600 million Access Governance and Reform for the Electricity and Water Sectors Project (AGREE, P173506), approved in March 2022, aims to strengthen the governance and performance of the power and water SOEs. The US$500 million Transport and Connectivity Support Project[83] (PACT, P161877) aims to rehabilitate sections of the national road network and to strengthen the transparency and operations of the national road fund (FONER). The DPO series support key legal and institutional reforms pursued under the Strengthening Hydrometeorological and Climate Services Project (P159217). The US$300 million Forest and Savanna Restoration Investment Program under preparation (ForSTRIP, P178642, planned for FY23) aims to scale up successful efforts undertaken under the US$55 million Improved Forested Landscape Management Project (P128887) which has tested new approaches to improve community livelihoods and forested landscape management, and to reduce greenhouse gas emissions from deforestation and forest degradation. The IFC has been awaiting the publication of the Telecom law to pursue investment opportunities in the telecom sector.

87. **The DPO series is also aligned with several global or corporate WBG priorities, including digital transformation and GRID.**

[83] The first operation in a proposed series of three operations (US$500 million each).

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

88. **The reforms supported under the proposed DPO series build on sustained policy dialogue, often over several years**. Consultations to reach a technical consensus among stakeholders on the proposed reforms are a key part of this sustained engagement and a precondition to ensure political ownership to move forward with reform implementation. Reforms included in this DPO series also build on reform commitments within key initiatives, such as EITI, REDD+ and CAFI, and leverage the broad consultation process of these initiatives. Prior Action 3 leverages the consultations between the authorities (at national, provincial, and local levels), mining enterprises, and civil society led by the DRC EITI National Committee and supported by the Carter Center. Prior Actions 6 and 7 leverage the consultative process under CAFI between the DRC authorities, civil society, stakeholders, and development partners. Prior Action 8 builds on a national stakeholder consultation workshop on climate services held as part of the process to develop the NFCS, facilitated by the World Meteorological Organization. Prior Action 4 builds on regular consultations between the authorities and telecom operators over several years. The DRC authorities are planning for consultations with civil society regarding the 2022-2028 Strategic Plan for Public Finance Reforms (*Plan Stratégique de la Réforme des Finances Publiques* – PSRFP) in the context of the on-going development of the Priority Action Plan to guidance initial implementation of this Strategic Plan. This consultative process will be leveraged for Prior Actions 1 and 2. Further consultations with civil society and stakeholders will be undertaken during the implementation of the DPO series to ensure broad-based understanding of the proposed reforms, ownership, and support to reform implementation, as well as monitoring of the results of the reforms.

89. **The World Bank has benefited from close collaboration and exchanges with development partners in defining the reform agenda.** World Bank staff has regular exchanges with IMF staff on macroeconomic and fiscal issues. The analytical underpinnings of some of the reforms have been supported by various development partners (e.g. IMF, EU, AFD, Foreign and Commonwealth & Development Office, United States Agency for International Development, German Technical Cooperation, Carter Center). The World Bank have regularly consulted with development partners on the possibility to resume DPF and on reforms to be supported through this instrument, through the regular Ambassadors' meeting as well as through development partners coordination mechanisms (*Groupes Inter-Bailleurs*, GIB), such as the PFM GIB, the GIBEC (with the Forest sub-group) and the GIBADER. The World Bank team has closely worked with Norway to define the policy measures aimed at protecting DRC vast forests. Within the WBG, the World Bank team has been in regular contact with IFC colleagues to identify reforms critical to increase private investments in the country, leveraging the DRC CPSD.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

90. **Reform measures supported under the DPO are expected to benefit the poorest and most vulnerable groups directly and well as indirectly.** None of the prior actions nor their expected outcomes supported by the DPO series are expected to have significant negative impacts on poverty and shared prosperity.

91. **Strengthening Public Financial Management systems through the Pillar 1 is expected to have indirect positive impacts on poor and vulnerable households.** Strengthening the management of public expenditure (Prior Action 1) and of non-tax revenues (Prior Action 2) will generate additional revenues that provide the fiscal space for positive and redistributive impacts on the poor. Cross-country evidence suggests that the Resource Governance Index (RGI), and its components related to revenue management and the enabling environment, have a negative correlation with poverty. Supported by strengthened expenditure management the additional revenues provide the opportunity to directly alleviate poverty and vulnerability through the expanded coverage of safety net programs. Moreover, better capturing mining royalties will allow for keeping a greater part of the added value in the country, which, when accompanied by the improvements in factor productivity, can have significant impacts on poverty reduction and inclusion[84], which in turn can address drivers of conflict (RRA driver 3[85]). Actions that aim to share mining revenues with provinces, decentralized territorial entities and affected communities (Prior Action 3a and 3b) are expected to contribute to increased pro-poor spending through more information from local authorities about needs and to a reduction in spatial disparities. Exploiting the full pro-poor potential of this prior action will require strengthening the capacity for spending at the local level. Similarly, embedding strong Citizen Engagement will ensure adequate and meaningful involvement of all beneficiaries.[86]

92. **Liberalization of the telecommunications sector, as well as reforms to improve transparency and corporate governance of SOEs are expected to increase private sector activity, create jobs and improve service delivery, leading to direct and indirect positive impacts on well being**. The liberalization of the telecom sector (Prior Action 4) is likely to result in a reduction of costs to consumers and greater access to mobile and internet services. Access to telecommunication media (phones, internet) are associated with significant increases in productivity, even among the poor. Lower internet and mobile costs also improve connectedness of communities and can thereby increase social cohesion. Improved transparency and management of SOEs (Prior Action 5) contributes to better fiscal management, and help improving the allocation of domestic revenue. In particular, as in the case of Pillar 1, better management of SOEs will increase the fiscal room for higher pro-poor spending.

93. **The sustainable management of forestry envisaged in Pillar 3, conducted with strong citizens' engagement and accountability mechanisms, are expected to promote development and poverty reduction**. Prior Actions 6 and 7 aim to strengthen governance of the forestry sector which is a requirement for sustainable forestry for the benefit of DRC's population. Reducing deforestation will build resilience to climate shocks and support livelihoods. Strengthened management of forests will also need to include short-term mitigation measures for some communities that will transition from reliance on forests for subsistence and fuel. The REDD+ process described below offers such mitigation measures.

94. **Based on the recommendations of the Strategic Environmental and Social Assessment (SESA)**

[84] Banque mondiale (2017), "République Démocratique du Congo : Utiliser la Rente des Industries Extractives pour Promouvoir la Croissance et le Développement", Rapport No115288-ZR, Groupe de la Banque Mondiale.
[85] RRA Driver 3: an increasingly young population trapped in poverty, exclusion, and trauma are excluded from economic opportunity and social mobility.
[86] The DPO series builds on the planned support under the ENCORE operation (P171762) which includes a sub-component on mining revenue management, leveraging the EITI process and focusing on sub-national direct payments and sub-national transfers and on supporting citizen engagement initiatives that assure women and the most vulnerable have an increased voice in decision making in the use of local mining revenue.

of the REDD+ process in DRC,[87] DRC adopted an Environmental and Social Management Framework (ESMF) and specific frameworks that address risks of REDD+ investments.[88] These frameworks define the guidelines to be adopted, specific studies that should be conducted, the compensation to be provided, the procedures to allow people to appeal against the proposed activities, the procedures for managing these appeals and the monitoring and evaluation process needed to verify the sound implementation of mitigation measures. DRC has also defined its national social and environmental standards to have its own national regulatory framework and ensure the integration of social and environmental considerations in the implementation of REDD+. The standards mandate the application of Free, Prior and Informed Consent (FPIC) for affected local and indigenous communities if the activities have consequences on communities' land-use rights and/or existing agreement and to prevent elite capture of benefits. As underlined in the Resettlement Policy Framework, the objective of REDD+ is not to displace people from their land, but to develop investments that reduce deforestation. Any relocation should pursue the objectives to avoid or minimize involuntary resettlement by considering all feasible alternatives in the project design; assist displaced persons in their efforts to improve, or at least restore, their livelihoods and standard of living, considering them, in real terms, at the levels of pre-displacement or project implementation phase, whichever is more advantageous; and design and implement resettlement activities in the form of development programs that provide project displaced persons with sufficient investment opportunities to enable them to benefit from the project when displacement is unavoidable. This is consistent with the community-driven approaches which the World Bank and other donors have been supporting under the framework of the national REDD+ investment plan[89] to address deforestation and forest degradation while providing additional livelihood opportunities to local communities.

95. **Prior Action 8 aiming to strengthen the country's capacity to create and use climate information can decrease vulnerability** through increased capacity to better cope with various climate shocks (floods, droughts, etc.), and ultimately increase the resilience of poor and vulnerable people.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

96. **DRC has taken significant steps to establish a modern legal and institutional framework for managing the environmental and social risks of development investments and activities within its border**. This culminated in the promulgation of the Law 11/009 of July 9, 2011 on fundamental principles relating to the protection of the environment and the Decree 14/030 of November 18, 2014, which regulates Environmental and Social Impact Assessment (ESIA). The Congolese Environmental Agency is responsible for the enforcement of the environmental Law and environmental assessment regulations. Despite DRC having a defined institutional framework for environmental and forests natural resources management, it faces limited and overstretched human capacity leading to poor enforcement of

[87] Ministry for the Environment, Nature Conservation and Tourism. Democratic Republic of the Congo (2014). Strategic Environmental and Social Assessment of the REDD+ Process. Baseline Report. Available at: https://documents1.worldbank.org/curated/en/657861467992824402/pdf/E4838-V5-EA-P124072-Box396263B-PUBLIC-Disclosed-5-27-2016.pdf

[88] Including a Pests and Pesticides Management Framework, Cultural Heritage Management Framework, Indigenous Pygmy Peoples Planning Framework, Process Framework and Resettlement Policy Framework. Documents are available at: *http://46.105.254.177/sis/docs-ressources/*

[89] Democratic Republic of Congo (2015). REDD+ Investment Plan (2015-2020). Available at: https://redd.unfccc.int/uploads/3262_4_redd_investment_plan_eng.pdf

legislative requirements. To mitigate the identified weaknesses, the DPO series leverages a strong participatory policymaking process in the forest sector supported by CAFI. Complementary World Bank financed operations also support capacity development for managing natural resources. These include, Transport and Connectivity Support Project (P161877), Access, Governance and Reform for the Electricity and Water sectors (P173506) and Enhancing Collection of Revenue and Expenditure Management Project (P171762), which incorporate natural resources management and ESF capacity building.

97. As per 2017 DPF Policy, the World Bank has assessed whether the country policies supported by this DPO series are likely to have an impact on the environment, forests and natural resources. This assessment shows that the Prior Actions 2, 6, and 7, given their focus on strengthening transparency and governance of forest resources, are likely to have a positive impact on the country's environment, forest and natural resources. Prior Action 6 should lead to a reduction of illegal forest exploitation while Prior Action 7 will provide timely information to address deforestation and forest degradation. Prior Action 8 will also have a positive impact. A functional NFCS will enable co-production, tailoring, delivery and use of science-based climate predictions and services and will support the implementation of climate resilient development strategies. The positive impacts are supported by the requirement under law no. 11/009 of July 9, 2011, on the fundamental principles of environmental protection. Prior Action 3 could lead to additional investments in provinces, ETDs and communities. However, possible negative effects will be assessed and addressed through the proposed SESA under ENCORE (P171762) which supports the implementation of the policy reforms under Prior Action 3. The new Telecom Law under Prior Action 4 is expected lead to more future investments. However, for such investments, the Environment Impact Assessment is mandatory and must be done before any project commences.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

98. **The overall fiduciary risk in DRC entails a high probability of impacting the DPO series, in a challenging context.** The 2019 PEFA assessment (completed in October 2020) showed an overall deterioration in PFM compared to 2012 which are being addressed under the new Strategic Plan for Public Finance Reform 2022-2028. The concerns relate to the three budgetary result areas: overall budget discipline; strategic allocation of resources; and efficiency in service delivery. On the other hand, there have been improvements in budget preparation procedures, production of budget execution monitoring reports and production of accountability statements. The 2019 PEFA assessment note that "this regression can be explained firstly by the political pressure exerted during the budget preparation procedures, which leads to the voting of an unrealistic budget, and secondly by dysfunctions or even the absence of controls on the execution of expenditure. The gaps between the existing legal texts (in particular the 2011 Public Finance Law) and their effective application remain significant". To mitigate difficulties in forming accurate revenue and expenditure projections, the Government operates with a "budgetary engagement plan" and a "cash-based engagement plan". Nevertheless, from 2021 onwards, there have been improvements in the preparation and execution of the budget: budget revisions, with upward revision of budget forecasts, was approved in August 2021 by the Parliament, and the execution of the 2021 budget ended with a surplus in revenue mobilization.

99. **In light of the findings of the 2019 PEFA assessment, the Ministry of Finance has elaborated a new Strategic Plan for Public Finance Reform for 2022-2028**, with eight axes: (i) budget process; (ii) tax policy and tax administration; (iii) public expenditure management; (iv) public accounting and cash

management; (v) public financial control system; (vi) provincial and local public financial management; (vii) participatory governance of public finances; and (vii) digitalization of the public financial management system. A Priority Action Plan for 2022-2024 is being finalized with IMF technical assistance. This proposed DPO and the ENCORE operation support the implementation of the priority reforms identified in the Strategic Plan and in its accompanying 2022-2024 Priority Action Plan (a draft version is available).

100. **The Government's budget is publicly available on the Ministry of Budget's website[90], as are quarterly budget-execution reports.** Budget reports are produced every month; they are presented with the same nomenclature as the initial budget. Quarterly budget reports are also prepared within four weeks after the quarter ends and cover the overall budget as well as poverty-related expenditure. In-year budget reports follow a standard presentation and have gradually improved. There are still concerns about data accuracy, however those concerns do not compromise the reports' usefulness. Also, in-year and annual reporting are only restricted to budget execution and does not include other government financial accounts and assets.

101. **Procurement integrity remains a concern in the country, despite the existence of an institutional and regulatory framework,** based on the 20120 Public Procurement Law *(Loi n° 10/010 du 27 avril 2010 relative aux Marchés Publics)***.** Steps have been taken to make procurement a part of the PFM system reforms. However, implementation has fallen behind due to lack of political will since 2010. The limited integrity of the procurement system is of high concern with prevalence of corrupt practices that further weaken an already fragile system. Procurement complaints and procurement audits are part of regulatory tools in the system, but their impact falls short of making a difference and enhancing system's efficiency. A critical weakness is the absence of enforcement of sanctions for violations of procurement laws and regulations. All these shortcomings have been evidenced and confirmed by the MAPS-2 evaluation completed in December 2019. The report provided recommendations that are expected to be translated into an effective action plan to improve procurement systems and PFM in general for a better use of public funds. A launch meeting for the design of the action plan was organized in March 2022, to garner commitment of the DRC authorities and operational actors. Technical work to develop the action plan is ongoing.

102. **In 2018, the BCC was endowed with new legal statute aimed to enshrine its independence, while strengthening its accountability and governance** (*Loi n°18-027 du 13 décembre 2018 portant organisation et fonctionnement de la Banque centrale;* law on Central Bank organization and operation). The new statute intends to harmonize DRC Central Bank legal framework with international standards, especially SADC of which DRC is a member state. The IMF has conducted a safeguards assessment of the Central Bank in February 2020. Following the safeguards assessment, the BCC has committed to a) improvements in its governance structure; b) stronger controls and risk management; c) more financial reporting transparency; among others. The DRC authorities nominated a new Central Bank governor and a new Board in July 2021 (a prior action for the approval of the IMF ECF in July 2021 was that the BCC Board be fully constituted in accordance with the requirements of the 2018 Central Bank Law). The BCC is subject to external audit and its financial statements for 2020 are audited by an internationally recognized firm.[91] The auditor's opinions for BCC audited financial statements related to calendar years 2016 to 2020 are unqualified. However, the audit opinions contain an "Emphasis of Matter" paragraph

[90] https://budget.gouv.cd/budget-2022/
[91] https://www.bcc.cd/bcc/publications-redirect/autres_publications.

relating to business continuity resulting from losses accumulated in previous years and the delays in the implementation of the BCC financial restructuring plan (recapitalization). The IMF ECF includes as a structural benchmark on the validation of the analysis of the BCC recapitalization needs by the BCC Board by end November 2022. In order to remedy another "Emphasis of Matter" paragraph included in the 2020 audit report (debit position of the General Treasury Account), a memorandum of understanding was signed in December 2021 between the Ministry of Finance and the BCC on the regularization of the BCC's receivables from the Treasury.

103. **Disbursement, Accounting and Auditing.** The Recipient is DRC, represented by the Government through MoF. The financing will be released in a single tranche equivalent to US$250 million upon effectiveness and provided that IDA is satisfied (i) with the program being carried out by the Recipient and (ii) with the adequacy of the Recipient’s macroeconomic policy framework. The proposed operation will follow IDA’s standard disbursement procedures for development policy financing. Upon approval of the operation and effectiveness of the Financing Agreement, the proceeds of the DPO will be disbursed by IDA into a dedicated account of the Government of the DRC for budget support at the Central Bank of Congo (BCC), which will form part of the country’s foreign exchange reserves. The proceeds of the grant will not be used to finance expenditures excluded under the Financing Agreement. The Recipient shall ensure that upon the deposit of the grant into said account, an equivalent amount is credited in the Recipient’s budget management system within 30 days and in a manner acceptable to IDA. The Recipient will report to the World Bank on the amounts deposited in the dedicated foreign currency account and credited in local currency (CDF) to the budget management system in a manner acceptable to IDA. The equivalent amount in CDF reported in the budgetary system will be based on the market rate effective on the date of the transfer. The Recipient will promptly notify the World Bank within 30 days of the transfer by email that the transfer has taken place and that proceeds have been credited in a manner satisfactory to IDA.

104. **The financial support provided under this operation is not intended to finance goods or services in the standard negative list.** If, after being deposited in the dedicated account, the proceeds are used for excluded expenditures as defined in the Financing Agreement, IDA will require the Recipient to refund directly to IDA an amount equal to the amount of that payment promptly upon notice. Amounts refunded to the World Bank upon such a request will be canceled.

105. **Audit of the deposit account.** The Government shall submit an audit of the deposit account by independent auditors acceptable to the Association. The Recipient would: (i) furnish to the Association as soon as available, but in any case not later six months from the date of receipt of the funds in the dedicated account in local currency, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and (ii) furnish to the Association such other information concerning the Dedicated Account and related audit as the Association shall reasonably request.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

106. **The program will be coordinated by the Ministry of Finance (MOF), which will assume the monitoring and evaluation responsibility.** The MOF is playing a key role in coordinating economic governance reforms through its Technical Committee for Reforms Monitoring and Evaluation (*Comité Technique de suivi et évaluation des Réformes*, CTR), which is also the technical counterpart of the IMF for the ECF. In addition, PFM reforms are piloted by the MOF Steering Committee for Public Finance Reforms (*Comité d'Orientation de la Réforme des Finances Publiques, COREF*) which is also implementing the ENCORE operation. The Cabinet of the MOF has been leading the preparation of this proposed DPO series, gathering on a regular basis key institutions responsible for the various policy areas (e.g. CTR, COREF, COPIREP, DRC EITI National Committee, Ministry of Environment and Sustainable Development). In addition, the MOF is coordinating the involvement of international partners, especially IMF, CAFI and African Development Bank.

107. **Grievance Redress**. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND MITIGATION

108. **The overall risk rating for the proposed DPO series is High.** The medium- and long-term outcomes of the supported reform measures are highly dependent on continued political stability, combined with political commitment to and progress in the implementation of the reform agenda. This commitment may be affected by the 2023 Presidential elections. Institutional capacity for reform implementation may also impact sustainability and progress. These factors may be compounded by impacts from the COVID-19 pandemic and the war in Ukraine.

109. **The Political and Governance risk is High.** There is a lack of trust and accountability between the elite and the wider population, predominance of extraction, weak state institutions, corruption, and dysfunctional public services. The operation aims to support key initial efforts at renewing the social contract between the state and the citizens, with strengthened core PFM functions, improved governance of SOEs and forest sector, and effective redistribution of mining revenues. The operation also aims to help the authorities overcoming multifaceted resistance to reform from vested interests within and outside the public sector, in PFM, SOEs, telecommunications, and in the extractives and forest sectors. This operation aims to empower the change agents to undertake long-delayed key reforms (e.g. establishment

of DGTCP and publication of Telecom Law), achieving key milestones to ensure that the reforms become irreversible. Implementation of reforms is also supported by parallel World Bank investment operations (or development partners interventions), which provide the required technical assistance to effectively implement the reforms in the short to medium term. Measures to enhance transparency and accountability aim to help preventing slippages in governance in times of crisis. However, mitigation measures may fall short of addressing the shifts in alliances and/or in priorities that may result from intensified political tensions in the context of the forthcoming Presidential elections (scheduled for December 2023). In this uncertain context, it is critical to remain engaged in these priority areas to take advantage of windows of opportunities for major reforms and to pursue technical work when the environment is less conducive for reforms, thus getting ready for the next window of opportunity.

110. **The Macroeconomic risk is Substantial.** Risks to the adequacy of the macroeconomic policy framework during the period of implementation of this DPO series include large shocks to commodity prices, local and international conflicts, a resurgence of COVID-19 or Ebola, and possible policy reversals such as the resumption of lending by the Central Bank to the treasury or large-scale non-concessional external borrowing. Policy advice available from the IMF and the World Bank, ongoing engagement with bilateral and multilateral partners, and policy commitments made by the government in the context of the ECF mitigate the risk of policy reversals. The availability of vaccines and quick responses to recent cases of Ebola mitigate against the risk of epidemics. Risks around commodity prices as well as local and international conflicts are partly mitigated by improved levels of reserves and low debt levels but can only be fully mitigated in the long-term through economic diversification and strengthening of the domestic economy, which renders residual macroeconomic risks substantial. Macroeconomic outcomes are only indirectly relevant to successful completion of the reform program, since almost all reforms are institutional actions.

111. **The risk from Sector Strategies and Policies is Substantial.** While sector strategies and policies exist, the political economy in each sector, coupled with low capacity, may hamper implementation. World Bank dialogue in sectors and the close follow-up on the measures of the operation are key mitigation measures. The strength of the operation is that sector-related measures are anchored in a long stream of technical assistance, World Bank investment projects, and reforms supported by the World Bank and other development partners. There is a broad consensus on the priority reforms in PFM, through the recently adopted 2022-2028 Strategic Plan for Public Finance Reform (building on the 2019 PEFA) and its accompanying Priority Action Plan developed with technical assistance from the IMF in tight collaboration with development partners. The EITI process also ensures a strong multi-stakeholders ownership of the reform roadmap. The SOE reform agenda has been reenergized but will continue to be a highly complex agenda due to political economy consideration and strong vested interests. This DPO series thus proposes to focus on initial building blocks of SOE reform, starting with transparency and improvements in corporate governance, with further reform efforts for the energy and water SOEs supported by an IPF. Supported forestry related policy reforms have benefitted from ongoing World Bank led policy dialogue, such as on the REDD+ agenda.[92] They leverage other World Bank financed operations[93] as well as technical assistance implemented by development partners, through CAFI. The Letter of Intent between RDC and CAFI provides an ambitious reform roadmap, supported (and monitored) by a broad

[92] Since 2010, the Bank has mobilized about US$130 million to support the enabling environment for REDD+ and test new approaches on livelihoods, climate, and sustainable landscape management.
[93] Such as Strengthening Hydro-Meteorological and Climate Services (P159217).

range of stakeholders.[94]

112. **Technical design risks are Substantial.** The DPO series includes complex reforms covering PFM, SOE transparency and corporate governance, liberalization of the telecom sector and natural resources management, with a focus on the extractives and forest sectors. The implementation of these reforms will require specialized expertise and increased capacity in an overall low-capacity environment. This risk is mitigated by long-standing and ongoing World Bank engagements in these areas, as well as support from key initiatives such as EITI and CAFI, with significant development partner support. Government's institutions supporting these reforms (COREF for PFM, DRC EITI National Committee for mining transparency, COPIREP for SOEs reform, CTR for broader economic governance reform including forestry) have developed a strong technical expertise over 10 to 20 years of collaboration with the World Bank and have become key reform partners. Through complementary IPF, the World Bank continues to provide technical assistance to these key reform institutions, as well as to other important sectoral institutions (e.g. MEDD, telecom regulator).

113. **The risk related to Institutional Capacity for Implementation and Sustainability is Substantial.** Capacity constraints present a challenge to implementation of the reform program. Capacity constraints could result in delays in implementation of the reforms supported by the operation or lack of sustainability. While the risks of limited capacity cannot be eliminated, they are mitigated by continuous support for reform implementation, and close collaboration with other development partners. The World Bank has had a long engagement on the reforms tackled by the DPO series and has built strong relationships with government counterparts (e.g. MOF, MEDD, COREF, COPIREP, CTR, DRC EITI National Committee), which allows to provide just-in-time technical guidance to move forward with reform adoption and implementation. The DPO series includes a major focus on transparency, as the foundational step towards strengthened accountability. Increased accountability strengthens the demand side of governance, thus supporting the sustainability of the reforms supported.

114. **The fiduciary risk to the DPO series' development objectives is High.** This assessment considers mitigating factors, such as the strong dialogue between the World Bank, IMF and other development partners on PFM and procurement reform, including ongoing technical assistance support. Moreover, some prior actions supported by the DPO series will strengthen transparency and accountability in revenue and expenditure management. Progress on these fronts is being monitored closely by the Government and its development partners. Maintaining a strong relationship with the IMF, through the successful implementation of the ECF program and strengthening the relationship with the World Bank, through the resumption of DPF, is a top priority of the government – which has shown strong commitment to the IMF and World Bank reform program, in highly challenging environment. However, despite these mitigation measures, in the immediate term, the fiduciary risk for the country remains High given the limitations in the PFM and procurement system, characterized by ineffective and inefficient controls, creating opportunity for fraud and corruption; and the absence of recent DPF channeling World Bank funds through the BCC.

[94] The Letter of Intents (LOI) between the Government and CAFI donors establish several objectives broken down into concrete and measurable milestones. The first LOI (2016) included a financial commitment of US$200 million to support implementation. The Second LOI (2021) renewed and expanded the agreement (2021 – 2031) unlocking investments of US$500 million to meet concrete objectives to halt deforestation and restore degraded lands through a sustainable & inclusive rural development.

115. **Environment and Social risks are Substantial.** Environment risks can emerge from increased investments in the telecom sector and in geographical areas benefiting from increased benefit sharing from the mining sector. These risks will need to be managed through ESIAs (for telecom) and SESA (for increased benefit sharing in the mining sector). Technical assistance from the Transport and Connectivity Support Project (P161877) will help mitigate environment risks from increased telecom investments. The proposed SESA under the ENCORE operation (P171762) will support the development of strategies to mitigate negative environment impacts in areas with increased investments from benefit sharing mechanisms. In addition, this SESA will also propose mitigation strategies for possible social risks coming from these additional resources at the provincial, local (ETD) and community levels, as attempts to control these financial resources could fuel local conflicts. As highlighted in paragraphs 93 and 94, efforts to address forest degradation and deforestation can result in physical and economic displacement of some small-scale farmers and concession/farm workers currently operating in the targeted areas and involved in the slash and burn practices. However, the guidelines included in the Resettlement Policy Framework (RPF) prepared under REDD+ will guide the mitigation of these potential risks, and particularly those related to vulnerable groups and Indigenous People.

116. **Stakeholder risk is High.** Risks exist with respect to the various number of development partners involved in the DRC, and the multiplication of initiatives which may result in competing priorities and duplication of efforts. To mitigate these risks, the World Bank, together with the Government, are reaching out to development partners in order to coordinate interventions and ensure complementarity, as exemplified by the close coordination on PFM reforms and forestry. Furthermore, the DPO series supports the Government's platform to drive policy reforms (Technical Committee Reform under the Ministry of Finance) to build a consensus on key reforms and garner support for their implementation. The Government's plans on forest governance, including through lifting the moratorium on new forest concessions,[95] were questioned[96] or received with cautious support[97] amongst the large coalition of development partners monitoring the application of the moratorium, amid concern that such plans may not involve the completion of a geographic programming of future allocations which is prerequisite to lifting the moratorium. The issue is subject to close on-going dialogue between the government (MEDD) and the Donor Group on Environment and Climate (GIBEC) and the new CAFI LOI includes a milestone, with technical assistance, to complete the geographic programming of future allocations by the end of 2022 as a prerequisite to lifting the moratorium. Proposed measures under the World Bank's DPO series do not include specific action on the moratorium but focus on strengthening the basis for transparent and consultative action and reform on forest governance. As laid out in the CPF, there is skepticism among certain stakeholders as to the effectiveness of the World Bank engagements in DRC—an environment often depicted as highly corrupt, where it is difficult to see progress on the development agenda, and where activities may even have a perceived negative impact. To be cognizant of this specific reputational risk, the World Bank will deploy a strong engagement and communications strategy to reach out to non-

[95] Minutes of the 11th meeting of the Council of Ministers (July 9, 2021). Ministry for Communication and Media (2021). DRC.
[96] Greenpeace. (2021). Greenpeace Africa reacts to DRC President's decision to suspend illegal logging concessions made by former Minister of the Environment. Press release. Available at: *https://www.greenpeace.org/africa/en/press/49317/greenpeace-africa-reacts-to-drc-presidents-decision-to-suspend-illegal-logging-concessions-made-by-former-minister-of-the-environment/*
[97] Environmental Civil Society. Renewed Climate REDD Working Group (GTCRR). (2021). Analysis of the ten measures taken by the government. Available at: *https://www.gtcrr-rdc.org/wp-content/uploads/2021/08/Analyse-Mesures-conseil-des-ministres-sur-Environnement-Forets-et-Developpement-durable-V-190720219121.pdf*.

governmental spheres to ensure they play a central role in monitoring progress against commitments, leveraging the raising demand for improved governance, starting with transparency, from civil society and the broader Congolese population.

Table 8: Summary Risk Ratings

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

ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions and Triggers		Results		
Prior Actions under DPF 1	**Triggers for DPF 2**	**Indicator Name**	**Baseline**	**Target**
Pillar 1 – Strengthening the management of public expenditure and mining royalties				
Prior Action #1. To strengthen expenditure management, the Recipient's Prime Minister has issued Decree No. 22/12B, dated March 31, 2022, creating the General Directorate of Treasury and Public Accounting within the Ministry of Finance, as said decree has been published in the Official Gazette, Special Edition, dated May 2, 2022.	(Indicative) Trigger #1. The Recipient has operationalized the DGTCP through the following actions (i) Appointment of DGTCP leadership [General Director and 6 Directors]; (ii) publication of the decree from the Prime Minister establishing the framework and organic structures of the DGTCP; (iii) Signing of the Ministerial Order establishing the National Network of Public Accountants; and (iv) Creation of DGTCP Accounting Unit in at least two line ministries.	Results Indicator #1: Establishing core treasury and accounting function	Percentage of central non-wage expenditures of the Ministries of Primary Education and Health are directly executed (budget commitment authority) by the Ministries: 0% (Execution of expenditure concentrated at the Ministry of Finance level) (end 2020)	Percentage of central non-wage expenditures of the Ministries of Primary Education and Health are directly executed (budget commitment authority) by the Ministries: 50% (end 2023)
Prior Action #2. To strengthen the management of non-tax revenues, including mining royalties, the Recipient has issued: (i) Decree No.22/18, dated May 4, 2022 making the use of LOGIRAD the DGRAD's computerized Management Information System, compulsory, published in the Official Gazette, Special Edition, dated May 12, 2022; and (ii) Order No. 016/CAB/MIN/FINANCES/2022 dated May 13, 2022 clarifying roles and obligations in the use	(Indicative) Trigger #2. To improve collection of non-tax revenues, the Recipient has completed the deployment of LOGIRAD in at least 5 provinces (including Kinshasa, Lualaba and Haut-Katanga) and 5 revenue collecting institutions (including the Ministry of Mines).	Results Indicator #2: Digitalization of DGRAD (non-tax revenues authority) operations	Percentage of non-tax revenues collected digitally in Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 0% (end 2020)	Percentage of non-tax revenues collected digitally in Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 50% (end 2023)

Prior actions and Triggers		Results		
of LOGIRAD.				
Prior Action #3. 3a: To ensure benefit-sharing of mining revenues in accordance with the 2018 Mining Code, the Recipient has issued Decree No. 22/20, dated May 13, 2022 on the sharing and management of mining royalties to be paid to the provinces and the decentralized territorial entities, as said Decree has been published in the Official Gazette, Special Edition, dated May 13, 2022. 3b: To ensure the effective use of the 0.3% of the mining company's turnover allocated to community development projects under Article 258 bis of the Mining Code, the Recipient's Ministry of Mines and the Ministry of Social Affairs have issued a joint Inter-ministerial Order No. 00820/CAB.MIN.MINES/01/2021 and No. 003/CAB.MIN/AFF. SOC.AH.SN dated December 21, 2021, approving a manual specifying, *inter alia*, the rules and procedures to manage these funds.	(Indicative) Trigger #3. To ensure that the mining sector enables inclusive and sustainable socio-economic development in the DRC, the Recipient has promulgated a revised decree establishing the Mining Fund for Future Generations (FOMIN) as per Articles 8 bis and 242 of the Mining Code.	Results Indicator #3: Effective benefit-sharing mechanism in the extractive sector	The DRC EITI National Committee is not able to fully track and account for the shares of mining royalties distributed to provinces, ETDs, FOMIN and for share of the turnover allocated to community development projects (end 2020)	The DRC EITI National Committee is able to track and account for (i) payments made (and their allocation) to the provinces, ETD and FOMIN according to their share of the mining royalty (province: 25 percent; ETD: 15 percent; and FOMIN: 10 percent), as well as (ii) payments made (and their allocation) regarding the 0.3 percent of the mining companies' turnover allocated to community development projects. (end 2023)
Pillar 2 – Liberalizing telecoms and strengthening SOE transparency and governance				
Prior Action #4. To liberalize the telecommunications sector, the Telecommunications Law No. 20/017 was promulgated and published in the Official Gazette No.62, Special Edition, dated 22 September 2021.	(Indicative) Trigger #4. The Recipient has promulgated the following implementing regulations of the Telecommunications Law No. 20/017: (i) decree creating the regulatory authority under the Ministry of Telecommunications; (ii) decree creating the Universal Service Fund; and (iii) Ministerial order on infrastructure licenses.	Results Indicator #4: Liberalization of telecom sector	Outdated legal framework with state exclusivity over long distance fiber optic cables (end 2020)	US$200 million new private investments in in long distance fiber optic cables since 2021 (end 2023)

Prior actions and Triggers		Results		
Prior Action #5. 5a. To increase the transparency of SOEs, the Recipient has made mandatory the publication of their annual reports three months following the end of their financial year and of their audited financial statements, within six months and one week after the end of their financial year, on a website publicly accessible, pursuant to the Ministry of Portfolio's Circular N° 0345/MINPF/MKA/COPIREP/AKM/2022. 5b: To improve the corporate governance of SNEL, REGIDESO, and FONER, the Ministry of Portfolio has launched a competitive, meritocratic and transparent recruitment of the chairman, general managers and deputy general managers of the three public entities by publishing the Notices of Expression of Interest for the nine positions.	(Indicative) Trigger #5. 5a. To increase the transparency of SOEs and strengthen accountability, the SOE Monitoring Unit within the Ministry of Portfolio (*Conseil Supérieur du Portefeuille,* CSP) publishes an annual report on the financial and operational performance of SOEs for 2021, including a focus on strategic SOEs[98]. 5b. To strengthen the oversight of strategic SOEs, the Recipient has adopted and published a regulation that provides a framework for the selection of statutory auditors (C*ommissaires aux Comptes*) by the SOE's board of directors, including the criteria to be considered. 5c. The competitive, meritocratic and transparent recruitment of the Chairmen, General Managers and Deputy General Managers of SNEL, REGIDESO and FONER has been completed, with the nomination, by Presidential Ordinance, of the selected candidates issued from the recruitment process.	Results Indicator #5: Public disclosure of audited financial statements and annual reports of SOEs	Audited financial statements and annual reports of strategic SOEs are not publicly disclosed end 2020)	Audited financial statements and annual reports of six strategic SOEs (SNEL, REGIDESO, SCTP, RVA, SNCC, GECAMINES) are publicly disclosed for 2021 and 2022 (end 2023)
Pillar 3 – Strengthening governance for sustainable forestry				
Prior Action #6. To improve governance in the forestry sector, the 2021 Report of the General Inspectorate of Finance on the control of the legality of the allocations and transfers of forest concessions, and on taxes due to the Recipient's Treasury by logging companies, has been published in April 2022.	(Indicative) Trigger #6 6a. To strengthen the implementation of sustainable forest management measures, forest concessions found in breach of the Moratorium have been subjected to the processes required under the law and cancelled. 6b. To strengthen transparency of the forestry	Results Indicator #6: Compliance of forest concessions with applicable law	IGF questioned the legality of 18 forest concession contracts (end 2020)	The legality of all concession contracts is ascertained; all non-compliant contracts are cancelled; and all valid contracts are published (end 2023)

[98] DRC strategic SOEs are SNEL (power utility), REGIDESO (water utility), SCTP (port), RVA (airports), SNCC (railway), and GECAMINES (copper mining)

Prior actions and Triggers		**Results**		
	sector, the Government has updated and published the list of legal logging and other concession contracts, as required by the Forestry Code.			
Prior Action #7. To improve the quality of reporting and enhance transparency on forest data, the Recipient has mandated the biennial assessment on deforestation and forest degradation, pursuant to the Recipient's Ministry of Environment and Sustainable Development's Order No. 023/CAB/VPM-MIN/EDD/EBM/CBM-TSB-PDK/02/2022 dated May 6, 2022.	(Indicative) Trigger #7. To address deforestation and forest degradation from agriculture, the Council of Ministers has adopted a sustainable national agricultural policy that integrates the principles of land-use planning and forest and peatland conservation and promotes the development of sustainable commercial agriculture in savannah areas.	Results Indicator #7: Annual forest cover losses	DRC's annual forest cover losses reported through the National Forest Monitoring System stand at 667,867 hectares (ha) per year (average 2014-2018)	DRC's annual forest cover losses reported through the National Forest Monitoring System are below 667,867 hectares (ha) per year (end 2023)
Prior Action #8. To strengthen the assessment of climate impacts and mainstream resilience in climate-sensitive sectors, the Recipient has established the National Framework for Climate Services pursuant to Decree No. 22/19 dated May 13, 2022, published in the Official Gazette, Special Edition, dated May 13, 2022.	(Indicative) Trigger #8. To govern the provision and use of hydrometeorological information and ensure efficient delivery of hydromet services, the Government has submitted for approval to the Parliament the draft Meteorological Law.	Results Indicator #8: Governance mechanism for climate services to inform national strategies	No governance mechanism (end 2020)	Effective governance mechanism for climate services established to inform national resilience strategies (end 2023)

ANNEX 2: FUND RELATIONS ANNEX

Democratic Republic of the Congo—Assessment Letter for the World Bank
May 23, 2022

Recent Developments, Outlook, and Risks
1. **The economic rebound was strong in 2021.** Compared to the first review of the Extended Credit Facility (ECF) arrangement, growth has been revised upwards to an estimated 6.2 percent (from 1.7 percent in 2020), supported by mining production and services. Inflation was contained, with the CPI moderating to 5.3 percent by end-2021.

2. **External conditions supported reserve accumulation.** With better-than-envisaged external developments supported by high commodity prices, the current account deficit was contained to about 1 percent of GDP, allowing for a significant increase in gross international reserves, from US$0.8 billion at end-2020 to close to US$3 billion at end-2021, equivalent to 6.3 weeks of imports. Despite these favorable developments, the external position is assessed to remain weaker than the level implied by fundamentals and desirable policies and calls for continuing additional reserve accumulation.

3. **The 2021 fiscal outturn was also better-than-projected.** The overall fiscal deficit was limited to 1 percent of GDP, with higher-than-projected tax revenues (due to mining revenues and tax mobilization efforts) and grants, and lower capital spending. The 2021 domestic fiscal deficit (program target) was contained to 0.1 percent of GDP, lower than projected at the time of the first review. With public debt estimated at 23 percent of GDP at end-2021, the DSA associated with the first review showed that the DRC remained at moderate risk of external and overall debt distress, with some space to absorb shocks.

4. **The outlook remains favorable but is impacted in 2022 by the war in Ukraine.** Supported by the mining sector, real GDP growth is expected to reach 6.1 percent in 2022, revised down however from 6.4 percent at the time of the first review due to the deteriorating global growth outlook. Due to imported inflation, notably on energy and food, CPI inflation is projected at 11 percent by end-2022. Strong revenue performance in the context of the continued expansion of the mining sector is creating space to absorb external shocks but would not prevent the domestic fiscal deficit to widen to 1.3 percent of GDP, mainly due to higher current spending, including for fuel subsidies. Despite the shock, the external position remains favorable, with higher mining exports compensating for higher food and energy imports, and allowing for further gross international reserve accumulation, expected to reach US$3.9 billion by end-2022, or about 7.6 weeks of imports. Mobilizing external financing will provide support to macroeconomic stability. The medium-term outlook provides opportunities to consolidate macroeconomic stability and scale up structural reforms. Medium-term growth prospects remain favorable given mining output expansion and sustained mining prices in the context of the global energy transition.

5. **Risks to the downside have increased significantly.** With the extractive sector representing more than 90 percent of exports, the country is highly vulnerable to worsening terms of trade that could raise from an abrupt growth slowdown in China. Spillovers from the war in Ukraine may slow global economic activity, lowering mineral prices, deteriorating the fiscal and external balances, and putting further pressures on inflation and food security. Political stability could also be challenged ahead of the 2023 presidential elections, jeopardizing reform efforts while governance risks remain significant. DRC's potential grey-listing by FAFT threatens correspondent bank relations.

Economic Policies and Structural Reforms
6. **Advancing structural reforms remains critical for inclusive growth.** The medium-term outlook, with expected mining output expansion and, to a lesser extent, economic diversification, provides opportunities to consolidate macroeconomic stability and scale up structural reforms. Supporting economic activity will require addressing the

large infrastructure needs, with strict prioritization and timely implementation of growth-enhancing investment projects. Simplifying the tax system and improving the business climate and governance remain crucial to support economic diversification, mobilize investment, and promote private sector-led growth. The DRC is well-positioned to benefit from the global energy transition; its minerals (leading cobalt global producer and top copper producer in Africa) are key to the transition, while its rainforest and peatlands should help mobilize financing for preservation.

7. **There is progress on the structural reform agenda under the ECF-arrangement.** An MoU between the Central Bank of Congo (BCC) and the ministry of finance to regularize the outstanding credit of the BCC to the government has been signed, and the ASYCUDA World was implemented at ten additional custom offices. The authorities also hired external auditors for BCECO (a ministry of finance agency for project implementation), and revisited the decree revising VAT for mining companies in April. The authorities expect Parliament to adopt the draft AML/CFT law this spring. The adoption by the BCC of a new reserve requirement regulation was approved in early 2022. New mining contracts have continued to be timely published, but the status of one renegotiated contract, implying a transfer of assets to the government, is being discussed with the ITIE and warrants publication.

8. **The authorities reaffirmed their commitment to strengthen reform efforts to contain current spending and to pace investment expenditure according to absorption capacity.** Beyond short-term measures to contain the fuel subsidy in light of higher global oil prices, the government will propose a gradual fuel subsidy reform that will reduce fiscal pressures and create space for more effective targeted social transfers to protect the poor from future price adjustments. The authorities will also undertake a civil service reform that would streamline personnel, revise the wage grid, and provision for retirement. Reforms to continue mobilize revenues, improve public investment/finance management, and fiscal governance remain critical to enhance the efficiency of public finances. The authorities are advancing on validating domestic arrears, a first step toward arrears clearance.

9. **Reforms have been launched at the BCC.** Considering rising inflation, the BCC will continue to refrain from central bank advances to the government and stands ready to tighten monetary policy if inflation is set to persistently rise above the 7-percent medium-term target. The new commercial banking law is expected to be approved by Parliament in the spring. Priorities focus on modernizing the monetary policy framework to sustain price stability, efforts to strengthen external buffers, enhancing financial regulation and supervision, and strengthening safeguards and governance at the BCC. Regarding financial policies, a medium-term reform strategy is to be unveiled after the recent Financial Sector Stability Review (FSSR) report is available.

Relations with the IMF

10. **The DRC has been supported by the IMF under an ECF arrangement since July 2021.** The three-year (100 percent of quota, about US$1.5 billion) ECF arrangement was approved on July 15, 2021, to meet protracted balance of payment needs and support the authorities' medium-term reform program. The first review was completed on December 15, 2021. A mission for the second review under the ECF arrangement (combined with the Article IV consultation) reached staff-level agreement on May 9, 2022. The Executive Board meeting is scheduled for end-June 2022, and a positive conclusion would enable the disbursement of SDR152.3 million to reinforce international reserves. Key policy actions under the program focus on building fiscal space for investment and social spending, enhancing the monetary framework and financial supervision, and improving economic governance and transparency. DRC also benefitted from the general SDR allocation in August 2021 (receiving the equivalent of US$1.45 billion, half of this amount kept in international reserves, the other half being used for social infrastructure). The authorities have expressed a strong interest in requesting financing under the upcoming Resilience and Sustainability Trust to address climate change challenges.

Table 1. Democratic Republic of the Congo: Selected Economic and Social Indicators

	2021		2022		2023		2024
	CR No. 22/3	Proj.	CR No. 22/3	Proj.	CR No. 22/3	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)						
GDP and prices							
Real GDP	5.4	6.2	6.4	6.1	6.9	6.7	6.9
Extractive GDP	11.3	10.1	10.4	10.6	9.9	10.1	9.0
Non-Extractive GDP	2.9	4.5	4.5	4.1	5.4	5.1	5.9
GDP deflator	16.7	17.6	4.8	8.4	6.0	9.7	4.8
Consumer prices, period average	9.0	9.0	5.6	8.4	6.2	9.8	5.6
Consumer prices, end of period	5.2	5.3	5.8	11.0	6.2	6.8	6.1
External sector							
Exports in U.S. dollars, f.o.b. value	58.9	60.9	12.9	28.4	11.9	11.6	9.9
Imports in U.S. dollars, f.o.b. value	52.5	53.8	14.7	24.8	11.4	9.9	8.9
Exports volume	11.5	11.9	13.9	13.7	14.2	13.7	13.1
Import volume	27.8	26.4	11.0	6.8	12.4	11.6	9.7
Terms of trade	20.0	21.6	-1.7	-2.3	0.7	1.2	-0.5
	(Annual change in percent of beginning-of-period broad money)						
Money and credit							
Net foreign assets	42.4	41.5	35.3	33.0	27.4	22.9	20.9
Net domestic assets	-19.7	-6.4	-5.6	2.8	-10.4	10.2	3.1
Domestic credit	-3.5	1.9	9.1	9.2	8.0	7.6	5.0
Of which: net credit to government	-8.2	-4.7	2.9	2.0	2.1	2.1	0.0
credit to the private sector	3.9	5.9	5.8	7.3	5.9	5.5	5.0
Broad money	22.6	35.1	29.7	35.8	17.0	33.2	24.7
	(Percent of GDP, unless otherwise indicated)						
Central government finance							
Revenue and grants	12.0	13.8	12.3	13.8	12.7	13.9	14.8
Revenue	10.8	11.2	11.2	12.5	12.2	13.0	14.1
Grants	1.2	2.6	1.2	1.3	0.5	0.9	0.6
Expenditures	13.8	14.9	14.2	17.3	14.7	16.9	16.8
Overall fiscal balance (commitment basis)	-1.8	-1.1	-1.9	-3.6	-2.0	-3.0	-2.1
Domestic fiscal balance (program target)	-0.2	-0.1	-0.9	-1.3	-0.4	-1.0	0.2
Non-natural resource overall fiscal balance	-3.3	-2.8	-4.6	-5.0	-4.6	-5.9	-4.7
Investment and saving							
Gross national saving	13.2	14.0	14.2	13.6	14.2	15.9	16.2
Government	-1.2	-0.3	-1.4	-2.8	-0.3	-2.2	-0.9
Non-government	14.4	14.2	15.5	16.3	14.5	18.1	17.1
Investment	13.8	14.9	14.7	13.6	14.9	15.8	16.0
Government	4.0	5.1	3.9	5.6	4.2	5.1	5.3
Non-government	9.8	9.8	10.8	8.0	10.7	10.7	10.7
Balance of payments							
Exports of goods and services	39.3	39.5	40.8	44.9	41.6	45.5	45.6
Imports of goods and services	39.1	39.2	40.7	42.7	41.2	42.7	42.4
Current account balance, incl. transfers	-0.5	-0.9	-0.5	0.0	-0.8	0.1	0.2
Current account balance, excl. transfers	-2.0	-2.2	-1.9	-1.3	-1.7	-0.8	-0.6
Overall balance	0.5	0.8	0.0	0.0	0.0	0.0	0.0
Gross official reserves (millions of U.S. dollars)	2,953	2,955	3,860	3,908	4,606	5,020	6,516
Gross official reserves (weeks of imports)	6.8	6.3	7.8	7.5	8.5	8.8	10.2
	(Percent of GDP, unless otherwise indicated)						
External debt							
Total stock, including IMF	16.5	15.5	17.1	15.9	17.6	15.6	15.0
PV of debt (percent of exports of goods and services)	32.2	25.8	31.3	25.4	30.7	24.8	23.9
Scheduled debt service (millions of U.S. dollars)	485	498	652	633	754	817	827
Percent of exports of goods and services	2.9	2.6	3.0	2.6	2.7	2.2	2.2
Percent of government revenue	10.3	9.2	10.6	9.0	8.6	6.7	6.6
Exchange rate (CGF per U.S. dollars)							
Period average	1,971	1,990.2	...	...	...	...	...
End-of-period	1,995	2,000.0	...	...	...	...	...
Memorandum items:							
DRC copper export price (($US per ton)	8,453	8,922	8,381	9,676	8,349	9,622	9,487
DRC cobalt export price ($US per ton)	40,306	37,586	43,396	54,096	43,907	55,395	55,464
World crude oil price (US$ per barrel)	65.7	69.1	64.5	106.8	61.3	92.6	84.2
Nominal GDP (billions of CGF)	110,974	112,575	123,739	129,496	140,175	151,570	169,810

Sources: Congolese authorities; and IMF staff estimates and projections.

ANNEX 3: LETTER OF DEVELOPMENT POLICY

MINISTÈRE DES FINANCES
Le Ministre

N°Réf : 1058/2022

Kinshasa, le 18 MAI 2022

Transmis copie pour information à :

- Son Excellence Monsieur le Président de la République, Chef de l'Etat ;
  (Avec l'expression de mes hommages les plus déférents)
  Palais de la Nation
- Son Excellence Monsieur le Premier Ministre, Chef du Gouvernement
  (Avec l'expression de ma très haute considération)
  Hôtel du Gouvernement
- Monsieur le Ministre d'Etat, Ministre du Budget
- Madame le Gouverneur de la Banque Centrale du Congo
  (Tous) à Kinshasa/Gombe

- Monsieur l'Administrateur pour la RDC au Groupe de la Banque Mondiale
- Monsieur l'Ambassadeur de la RDC aux Etats-Unis d'Amérique
  Washington D.C.
  Etats-Unis d'Amérique

A **Monsieur David MALPASS**
Président du Groupe de la Banque Mondiale
Washington, D.C. 20431
Etats-Unis d'Amérique

Monsieur le Président,

Objet : Lettre de politique de développement en République Démocratique du Congo

Par la présente, je voudrais, au nom du Gouvernement de la République démocratique du Congo, remercier la Banque Mondiale pour son appui à la relance de notre économie, plus particulièrement son accompagnement dans un contexte caractérisé par la subsistance de la pandémie à COVID-19 ainsi que les conséquences de la guerre en Ukraine.

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La Lettre de Politique de Développement que j'ai l'honneur de vous transmettre, décrit le contexte macro-économique du pays, l'évolution du profil de la pauvreté en RDC ainsi que les réformes qui sous-tendent l'appui budgétaire de la Banque mondiale.

I. CONTEXTE PAYS

1. **La République Démocratique du Congo a été confrontée à la crise sanitaire liée à la pandémie de Covid-19 à partir du premier trimestre 2020.** Suite à cette situation, l'économie congolaise a connu un ralentissement caractérisé par un recul de croissance de 1,7% en 2020 contre 4,4% en 2019. L'inflation est passée sous la période de 4,6% en 2019 à 15,8% en 2020. Cette dégradation des paramètres macroéconomiques a conduit au déficit des finances publiques et de la balance de paiement sur la période. Pour faire face à cette situation, le Gouvernement a été contraint de financer le déficit du trésor public en recourant aux avances de la Banque centrale, ce qui a eu pour conséquence une dépréciation du franc congolais de 15,16 % à fin décembre 2020.

2. **Afin de juguler la dégradation du cadre macroéconomique, le Gouvernement a sollicité et obtenu l'appui de plusieurs bailleurs de fonds.** La République démocratique du Congo a bénéficié auprès du FMI d'un décaissement de la Facilité Rapide de Crédit en avril 2020, d'un appui de la Banque Mondiale pour le financement de sa politique en rapport avec la mise en place de la gratuité de l'enseignement au niveau primaire. Elle a également obtenu l'appui de la Banque Africaine de Développement pour atténuer les effets négatifs de la COVID.

3. **A la suite des efforts du Gouvernement, un programme économique a été conclu avec le FMI en juin 2021**. Ce programme est appuyé par la Facilité Elargie de Crédit (FEC), d'un montant de 1066 millions de DTS pour une période de 3 ans. Le Programme Economique du Gouvernement, conclu avec le FMI, a pour objectifs : (i) d'accroître la mobilisation des recettes intérieures pour augmenter l'espace budgétaire afin de financer les investissements et les dépenses sociales indispensables ; (ii) de renforcer la gouvernance, y compris la gestion, la transparence des ressources naturelles et la lutte contre la corruption ; et (iii) de renforcer la politique monétaire et la stabilité financière, notamment en améliorant l'indépendance de la Banque Centrale du Congo (BCC). Ce programme est en phase avec le Programme d'investiture du Gouvernement, lequel s'aligne sur la vision de Son Excellence Monsieur le Président de la République Félix Antoine TSHISEKEDI TSHILOMBO et sur le Plan National Stratégique de Développement 2019-2023.

II. EVOLUTION DU CADRE MACROECONOMIQUE

4. **En 2021, en dépit d'un environnement international difficile, caractérisé notamment par la persistance de la pandémie de COVID-19, la stabilité macroéconomique a été maintenue.** La croissance économique, soutenue par le secteur minier et les services, s'est consolidée avec un taux estimé à 6,2 % en 2021 contre 1,7 % en 2020, tandis que l'inflation s'est réduite à 5,3% en 2021 contre 15,8% en 2020, soit en dessous de la cible de 7% fixée par la BCC. La politique budgétaire prudente et la gestion viable de la dette ont contribué à assurer la consolidation budgétaire post-pandémie. La mobilisation accrue des recettes domestiques, couplée avec l'afflux des ressources

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extérieures et des emprunts hautement concessionnels, ont permis de ramener le déficit budgétaire primaire à 2,2 % du PIB à fin décembre 2021, financé principalement par des émissions des bons du Trésor sur le marché intérieur. Le Gouvernement continue de veiller sur la soutenabilité de la dette publique et s'emploie à recourir à un endettement prudent. C'est dans ce contexte que le ratio dette publique extérieure sur PIB a été contenu en deçà de 20 % à fin décembre 2021.

5. **Pour soutenir la reprise économique, la discipline budgétaire a été restaurée et le Gouvernement a significativement amélioré la qualité de la dépense.** Le niveau de l'investissement public s'est accru à travers l'augmentation des dépenses en capital sur ressources propres qui se sont situées au-delà de la cible du Programme conclu avec le FMI, soit un ratio de 9.3% par rapport au total des dépenses contre 6,8% prévu. Le volume des dépenses exécutées en urgence a été réduit afin d'éviter l'effet d'éviction malgré les pressions persistantes, pour se situer à près de 12% du total des dépenses en 2021, contre 30% en 2017 et 20,9% en 2018.

6. **Au niveau du secteur monétaire et financier, les instruments de la politique monétaire utilisés en 2021 ont permis de maintenir un niveau de liquidité compatible avec les besoins réels de l'économie.** En raison de la stabilité des prix, le taux directeur a été révisé à la baisse de 8,5% à 7,5% dès janvier 2022 en vue d'alléger les conditions de refinancement des banques et permettre l'amélioration du financement de l'économie nationale. Aussi, la Banque centrale a renforcé les dispositifs de contrôle de la réserve obligatoire en exigeant aux banques commerciales de la constituer dans la monnaie de dépôt.

7. **Le pays a enregistré une amélioration du compte commercial traduite par des entrées nettes des devises, permettant de conforter les réserves internationales.** Par rapport au secteur extérieur, le solde de la balance de paiement à fin décembre 2021 affiche un excédent de 0,8% du PIB. Pour l'année 2022, on prévoit une clôture de la balance de paiement en équilibre. Les cours de change, tant à l'indicatif qu'au parallèle, n'ont enregistré que de faibles dépréciations, respectivement de 1,21% et de 1,41 % en 2021. Une quasi stabilité du taux de change est observée au cours du premier trimestre 2022 sur les deux segments. Au niveau de la balance des biens, les chiffres à fin décembre 2021 indiquent un excédent de 3.940 millions d'USD (environ 7% du PIB) résultant des exportations de 22.185 millions d'USD et des importations de 18.245 millions d'USD. Ce choc positif, conjugué aux allocations spéciales de DTS de 1,5 milliard d'USD au troisième trimestre 2021 et les deux tirages respectifs de 217,0 millions d'USD et 212,3 millions d'USD au second semestre de la même année suite à l'approbation de l'Accord FEC et à la conclusion satisfaisante de la première revue du Programme avec le FMI, ont permis de conforter davantage les réserves internationales qui ont atteint 3,34 mois d'importations des biens et services à fin 2021.

8. **Les prévisions pour l'année 2022 restent solides malgré les effets de la crise liée à la guerre en Ukraine.** La croissance du PIB réel est projetée à 6,1 % en 2022 contre 6,4% initialement prévue. Au premier trimestre de l'année 2022, on observe de fortes tensions inflationnistes, résultant du choc négatif lié notamment à la guerre en Ukraine. Comparativement à fin décembre 2021, l'inflation en glissement annuel s'est située à 6,5 % à fin mars contre 5,3%, soit une poussée de 1,2 %. En conséquence, les prévisions de

l'inflation pour fin 2022 ont également été révisées à la hausse passant de 5,8% à 11%. Des consultations régulières sont menées entre le Gouvernement et la Banque Centrale, en vue de coordonner efficacement les politiques budgétaire et monétaire. Dans cette optique, ils se sont engagés à poursuivre une politique macroéconomique prudente et à accélérer l'exécution des mesures et des réformes retenues dans le cadre du Programme du FMI.

III. EVOLUTION DE LA PAUVRETE EN RDC

9. **La reprise économique enregistrée en 2021 a contribué à atténuer les effets sociaux néfastes enregistrés en 2020 pendant la crise COVID-19, même si les conséquences continueront à se faire sentir au niveau de la population et à porter un coup dur sur la trajectoire du pays pour la réalisation des Objectifs de Développement Durable (ODD).** Le PIB par habitant en 2021 a légèrement augmenté de 2,5%, les emplois ont été recouvrés à la suite de la levée des mesures de restrictions dans le cadre de la réouverture des économies. Toutefois, le niveau de pauvreté demeure très élevé et des investissements massifs sont nécessaires afin de récupérer les gains jadis enregistrés et remettre le pays sur la trajectoire de l'atteinte des ODD.

10. **Les cinq piliers du Plan National Stratégique de Développement (PNSD) 2019-2023, validé en décembre 2019 devraient permettre de progresser vers l'accomplissement des ODD.** Ils visent : (i) la valorisation du capital humain, développement social et culturel ; (ii) le renforcement de la bonne gouvernance, restauration de l'autorité de l'Etat et consolidation de la paix ; (iii) la consolidation de la croissance économique, diversification et transformation de l'économie ; (iv) l'aménagement du territoire, reconstruction et modernisation des infrastructures ; et (v) la protection de l'environnement, lutte contre le changement climatique, développement durable et équilibré.

11. **Malgré les performances enregistrées au niveau macroéconomique, le Gouvernement est conscient des défis majeurs auxquels est confronté le Pays pour l'amélioration des conditions de vie des populations.** Selon l'enquête par grappe à indicateur des ODD, menée conjointement par l'Institut National de Statistiques et l'Observatoire Congolais de Développent Durable, la pauvreté demeure préoccupante avec 74,7% de la population vivant avec un revenu journalier de moins de 1,90 $ suivant le seuil international. Conscient de tous ces défis, le Gouvernement s'engage à poursuivre la mise en œuvre des réformes pour soutenir une croissance inclusive et réduire la pauvreté, notamment à travers l'augmentation des investissements dans les secteurs sociaux et les efforts de développement de programmes de protection sociale. En outre, le Programme de Développement Local dans les 145 Territoires contribuera à réduire les disparités géographiques en termes d'accès aux services sociaux de base.

IV. MISE EN ŒUVRE DES REFORMES DANS LE CADRE DU PROGRAMME ECONOMIQUE CONCLU AVEC LE FMI

12. **La conclusion du Programme économique avec le FMI en juillet 2021 a significativement contribué à accélérer la mise en œuvre des réformes du Gouvernement.** La RDC a conclu la première revue du Programme économique soutenu par la FEC en décembre 2021 grâce à la performance dans la mise en œuvre des réformes

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économiques, des repères structurels et des critères quantitatifs. La mission du FMI qui a séjourné à Kinshasa du 26 avril au 09 mai 2022 pour la deuxième revue du Programme économique est parvenue à un accord avec le Gouvernement au niveau des services et ce, en attendant la décision du Conseil d'administration du FMI en juin 2022.

IV.1. Mise en œuvre des repères et autres réformes structurelles du Programme

13. **Tous les repères structurels convenus dans le cadre du Programme avec le FMI ont été réalisés dans le délai et les réformes sous-tendant la mise en œuvre du Programme sont exécutées avec succès.** Durant l'année 2021, le Gouvernement a maintenu la dynamique de mise en œuvre des réformes visant l'amélioration de la gouvernance dans le secteur extractif, le renforcement de la supervision du secteur financier et de l'indépendance de la Banque centrale, l'amélioration de la gestion des finances publiques et la mobilisation des recettes domestiques.

14. **Afin d'améliorer la gouvernance et la transparence dans le secteur extractif, le Gouvernement a adopté le 4 juin 2021, le plan de travail triennal ITIE-2021-23 portant entre autres, sur la transparence minière.** Il a rendu public 189 sur 201 contrats miniers signés, soit 94,03%. En outre, les états financiers de la Gécamines pour l'exercice 2020 ont été publiés sur son site internet, y compris les commentaires des commissaires aux comptes.

15. **Au niveau du renforcement de la supervision du secteur financier et de l'indépendance de la Banque Centrale, le projet de loi bancaire a été transmis au parlement le 30 novembre 2021.** Par ailleurs, dans le cadre de la lutte contre le blanchiment des capitaux et le financement du terrorisme, le Gouvernement a adopté le projet de Loi portant lutte contre le Blanchiment des Capitaux et Financement du Terrorisme. Ce projet de loi, envoyé au parlement au mois de décembre 2021, est conforme aux normes internationales du GAFI, notamment l'interdiction des comptes bancaires anonymes, l'adoption de mesures de vigilance renforcées à l'égard des utilisateurs de virements électroniques et l'établissement des exigences de base en matière de vigilance à l'égard de la clientèle des correspondants bancaires. Dans le but de renforcer la gouvernance et l'autonomie financière de la Banque centrale, une nouvelle équipe dirigeante a été nommée en juillet 2021. Toujours dans cette perspective, un protocole d'Accord a été signé le 28 décembre 2021 entre le Gouvernement et la Banque Centrale sur la régularisation de ses créances au Trésor.

16. **Pour l'amélioration de la gestion des finances publiques, les efforts ont été déployés afin de renforcer la chaîne des dépenses et limiter le recours aux procédures d'urgence.** A cet effet, un premier rapport sur les dépenses urgentes, basé sur les informations du troisième trimestre 2021 a été finalisé et sera publié.

17. **Dans le but de renforcer la mobilisation des recettes, les réformes ont été mises en œuvre afin de rétablir le bon fonctionnement de la TVA, moderniser l'administration fiscale, accroître la performance des régies financières, rationaliser les dépenses fiscales et les charges non fiscales.** A cet effet, un nouveau système de traçabilité de droit d'accises est en cours de mise en œuvre au niveau de certaines entreprises privées du secteur brassicole, du tabac, et des télécommunications. Aussi, le Gouvernement a finalisé et rendu opérationnel 10 nouveaux bureaux de douane et les a

équipés du logiciel SYDONIA WORDS. En outre, le Ministère des Finances a procédé en 2021 à la signature avec chacune des régies financières des contrats de performance avec des indicateurs qui font l'objet d'évaluations périodiques.

18. **En vue de renforcer la transparence et la traçabilité des recettes recouvrées au niveau de chaque régie financière, le Gouvernement a amorcé la mise en place de la chaîne de la recette grâce au lancement de logiciels permettent de dématérialiser les procédures de recouvrement des recettes domestiques et leur comptabilisation au compte général du Trésor.** En 2021, l'applicatif ISYS REGIE a été lancé et sa mise en service sur l'ensemble des provinces est en cours depuis le 1er janvier 2022. De même, la Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation (DGRAD) est dotée d'un applicatif logiciel de Gestion Intégrée des Recettes Administratives et Domaniales (LOGIRAD). Cette plateforme vise à dématérialiser la procédure de collecte des droits, taxes et redevances du pouvoir central par les services d'assiette et la DGRAD. Elle intègre toutes les étapes d'encadrement de la recette non fiscale, à savoir : constatation, liquidation, ordonnancement et recouvrement, contrôle, et gestion de contentieux administratif et juridique. Le lancement de la phase pilote au niveau des 21 services s'est achevé au premier trimestre 2022. Le résultat obtenu étant satisfaisant sur la phase pilote, le Gouvernement entend déployer progressivement la LOGIRAD sur l'ensemble du territoire national et rendre son utilisation obligatoire afin de renforcer la gestion des recettes non fiscales. A cet effet, le Décret n°22/18 du 04 mai 2022 signé par le Premier Ministre, instituant la plateforme informatique de gestion intégrée des droits, taxes et redevances du pouvoir central, consacre cette obligation. A la faveur de la signature de ce Décret, le Gouvernement va lancer le déploiement du LOGIRAD dans au moins 5 provinces (dont Kinshasa et le Haut Katanga) et dans cinq (5) Ministères, y compris celui de Mines.

IV.2. Evaluation des critères quantitatifs et cibles indicatives du Programme

19. **Tous les critères quantitatifs du programme économique à fin décembre 2021 et au 31 mars 2022 sont réalisés avec des marges.** L'Objectif Indicatif en rapport avec le financement de quatre programmes du Ministère de la Santé est en cours d'exécution. Le Gouvernement a mis à disposition de ces programmes les fonds nécessaires pour leur exécution et a sensibilisé les différents acteurs impliqués afin de prioriser les lignes budgétaires de l'Objectif Indicatif tout en accélérant le processus d'appel d'offres.

V. STRUCTURATION DU PROGRAMME DES REFORMES SOUS TENDANT L'APPUI BUDGETAIRE DE LA BANQUE MONDIALE

20. **Le Gouvernement de la RDC et la Banque Mondiale ont amorcé les discussions sur la préparation d'un appui budgétaire depuis le mois de février 2019**. Pour la mobilisation de cet appui, le Gouvernement a défini en concertation avec la Banque Mondiale, une matrice d'actions préalables à mener. L'opération a été mise en suspens pour plusieurs raisons dont la pandémie à COVID 19 qui a nécessité une opération d'urgence et l'attente de la promulgation de la loi sur la libéralisation du secteur des télécommunications. La conclusion du nouveau Programme formel avec le FMI a favorisé la reprise des discussions avec la Banque mondiale pour la mobilisation d'un appui budgétaire en faveur de la RDC. Ce programme de soutien financier de la Banque Mondiale en faveur de la RDC vise à : (i) accompagner le Pays dans le renforcement de la gestion des finances publiques et l'amélioration de la gouvernance dans la mobilisation des recettes

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publiques, (ii) la libéralisation du secteur des télécommunications et le renforcement de la transparence ainsi que de la gouvernance des entreprises publiques, et (iii) le renforcement de la gouvernance dans la gestion durable des ressources forestières. Les politiques et les réformes menées par le Gouvernement à cet effet sont déroulés dans les sections ci-dessous :

V.1. Renforcement de la gestion des finances publiques et amélioration de la gouvernance dans la mobilisation des recettes publiques

<u>Section 1</u> : renforcement de la gestion des finances publiques

21. **Le 26 novembre 2021, le Gouvernement a adopté le nouveau Plan Stratégique de la Réforme des Finances Publiques PSRFP 2022-2028 afin de disposer, à moyen et long terme, d'un système de gouvernance financière capable de répondre, de manière adéquate, aux besoins de l'émergence du pays.** La nouvelle stratégie vise la mise en place d'un système de gestion des finances publiques performant, levier d'une croissance économique durable et de lutte contre la pauvreté. Le Gouvernement entend ainsi corriger les faiblesses qui continuent à caractériser le système de gestion des finances publiques, notamment en ce qui concerne la crédibilité du budget, le système fiscal, la gestion budgétaire, le système de passation des marchés publics, le système comptable et de gestion de la trésorerie ainsi que le système de contrôle.

22. **A travers la mise en œuvre de la stratégie de la réforme des finances publiques, le Gouvernement veut mettre l'accent sur l'atteinte des résultats des politiques publiques dont les performances doivent être suivies et évaluées.** La mise en œuvre des actions de réforme préconisée par PSRFP s'inscrit dans le cadre des axes ci-après : (i) la mise en place d'une gestion budgétaire axée sur les résultats ; (ii) le renforcement de la capacité de mobilisation des ressources internes ; (iii) l'amélioration de la gestion de la dépense publique ainsi que le renforcement du système de passation des marchés publics ; (iv) le renforcement du système comptable et de gestion de la trésorerie; (v) le renforcement des dispositifs de contrôle interne et externe ; (vi) la promotion du développement local à travers notamment le renforcement de la gestion des finances publiques ; (vii) l'amélioration de la gouvernance participative des finances publiques et (viii) la numérisation du système de gestion des finances publiques.

23. **Dans ce contexte, le Gouvernement de la République s'engage, au travers du pilier 1 portant sur le « renforcement de la gestion des dépenses publiques et des redevances minières » à mettre en œuvre plusieurs réformes.** Il s'agit: (i) de la création et la mise en place de la Direction Générale de la Comptabilité Publique, DGTCP en sigle, en tant que nouvelle structure de pilotage du système comptable et de gestion de la trésorerie ; (ii) du renforcement de la gestion de la redevance minière au travers du logiciel LOGIRAD et (iii) du renforcement du système fiscal et du transfert des ressources au profit des entités infra nationales.

24. **Au titre de la réforme de la comptabilité et l'amélioration de la gestion de la trésorerie, le Gouvernement compte rendre les systèmes de gestion comptable, de trésorerie et de production des statistiques des finances publiques conformes aux**

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bonnes pratiques. A cet effet, il s'emploie à: (i) parachever la création de la DGTCP; (ii) mettre en place le réseau national des comptables publics; (iii) mettre en place le Compte Unique du Trésor; (iv) développer le marché des titres et (v) améliorer le système de production des statistiques des finances publiques.

25. **La création effective de la DGTCP répond à l'exigence de réorganiser les services du Ministère des finances de manière à mettre en place une structure dédiée à la centralisation de l'information financière et de la consolidation des comptes de l'Etat.** Elle garantira l'adéquation entre le cadre organisationnel dudit Ministère aux innovations recelées dans ce nouveau cadre juridique, en matière de gestion comptable et de trésorerie notamment l'instauration de la comptabilité générale et l'obligation du respect du principe de l'unité de caisse. C'est dans cette optique que le Décret n° 22/12B du 31mars 2022 portant création, mission, organisation et fonctionnement de la DGTCP a été signé et publié au Journal officiel. Le Gouvernement s'engage, dans les jours à venir, à rendre la DGTCP opérationnelle par les actions suivantes: (i) la nomination de son directeur général et de 6 directeurs; (ii) la publication du Décret du Premier Ministre fixant son cadre et ses structures organiques; (iii) la signature de l'Arrêté ministériel portant création du Réseau national des comptables publics; et (iv) la création d'une unité comptable de la DGTCP dans au moins deux Ministères de tutelle. Cet engagement est soutenu par l'intervention de la Banque Mondiale notamment à travers le projet ENCORE.

Section 2 : Amélioration de la Gouvernance dans la mobilisation des recettes

26. **En vue de parachever le processus de mise en place de la chaîne informatisée de la recette publique, le Gouvernement à travers le Ministère des Finances déploie des infrastructures informatiques pour améliorer la mobilisation des recettes intérieures.** Ces infrastructures vont permettre de (i) automatiser les procédures de collecte des recettes ; (ii) fiabiliser et sécuriser les circuits de perception ; (iii) réduire les manipulations humaines et (iv) lutter contre la fraude fiscale en vue de maximiser des recettes domestiques. Pour ce faire, il a initié et finalisé, grâce à l'appui technique et financier des partenaires, plusieurs activités d'informatisation des régies financières du pouvoir central, dont la mise en place de la plateforme LOGIRAD mentionnée plus haut.

Section 3 : Le renforcement du système fiscal et de transfert des ressources au profit des entités infra nationales

27. **Dans le cadre du renforcement du système fiscal et du transfert des ressources au profit des entités infra nationales, le Gouvernement a mis l'accent, entre autres, sur la répartition des produits de la redevance minière alloués aux provinces et aux entités territoriales décentralisées dans lesquelles s'opère l'exploitation minière.** En effet, les dispositions de la Loi n°007/2002 du 11 juillet 2002 portant Code Minier telles que modifiées et complétées par la Loi n°18/001 du 09 mars 2018 établissent une redevance minière à verser par le titulaire du titre minier d'exploitation. Les bénéficiaires de ladite redevance minière sont respectivement le pouvoir central ; l'administration de la province et l'entité territoriale décentralisée où s'opère l'exploitation ainsi que le fonds minier pour les générations futures. Il convient de relever que les dispositions susmentionnées souffrent depuis plusieurs années de l'absence de tout texte réglementant

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les modalités pratiques de collecte et de répartition revenant particulièrement aux provinces et aux entités territoriales décentralisées. Cela conduit de manière récurrente à la violation des règles de gestion des finances publiques applicables aux quotités reçues par les responsables desdites entités. Aussi, la répartition des ressources entre les entités infranationales concernées notamment en cas de chevauchement ou de superposition des activités de l'exploitant minier pourrait constituer une source de tension. Pour remédier aux problématiques relevées ci-dessus, le Gouvernement a adopté un Décret publié au Journal Officiel le 12 mai 2022, fixant les modalités pratiques de collecte, de répartition, de gestion et de contrôle des quotités de la redevance minière versées aux provinces et aux entités territoriales décentralisées.

Section 4 : Amélioration de la gestion de la redevance minière

28. **La réforme de la législation minière de 2018 a été l'opportunité pour trouver des voies et moyens afin de remédier à ce contraste et favoriser le développement durable des communautés locales affectées par l'exploitation minière.** L'exploitation minière industrielle en RDC a enregistré une forte croissance ces dernières années. Cette croissance n'a pas su rencontrer les attentes quant au développement des communautés locales directement affectées par des projets miniers. Ces communautés vivent dans une situation d'extrême pauvreté qui contraste avec les richesses générées par leurs milieux naturels.

29. **C'est dans cette optique que des dispositions légales ont été prises afin de contraindre les titulaires des droits miniers d'exploitation et d'autorisation d'exploitation des carrières permanentes de constituer, au profit des communautés affectées par les projets miniers, une dotation de 0,3% minimum du chiffre d'affaires pour contribuer aux projets de développement communautaires, et ce dans le cadre de la responsabilité sociétale des industries minières.** Il s'agit de la loi n°18/001 du 09 mars 2018, modifiant et complétant la loi n°007/2002 du 11 juillet 2002 portant Code minier et ses mesures d'application, notamment le Décret n°18/24 du 08 juin 2018 portant règlement minier. La dotation prévue est en franchise de l'impôt sur les bénéfices et profit et doit être entièrement mise à disposition des communautés locales avant l'expiration de l'exercice suivant celui au cours duquel elle a été constituée. A cet effet, le Gouvernement a pris, en vertu de l'article 258 bis du Code l'Arrêté interministériel n°00820/CAB.MIN/MINES/01/2021 et n°23/CAB.MIN/AFF.SOC.AH.SN du 21 dec.2021/2021 portant approbation du manuel des procédures de gestion de la dotation de 0,3% minimum du chiffre d'affaires pour contribution aux projets de développement communautaires dans le secteur minier. Cet Arrêté précise les attributions et les modalités de fonctionnement de l'organe spécialisé chargé de la gestion des fonds de cette dotation. En outre, afin de s'assurer que le secteur minier impulse un développement socio-économique inclusif et durable, le Gouvernement s'engage à promulguer un Décret révisant le Décret 19/17 du 15/11/2019 portant statut, organisation et fonctionnement de l'établissement public, Fonds Minier pour les générations futures (FOMIN).

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V.2. La libéralisation secteur des télécommunications et le renforcement de la transparence ainsi que de la gouvernance des entreprises publiques

Section 1 : libéralisation du secteur des télécommunications

30. **Le secteur des télécommunications est celui dont les réformes sectorielles sont quasiment achevées.** En effet, le Gouvernement a effectué les principales activités des réformes prévues dans ce secteur notamment : (i) la définition de la stratégie de développement du secteur des télécommunications et des TIC; (ii) la mise en œuvre du document de politique sectorielle, (iii) l'appui à l'Autorité de régulation des PTT; (iv) la finalisation de l'étude sur la politique sectorielle postale; et (iv) la réalisation d'études sur des services liés à la télécommunication. Conformément au pilier 4 du PNSD, le Gouvernement entend promouvoir le déploiement des équipements de télécommunication, devant booster la mise en place de l'économie numérique qui va impacter plusieurs autres secteurs d'activités. A cet effet, le Gouvernement a promulgué et publié au journal officiel la loi n° 20/017 sur les télécommunications, dont l'objectif est de libéraliser ce secteur et de promouvoir son développement. Il envisage de promulguer le Décret créant l'autorité de régulation du secteur qui sera placé sous l'autorité du Ministre des télécommunications et créer le Fonds d'accès universel au service des télécommunications.

Section 2 : amélioration de la gouvernance des entreprises publiques et renforcement de la transparence

31. **La réforme des entreprises publiques vise le redressement de celles-ci en vue de les rendre viables, performantes et capables de fournir des services de bonne qualité à la communauté.** La mise en place d'un cadre juridique et institutionnel des entreprises du portefeuille de l'Etat moderne a été achevée par la promulgation de quatre lois en 2008 sur la gestion du portefeuille de l'Etat ainsi que de leurs Décrets d'application. Outre le renforcement du cadre juridique de gestion des entreprises, le Gouvernement a amorcé la phase de stabilisation des entreprises du portefeuille en vue d'arrêter la dégradation de leur situation technique, opérationnelle et financière avant d'amorcer leur structuration en profondeur.

32. **En vue de permettre l'émergence des entreprises privées dans des secteurs autrefois dominés par l'Etat, le Gouvernement a mené ces dernières années de réformes visant la libéralisation de certains secteurs clés, notamment celui des assurances, de l'eau et de l'électricité.** Pour y parvenir, la loi n° 14/011 du 17 juin 2014 relative au secteur de l'électricité et la loi n° 15/026 du 31 décembre 2015 relative à l'eau ont été promulguées. Les organes de régulations de secteurs libérés ont été mis en place et rendus opérationnels. La libéralisation de secteurs clés en appelle à une compétitivité dans la gestion des entreprises du portefeuille. Pour renforcer cette gestion, le Gouvernement compte améliorer la gouvernance par le lancement d'un processus de recrutement compétitif, méritocratique et transparent des dirigeants de la SNEL, de la REGIDESO ainsi que du FONER (Etablissement public en charge de la gestion du fonds national d'entretien routier). Le processus de sélection s'est achevé le 04 mai 2022 avec la transmission du rapport final de recrutement au Gouvernement.

33. **Le Gouvernement reste également déterminé à accroître la transparence et la performance des entreprises publiques.** A cet effet, une circulaire du Ministère du Portefeuille a rendu obligatoire la publication des états financiers audités et des rapports annuels des entreprises publiques. Le Conseil Supérieur du Portefeuille va publier d'ici novembre 2022 le rapport sur la performance financière et opérationnelle des entreprises d'Etat stratégiques. Ceci pour renforcer la redevabilité des gestionnaires vis-à-vis des citoyens. Dans le même cadre, le Gouvernement a instauré la revue du portefeuille de l'Etat, consistant en une présentation par les différents gestionnaires des entreprises publiques des résultats de leur gestion, en séance publique devant les délégués de l'Etat constitué de la Présidence de la République, de la Primature, du Ministère du Portefeuille et des Ministères sectoriels. L'objectif est de permettre à l'Etat d'évaluer périodiquement les performances des gestionnaires des entreprises et de donner des orientations pour l'avenir. Le Ministère du Portefeuille représentant de l'actionnaire Etat envisage d'étendre la participation à la revue du portefeuille de l'Etat aux membres du parlement, de la société civile et à certaines autres parties prenantes en vue de renforcer la redevabilité des mandateurs publics vis-à-vis de l'Etat et de la population.

V.3. Le renforcement de la gouvernance pour une foresterie durable

34. **Le Gouvernement de la République Démocratique du Congo est en processus de développement de sa Politique Forestière.** Les grandes orientations de cette Politique gravitent autour des grands axes d'intervention ci-après: (i) le renforcement du cadre institutionnel et des capacités des secteurs des eaux et forêts; (ii) la gestion durable des forêts et des tourbières; (iii) la valorisation des ressources forestières; (iv) la conservation de la biodiversité; (v) l'harmonisation des politiques et législations forestières avec les autres secteurs de développement; (vi) la coopération et les partenariats; (vii) les questions transversales dont le changement climatique. En outre, le Gouvernement s'est engagé à œuvrer avec CAFI dans l'objectif d'arrêter et d'inverser la perte des forêts et la dégradation des terres d'ici 2031 tout en assurant un développement durable et en faisant la promotion d'une transformation rurale inclusive.

35. **Les actions prioritaires retenues dans le cadre de l'intervention avec la Banque Mondiale se rapportent à la mise en œuvre des axes stratégiques portant sur la valorisation des ressources forestières; la gestion durable des forêts et des tourbières et les questions transversales sur le changement climatique.** Ces actions visent notamment à : (i) améliorer la gouvernance dans le secteur forestier, (ii) renforcer la mise en œuvre des mesures de gestion durable des forêts, (iii) améliorer la qualité des rapports et de renforcer la transparence des données forestières, (iv) lutter contre la déforestation et la dégradation des forêts, (v) renforcer l'évaluation des impacts climatiques et intégrer la résilience dans les secteurs sensibles au climat.

36. **Pour améliorer la gouvernance dans le secteur forestier en vue d'une gestion durable des forêts, le rapport 2021 de l'Inspection Générale des Finances (IGF) sur le contrôle de la légalité des attributions et des transferts de concessions forestières, et sur les taxes dues au Trésor par les sociétés d'exploitation forestière a été publié.** Ainsi, les concessions forestières jugées en infraction avec le moratoire seront soumises aux processus requis par la loi et annulées. Pour renforcer la transparence du secteur

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forestier, le Gouvernement va mettre à jour et publier la liste des contrats d'exploitation forestière et autres concessions légales, comme l'exige le Code forestier à l'issue de la revue légale des titres forestiers en cours. Afin d'améliorer la qualité des rapports et de renforcer la transparence des données forestières, le Gouvernement entend procéder à la publication bisannuelle de données sur la déforestation et la dégradation des forêts, aux niveaux national et provincial.

37. **Dans la cadre de la lutte contre la déforestation et la dégradation des forêts dues à l'agriculture, le Conseil des ministres a adopté une politique agricole nationale durable.** Elle intègre les principes de l'aménagement du territoire et de la conservation des forêts et des tourbières et favorise le développement d'une agriculture commerciale durable dans les zones de savane. Pour renforcer l'évaluation des impacts climatiques et intégrer la résilience dans les secteurs sensibles au climat, le Gouvernement a établi le Cadre national pour les services climatologiques (CNSC) par le Décret n°22/19 publié le 13 mai 2022. En outre, le Gouvernement a soumis pour examen et adoption à l'Assemblée nationale la loi sur la météorologie la fourniture et l'utilisation des informations hydrométéorologiques et assurer une prestation efficace des services hydrométriques.

VI. LES INTERVENTIONS DE LA BANQUE MONDIALE EN RDC

38. **Depuis la reprise de la coopération avec les Institutions financières internationales, la Banque Mondiale figure parmi les principaux partenaires qui apportent leurs appuis financiers aux efforts de la reconstruction des secteurs clés de l'économie et au développement socio-économique de notre Pays.** Bien que ces interventions apportent une transformation économico-sociale, le Gouvernement entend davantage être appuyé sur le plan budgétaire par la Banque Mondiale de manière à permettre au pays de répondre aux besoins de financement de son programme de relance économique. Cet appui va également contribuer au financement des efforts de résilience menés par le Gouvernement pour faire face aux effets négatifs de la crise liée à la guerre en Ukraine et de la pandémie à COVID 19.

VII. RISQUES ET STRATÉGIES DE MITIGATION

39. **Les défis à relever sont immenses, notamment le pilotage de la décentralisation budgétaire au niveau des provinces en conformité avec la Constitution, la persistance des tensions sécuritaires à l'Est du territoire national et l'amélioration des conditions salariales dans le secteur public.** Par ailleurs, la détérioration des perspectives économiques mondiales, l'aggravation des tensions géopolitiques, commerciales et technologiques à travers le monde ainsi que la fragilité du pays face aux changements climatiques constituent des risques majeurs pour le Programme du Gouvernement, eu égard aux vulnérabilités qui caractérisent l'économie congolaise, à l'instar des autres pays d'Afrique subsaharienne.

40. **En dépit de ces risques et des défis, le Gouvernement est déterminé à mener toutes les réformes retenues dans le cadre de son programme d'actions.** C'est dans ce contexte que le Gouvernement de la République Démocratique du Congo sollicite un appui budgétaire de la Banque Mondiale d'un montant de 250 millions d'USD pour la mise

en œuvre de son Programme dont l'ambition est de réduire la pauvreté et d'améliorer les opportunités pour la population. Le Gouvernement réitère son engagement à travailler étroitement avec les services de la Banque Mondiale afin d'assurer un suivi efficace de l'exécution du Programme ainsi que de l'utilisation des ressources mises à sa disposition.

Nicolas KAZADI KADIMA-NZUJI
Ministre des Finances

UNOFFICIAL ENGLISH TRANSLATION

Forwarded copy for information to :

- His Excellency the President of the Republic, Head of State ;
  (With the expression of my most deferential tributes)
  Palace of the Nation
- His Excellency the Prime Minister, Head of Government
  (With the expression of my highest consideration)
  Government House
- Mr. Minister of State, Minister of the Budget
- Madam Governor of the Central Bank of Congo
  (All) in Kinshasa/Gombe

- Mr. Executive Director for the DRC at the World Bank Group
- Mr. Ambassador of the DRC to the United States of America
  Washington D.C.
  United States of America

To Mr. David MALPASS
President of the Bank Group
Worldwide
Washington, D.C. 20431
United States of America

Mr. President,
Subject: Development Policy Letter for the Democratic Republic of Congo

On behalf of the Government of the Democratic Republic of Congo, I would like to thank the World Bank for its support for the recovery of our economy, particularly in a context characterized by the continuation of the COVID-19 pandemic and the consequences of the war in Ukraine.

The Development Policy Letter that I have the honor of transmitting to you describes the country's macroeconomic context, the evolution of the poverty profile in the DRC, as well as the reforms that underpin the World Bank's development policy operation.

I. COUNTRY CONTEXT

1. **The Democratic Republic of Congo was affected by the Covid-19 pandemic from the first quarter of 2020**. As a result, the Congolese economy experienced a slowdown characterized by a decline in growth of 1.7% in 2020 compared to 4.4% in 2019. Inflation rose from 4.6% in 2019 to 15.8% in 2020. This deterioration in macroeconomic parameters has led to a deficit in public finances and the balance of payments over the period. To deal with this situation, the government was forced to finance the public treasury deficit by resorting to advances from the Central Bank, which resulted in a 15.16% depreciation of the Congolese franc at the end of December 2020.

2. **In order to curb the deterioration of the macroeconomic framework, the Government has sought and obtained support from several donors.** The Democratic Republic of Congo received a disbursement from the IMF's Rapid Credit Facility in April 2020, and gained support from the World Bank to finance its policy of providing free primary education. It has also obtained support from the African Development Bank to mitigate the negative effects of COVID.

3. **As a result of the Government's efforts, an economic program was concluded with the IMF in June 2021**. This program is supported by the Extended Credit Facility (ECF), in the amount of SDR 1,066 million for a period of three years. The objectives of the Government's Economic Program, agreed with the IMF, are: (i) to increase domestic revenue mobilization to increase fiscal space to finance essential investments and social expenditures; (ii) to strengthen governance, including management, transparency of natural resources and the fight against corruption; and (iii) to strengthen monetary policy and financial stability, notably by improving the independence of the Central Bank of Congo (BCC). This program is in line with the Government's Inaugural Program, which is aligned with the vision of His Excellency the President of the Republic Felix Antoine TSHISEKEDI TSHILOMBO and the National Strategic Development Plan 2019-2023.

II. EVOLUTION OF THE MACROECONOMIC FRAMEWORK

4. **In 2021, despite a difficult international environment, characterized by, in particular, the persistence of the COVID-19 pandemic, macroeconomic stability was maintained.** Economic growth, supported by the mining sector and services, has been consolidated with an estimated rate of 6.2% in 2021 compared to 1.7% in 2020, while inflation has been reduced to 5.3% in 2021 compared to 15.8% in 2020, below the BCC's target of 7%. Prudent fiscal policy and sustainable debt management have helped ensure post-pandemic fiscal consolidation. Increased domestic revenue mobilization, coupled with the inflow of external resources and highly concessional borrowing, have helped reduce the primary budget deficit to 2.2% of GDP by end-December 2021, financed mainly by domestic Treasury bill issues. The government continues to monitor the sustainability of the public debt and is committed to prudent borrowing. It is in this context that the external public debt to GDP ratio has been kept below 20% at the end of December 2021.

5. **To support the economic recovery, fiscal discipline has been restored and the government has significantly improved the quality of spending**. The level of public investment increased through an increase in capital expenditure from own resources, which exceeded the IMF program target, i.e., a ratio of 9.3% of total expenditure compared with the planned 6.8%. The volume of emergency spending has been reduced to avoid crowding out despite persistent pressures, to stand at around 12% of total spending in 2021, compared with 30% in 2017 and 20.9% in 2018.

6. **In the monetary and financial sector, the monetary policy instruments used in 2021 made it possible to maintain a level of liquidity compatible with the real needs of the economy.** Due to price stability, the policy rate was revised downward from 8.5% to 7.5% as of January 2022 in order to ease the refinancing conditions of banks and allow for the improvement of the financing of the national economy. Also, the Central Bank has strengthened the control mechanisms of the reserve requirement by requiring commercial banks to constitute it in the deposit currency.

7. **The country has recorded an improvement in the trade account, reflected in net foreign exchange inflows, which have strengthened international reserves**. In relation to the external sector, the balance of payments at the end of December 2021 shows a surplus of 0.8% of GDP. For the year 2022, the balance of payments is expected to be in balance. Exchange rates, both indicative and parallel, have recorded only small depreciations of 1.21% and 1.41% respectively in 2021. A quasi stability of the exchange rate is observed in the first quarter of 2022 on both segments. At the level of the trade balance, the figures at the end of December 2021 indicate a surplus of USD 3,940 million (about 7% of GDP) resulting from exports of USD 22,185 million and imports of USD 18,245 million. This positive shock, combined with the special SDR allocations of USD 1.5 billion in the third quarter of 2021 and the two drawdowns of USD 217.0 million and USD 212.3 million respectively in the second half of the same year following the approval of the ECF Agreement and the satisfactory conclusion of the first program review with the IMF, further strengthened the international reserves which reached 3.34 months of imports of goods and services at the end of 2021.

8. **Forecasts for 2022 remain solid despite the effects of the crisis related to the war in Ukraine.** Real GDP growth is projected at 6.1% in 2022, compared with the initial forecast of 6.4%. In the first quarter of 2022, there is strong inflationary pressure, resulting from the negative shock linked, in particular, to the war in Ukraine. Compared to the end of December 2021, year-on-year inflation stood at 6.5% at the end of March compared to 5.3%, a surge of 1.2%. As a result, the inflation forecast for the end of 2022 has also been revised upwards from 5.8% to 11%. Regular consultations are held between the Government and the Central Bank, with a view to effectively coordinating fiscal and monetary policies. To this end, we are committed to pursuing a prudent macroeconomic policy and to accelerating the implementation of the measures and reforms adopted under the IMF program.

III. EVOLUTION OF POVERTY IN THE DRC

9. **The economic recovery recorded in 2021 has helped mitigate the adverse social effects recorded in 2020 during the COVID-19 crisis, although the consequences will continue to be felt at the population level and will be a serious blow to the country's trajectory towards achieving the Sustainable Development Goals (SDGs)**. GDP per capita in 2021 increased slightly by 2.5%, jobs were recovered following the lifting of restrictive measures as part of the reopening of the economies. However, the level of poverty remains very high and massive investments are needed to recover the gains made and put the country back on track to achieve the SDGs.

10. **The five pillars of the National Strategic Development Plan (PNSD) 2019-2023, validated in December 2019, should enable progress to be made towards achieving the SDGs.** They aim to: (i) enhance human capital, social and cultural development; (ii) strengthen good governance, restore state authority and consolidate peace; (iii) consolidate economic growth, diversify and transform the economy; (iv) develop the territory, rebuild and modernize infrastructure; and (v) protect the environment, combat climate change, and ensure sustainable and balanced development**.**

11. **Despite the performance recorded at the macroeconomic level, the Government is aware of the major challenges facing the country in improving the living conditions of the population.** According to the cluster survey on SDG indicators, conducted jointly by the National Institute of Statistics and the Congolese Sustainable Development Observatory, poverty remains a concern with 74.7% of the population living on a daily income of less than $1.90, according to the international poverty line. Aware of all these challenges, the government is committed to continuing to implement reforms to support inclusive growth and reduce poverty, particularly through increased investment in the social sectors and efforts to develop social protection programs. In addition, the Local Development Program in the 145 territories will help reduce geographic disparities in terms of access to basic social services.

IV. IMPLEMENTATION OF REFORMS UNDER THE ECONOMIC PROGRAM WITH THE IMF

12. **The conclusion of the economic program with the IMF in July 2021 has significantly contributed to accelerating the implementation of the Government's reforms**. The DRC concluded the first review of the ECF-supported economic program in December 2021 thanks to its performance in implementing economic reforms, structural benchmarks and quantitative criteria. The IMF mission that visited Kinshasa from April 26 to May 9, 2022, for the second review of the Economic Program reached an agreement with the Government at the staff level, pending the decision of the IMF Executive Board in June 2022.

IV.1 Implementation of benchmarks and other structural program reforms

13. **All structural benchmarks agreed upon under the Program with the IMF have been achieved on schedule and the reforms underlying the implementation of the Program are being**

successfully implemented. During 2021, the Government maintained the momentum of implementing reforms aimed at improving governance in the extractive sector, strengthening financial sector supervision and the independence of the Central Bank, improving public financial management, and mobilizing domestic revenue.

14. **In order to improve governance and transparency in the extractive sector, the Government adopted on June 4, 2021, the three-year EITI-2021-23 work plan on mining transparency.** It has made public 189 of 201 mining contracts signed, or 94.03%. In addition, Gécamines' financial statements for fiscal year 2020 have been published on its website, including the comments of the auditors.

15. **With regard to strengthening the supervision of the financial sector and the independence of the Central Bank, the draft banking law was sent to parliament on November 30, 2021**. In addition, as part of the fight against money laundering and the financing of terrorism, the Government has adopted the draft law on the fight against money laundering and the financing of terrorism. This bill, which was sent to Parliament in December 2021, is in line with the FATF international standards, including the prohibition of anonymous bank accounts, the adoption of enhanced due diligence measures for users of wire transfers and the establishment of basic customer due diligence requirements for correspondent banks. In order to strengthen the governance and financial autonomy of the Central Bank, a new management team was appointed in July 2021. Also in this perspective, a memorandum of understanding was signed on December 28, 2021 between the Government and the Central Bank on the regularization of its claims on the Treasury.

16. **To improve public financial management, efforts have been made to strengthen the expenditure chain and limit the use of emergency procedures**. To this end, a first report on urgent expenditures, based on information from the third quarter of 2021 has been finalized and will be published.

17. **In order to strengthen revenue mobilization, reforms have been implemented to re-establish the proper functioning of the VAT, modernize tax administration, increase the performance of financial authorities, and rationalize tax expenditures and non-tax charges.** To this end, a new excise duty traceability system is being implemented in some private companies in the brewing, tobacco and telecommunications sectors. Also, the Government has finalized and made operational 10 new customs offices and equipped them with ASYCUDA WORLD software. In addition, in 2021 the Ministry of Finance signed performance contracts with each of the tax authorities, with indicators that are subject to periodic evaluation.

18. **In order to strengthen the transparency and traceability of the revenues collected at the level of each tax authority, the Government has begun to set up the revenue chain by launching software that will allow the digitalization of procedures for collecting domestic revenues and accounting for them in the general account of the Treasury.** In 2021, the ISYS-REGIES application was launched and has been in use in all provinces since January 1 2022. Similarly, the General Directorate of Administrative, Judicial, State and Participation Revenue (DGRAD) has been equipped with a software application for Integrated Management of Administrative and State Revenue

(LOGIRAD). This platform aims to digitalize the procedure for collecting duties, taxes and fees from the central government by the tax collection services and the DGRAD. It integrates all the stages of non-tax revenue management, i.e.: issuance of collection note, liquidation, authorization and collection, control, and management of administrative and legal disputes. The launch of the pilot phase at the level of the 21 services was completed in the first quarter of 2022. As the results of the pilot phase were satisfactory, the government intends to gradually roll out LOGIRAD throughout the country and make its use mandatory in order to strengthen the management of non-tax revenues. To this end, Decree No. 22/18 of May 4, 2022, signed by the Prime Minister, established the computerized platform for the integrated management of central government duties, taxes and fees, and enshrined this obligation. With the signing of this Decree, the Government will launch the deployment of LOGIRAD in at least 5 provinces (including Kinshasa and Haut-Katanga) and in five (5) Ministries, including the Ministry of Mines.

IV.2 Evaluation of quantitative criteria and indicative targets of the Program

19. **All quantitative criteria of the economic program at the end of December 2021 and March 31, 2022, are achieved with margins.** The Indicative Target related to the financing of four programs of the Ministry of Health is being implemented. The Government has made the necessary funds available for the execution of these programs and has sensitized the various actors involved in order to prioritize the budget lines of the Indicative Objective while accelerating the bidding process.

V. STRUCTURING THE REFORM PROGRAM UNDER THE WORLD BANK'S DEVELOPMENT POLICY OPERATION

20. **The Government of the DRC and the World Bank began discussions on the preparation of a development policy operation in February 2019**. For the mobilization of this support, the Government has defined, in consultation with the World Bank, a matrix of prior actions to be carried out. The operation was put on hold for several reasons, including the COVID-19 pandemic, which required an emergency operation, and the delay in the promulgation of the law on the liberalization of the telecommunications sector. The conclusion of the new program with the IMF has facilitated the resumption of discussions with the World Bank for the mobilization of a development policy operation for the DRC. This World Bank financial support program for the DRC aims to: (i) support the country in strengthening public financial management and improving governance in the mobilization of public revenues, (ii) liberalize the telecommunications sector and strengthen transparency and governance of public enterprises, and (iii) strengthen governance in the sustainable management of forest resources. The policies and reforms carried out by the government to this end are outlined in the sections below:

V.1 Strengthening public financial management and improving governance in public revenue mobilization

<u>Section 1</u>**: Strengthening Public Financial Management**

21. **On November 26, 2021, the Government adopted the new Strategic Plan for Public Finance Reform PSRFP 2022-2028 in order to have, in the medium and long term, a financial governance system capable of responding adequately to the country's development needs**. The new strategy aims to put in place an efficient public financial management system, which will be a lever for sustainable economic growth and poverty reduction. The government intends to correct the weaknesses that continue to characterize the public financial management system, particularly regarding the credibility of the budget, the tax system, budget management, the public procurement system, the accounting and cash management system and the control system.

22. **Through the implementation of the public finance reform strategy, the Government wants to emphasize the achievement of results in public policies whose performance must be monitored and evaluated.** The implementation of the reform actions advocated by the PSRFP falls within the framework of the following axes: (i) the introduction of results-based budget management; (ii) strengthening the capacity to mobilize internal resources; (iii) improving the management of public expenditure and strengthening the public procurement system; (iv) strengthening the accounting and cash management system (v) strengthening internal and external control mechanisms; (vi) promoting local development, in particular by strengthening public finance management; (vii) improving participatory governance of public finances; and (viii) digitizing the public finance management system.

23. **In this context, the Government of the Republic is committed, through Pillar 1 on "strengthening public expenditure management and mining royalties" to implementing several reforms.** These include: (i) the creation and implementation of the General Directorate of Treasury and Public Accounting (DGTCP), as a new structure overseeing the accounting and cash management system; (ii) the strengthening of the management of mining royalties through the LOGIRAD software; and (iii) the strengthening of the tax system and the transfer of resources to sub-national entities.

24. **Regarding the reform of public accounting and improvement in cash management, the government intends to bring public accounting, cash management and public finance statistics production systems into line with good practice**. To this end, it is working to: (i) complete the creation of the DGTCP; (ii) set up the national network of public accountants; (iii) set up the Single Treasury Account; (iv) develop the securities market; and (v) improve the system for producing public finance statistics.

25. **The effective creation of the DGTCP responds to the need to reorganize the services of the Ministry of Finance in order to put in place a structure dedicated to the centralization of**

financial information and the consolidation of the State's accounts. It will ensure that the organizational framework of the Ministry is in line with the innovations contained in this new legal framework, in terms of public accounting and cash management, in particular the introduction of general accounting and the obligation to respect the principle of cash unity. It is with this in mind that Decree No. 22/12B of 31 March 2022 on the creation, mission, organization and operation of the DGTCP was signed and published in the Official Journal. The Government is committed, in the coming days, to making the DGTCP operational through the following actions: (i) the appointment of its Director General and 6 Directors; (ii) the publication of the Prime Minister's Decree establishing its framework and organic structures; (iii) the signing of the Ministerial Order creating the National Network of Public Accountants; and (iv) the creation of a DGTCP accounting unit in at least two line Ministries. This commitment is supported by the World Bank, particularly through the ENCORE project.

Section 2: Improving Governance in Revenue Mobilization

26. **In order to complete the process of setting up the computerized public revenue chain, the government, through the Ministry of Finance, is deploying IT infrastructure to improve domestic revenue mobilization.** These infrastructures will make it possible to (i) automate revenue collection procedures; (ii) make collection circuits more reliable and secure; (iii) reduce human manipulation; and (iv) fight tax fraud in order to maximize domestic revenue. To this end, with the technical and financial support of partners, it has initiated and finalized several computerization activities for central government tax authorities, including the implementation of the LOGIRAD platform mentioned above.

Section 3: Strengthening the tax and resource transfer system for sub-national entities

27. **As part of the strengthening of the fiscal system and the transfer of resources to sub-national entities, the Government has focused, among other things, on the distribution of the proceeds of the mining royalty allocated to the provinces and decentralized territorial entities in which mining is carried out.** Indeed, the provisions of Law No. 007/2002 of July 11, 2002, on the Mining Code as amended and completed by Law No. 18/001 of March 09, 2018, established a mining royalty to be paid by the holder of the mining title of exploitation. The beneficiaries of the said mining royalty are respectively the central government; the administration of the province and the decentralized territorial entity where the exploitation takes place as well as the mining fund for future generations. It should be noted that the above provisions have suffered for several years from the absence of any text regulating the practical modalities of collection and distribution, particularly for the provinces and the decentralized territorial entities. This leads to recurrent violations of the rules of public finance management applicable to the quotas received by these entities. Also, the distribution of resources among the sub-national entities concerned, particularly in the case of overlapping or superimposed activities of the mining operator, could be a source of tension. To remedy the problems noted above, the Government has adopted a Decree published in the Official Gazette on May 12, 2022, setting out the practical modalities for the collection, distribution, management and control of the quotas of mining royalties paid to the provinces and decentralized territorial entities.

Section 4: Improving the Management of the Mining Royalty

28. **The 2018 reform of the mining legislation was an opportunity to find ways to remedy this contrast and promote the sustainable development of local communities affected by mining.** Industrial mining in the DRC has experienced strong growth in recent years. This growth has failed to meet the development expectations of local communities directly affected by mining projects. These communities live in a situation of extreme poverty that contrasts with the wealth generated by their natural environment.

29. **It is with this in mind that legal provisions have been made to compel holders of mining rights for exploitation and authorization for exploitation of permanent quarries to constitute, for the benefit of communities affected by mining projects, an endowment of 0.3% minimum of turnover to contribute to community development projects, and this within the framework of the social responsibility of mining industries.** This is Law No. 18/001 of March 09, 2018, amending and supplementing Law No. 007/2002 of July 11, 2002, on the Mining Code and its implementing measures, including Decree No. 18/24 of June 08, 2018, on mining regulations. The endowment provided for is free of income and profit tax and must be made available in full to local communities before the expiration of the fiscal year following that in which it was established. To this end, the Government has taken, by virtue of Article 258 bis of the Code, the inter-ministerial Decree No. 00820/CAB.MIN/MINES/01/2021 and No. 23/CAB.MIN/AFF.SOC.AH.SN of December 21, 2021, approving the manual of procedures for the management of the endowment of a minimum of 0.3% of the turnover as a contribution to community development projects in the mining sector. This decree specifies the attributions and the modalities of functioning of the specialized body in charge of the management of the funds of this endowment. In addition, in order to ensure that the mining sector drives inclusive and sustainable socio-economic development, the Government undertakes to promulgate a Decree revising Decree 19/17 of 15/11/2019 on the status, organization and operation of the public institution, Mining Fund for Future Generations (FOMIN).

V.2 Liberalization of the telecommunications sector and strengthening of transparency and governance of public companies

Section 1: liberalization of the telecommunications sector

30. **The telecommunications sector is the one in which sectoral reforms are almost complete.** Indeed, the government has carried out the main reform activities planned for this sector, including: (i) defining the development strategy for the telecommunications and ICT sector; (ii) implementing the sectoral policy document; (iii) supporting the telecom regulatory authority; (iv) finalizing the study on postal sector policy; and (iv) carrying out studies on telecommunications-related services. In accordance with Pillar 4 of the PNSD, the government intends to promote the deployment of telecommunications equipment to boost the establishment of the digital economy, which will have an impact on several other sectors of activity. To this end, the Government has promulgated and

published in the Official Gazette Law No. 20/017 on telecommunications, the objective of which is to liberalize this sector and promote its development. It plans to promulgate the Decree creating the regulatory authority for the sector, which will be placed under the authority of the Minister of Telecommunications, and to create the Universal Service Fund for telecommunications services.

Section 2: Improving the governance of state-owned enterprises (SOEs) and enhancing transparency

31. **The reform of SOEs aims to turn them around to make them viable, efficient and capable of providing good quality services to the community.** The establishment of a modern legal and institutional framework for SOEs was completed with the promulgation of four laws in 2008 on the management of the state portfolio and their implementing decrees. In addition to strengthening the legal framework for the management of companies, the Government has begun the stabilization phase of SOEs in order to halt the deterioration of their technical, operational and financial situation before initiating their in-depth structuring.

32. **In order to allow the emergence of private companies in sectors previously dominated by the State, the Government has carried out reforms in recent years aimed at the liberalization of certain key sectors, notably insurance, water and electricity.** To achieve this, Law No. 14/011 of June 17, 2014, on the electricity sector and Law No. 15/026 of December 31, 2015, on water were enacted. The regulatory bodies of the liberalized sectors have been set up and made operational. The liberalization of key sectors calls for competitiveness in the management of SOEs. To strengthen this management, the government intends to improve governance by launching a competitive, meritocratic and transparent recruitment process for the managers of SNEL, REGIDESO and FONER (the public institution in charge of managing the national road maintenance fund). The selection process was completed on May 4, 2022, with the transmission of the final recruitment report to the Government.

33. **The government also remains committed to increasing the transparency and performance of SOEs**. To this end, a circular from the Ministry of the Portfolio has made the publication of audited financial statements and annual reports of public enterprises mandatory. The Superior Council of the Portfolio will publish by November 2022 the report on the financial and operational performance of strategic SOEs. This will strengthen the accountability of managers to citizens. In the same framework, the Government has introduced the State portfolio review, consisting of a presentation by the various SOE managers of their results, in a public meeting before the delegates of the State consisting of the Presidency of the Republic, the Prime Minister's Office, the Ministry of the Portfolio and the sectoral ministries. The objective is to allow the State to periodically evaluate the performance of the SOE managers and to give orientations for the future. The Ministry of Portfolio, representing the State shareholder, plans to extend participation in the State portfolio review to members of parliament, civil society and certain other stakeholders in order to strengthen the accountability of SOE managers to the State and the population.

V.3. Strengthening governance for sustainable forestry

34. **The Government of the Democratic Republic of Congo is in the process of developing its Forestry Policy**. The main orientations of this Policy revolve around the following major areas of intervention: (i) strengthening the institutional framework and capacities of the water and forestry sectors; (ii) sustainable management of forests and peatlands; (iii) development of forest resources; (iv) biodiversity conservation; (v) harmonization of forestry policies and legislation with other development sectors; (vi) cooperation and partnerships; and (vii) cross-cutting issues including climate change. In addition, the Government is committed to working with the Central African Forest Initiative (CAFI) to halt and reverse forest loss and land degradation by 2031 while ensuring sustainable development and promoting inclusive rural transformation.

35. **The priority actions retained within the framework of the intervention with the World Bank relate to the implementation of the strategic axes concerning the development of forest resources; the sustainable management of forests and peatlands and the cross-cutting issues on climate change.** These actions aim, in particular, to: (i) improving governance in the forest sector, (ii) strengthening the implementation of sustainable forest management measures, (iii) improving the quality of reporting and enhancing transparency of forest data, (iv) combating deforestation and forest degradation, (v) strengthening climate impact assessment and mainstreaming resilience in climate sensitive sectors.

36. **To improve governance in the forestry sector with a view to sustainable forest management, the 2021 report of the General Inspectorate of Finance (IGF) on the control of the legality of allocations and transfers of forest concessions, and on taxes owed to the Treasury by logging companies has been published.** As a result, logging concessions found to be in violation of the moratorium will be subject to the processes required by law and cancelled. To strengthen transparency in the forestry sector, the government will update and publish the list of logging contracts and other legal concessions, as required by the Forestry Code, following the legal review of ongoing forest titles. To improve the quality of reporting and increase transparency of forestry data, the government intends to publish deforestation and forest degradation data at the national and provincial levels every two years.

37. **As part of the fight against deforestation and forest degradation due to agriculture, the Council of Ministers has adopted a sustainable national agricultural policy**. It integrates the principles of land use planning and forest and peatland conservation and promotes the development of sustainable commercial agriculture in savannah areas. To strengthen the assessment of climate impacts and integrate resilience in climate sensitive sectors, the Government established the National Framework for Climate Services (NFCS) through Decree No. 22/19 issued on May 13, 2022. In addition, the Government has submitted for consideration and adoption to the National Assembly the law on meteorology, the provision and use of hydrometeorological information, and to ensure effective delivery of hydrometric services.

VI. WORLD BANK INTERVENTIONS IN THE DRC

38. **Since the resumption of cooperation with international financial institutions, the World Bank has been one of the main partners providing financial support for the reconstruction of key sectors of the economy and for the socio-economic development of our country.** Although these interventions are bringing about an economic and social transformation, the Government intends to receive further budgetary support from the World Bank to enable the country to meet the financing needs of its economic recovery program. This support will also help finance the Government's resilience efforts to address the negative effects of the war-related crisis in Ukraine and the COVID-19 pandemic.

VII. RISKS AND MITIGATION STRATEGIES

39. **The challenges to be met are immense, especially the piloting of fiscal decentralization at the provincial level in accordance with the Constitution, as well as the persistence of security tensions in the east of the country and the improvement of salary conditions in the public sector.** In addition, the deterioration of the global economic outlook, the worsening of geopolitical, commercial and technological tensions throughout the world, as well as the country's fragility in the face of climate change, constitute major risks for the government's program, given the vulnerabilities that characterize the Congolese economy, like those of other sub-Saharan African countries.

40. **Despite these risks and challenges, the Government is determined to carry out all the reforms identified in its action program.** It is in this context that the Government of the Democratic Republic of Congo is requesting budgetary support from the World Bank in the amount of USD 250 million for the implementation of its program, which aims to reduce poverty and improve opportunities for the population. The Government reiterates its commitment to work closely with the World Bank to ensure effective monitoring of the implementation of the Program and the use of the resources made available to it.

Nicolas KAZADI KADIMA-NZUJI

Minister of Finance

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Operation Pillar 1: Strengthening the management of public expenditure and mining royalties		
Prior action #1	Neutral	Positive: strengthened expenditure management will allow to increase pro-poor spending
Prior action #2	Positive: digitalization will significantly reduce paper usage	Positive: increased domestic revenue mobilization will allow to increase pro-poor spending
Prior action #3	Negative: could lead to additional investments in provinces, ETDs and communities. Possible negative effects will be assessed and addressed through the proposed SESA under ENCORE (P171762)	Positive: increased investments at the provincial, ETD and community level.
Operation Pillar 2: Liberalizing telecoms and strengthening SOE transparency and governance		
Prior action #4	Negative: will lead to new infrastructure investments. Environmental Impact Assessment is mandatory before investment starts and PACT (P161877) provides support to deal with environmental impacts of telecom investments.	Positive: will lead to cost reduction and greater access to mobile and internet services
Prior action #5	Neutral	Positive: increased transparency of SOE operations is a critical step towards improved performance and service delivery; strengthened corporate governance of SNEL, REGIDESO and FONER will lead to improved performance and service delivery
Operation Pillar 3: Strengthening governance for sustainable forestry		
Prior action #6	Positive: reduction of illegal forest exploitation	Neutral: REDD+ includes a strong social framework to address deforestation and forest degradation while providing additional livelihood opportunities to local communities
Prior action #7	Positive: will provide timely information to address deforestation and forest degradation	Neutral: REDD+ includes a strong social framework to address deforestation and forest degradation while providing additional livelihood opportunities to local communities
Prior action #8	Positive: will provide critical information to support the implementation of climate resilient development strategies	Positive: decrease vulnerability through increased capacity to deal climate shocks

ANNEX 5: EFFICIENCY OF PUBLIC EXPENDITURE AND GOVERNMENT'S MEDIUM-TERM PLAN FOR IMPROVEMENT

1. **Efficiency of public expenditure has been constrained by weak revenue collection which hampered the government's fiscal space and its leverage to address development challenges.** Domestic government expenditure did not exceed 10 percent of GDP during 2015–2020 as the government's room to maneuver was very limited in the short run given the spending commitment ceilings present in the context of a cash allocation plan. The inability of the government to implement an expansionary fiscal policy has accentuated major concerns about public expenditure management and efficiency in priority sectors. The budget implementation rate averaged 73.9 percent in 2018-2019 and did not exceed 80 percent in 2020; and this rate is even lower in the social and infrastructure sectors. The low levels of spending and execution underscore the budget's inability to address development challenges. As a share of total expenditure, current expenditures retain a significant share of the total budget at 95.7 percent in 2020 (from 81.3 percent in 2019), of which over half goes to the wage bill, pushing down the capital expenditure (3.3 percent of total in 2020).

2. **However, the efficiency of public expenditure remains perfectible in some critical PFM areas and signs of improvement are starting to show.** In 2021, the fiscal position improved and was balanced due to better revenue mobilization (11.3 percent of GDP), leading to higher public expenditure (13.2 percent GDP) which translated into higher capital spending (3.5 percent of GDP vs. 0.3 in 2020) and lower wages in relative terms (4.9 percent of GDP vs. 5.3 in 2020). The 2021 budget was implemented such as to improve the efficiency of public spending with a substantial improvement in domestically financed capital expenditures (from 0.3 percent of GDP in 2020 to 1.1 percent in 2021). In this momentum of increased capital spending, authorities approved the 2022 budget envisaging a higher domestic revenue collection to support the government's objective of increasing capital expenditure further aiming for an increasing to 6.1 percent of GDP in 2022 (projected by the World Bank at 4.9 percent of GDP) to enhance social (pro-poor) and infrastructure spending. Thus, the 2022 budget law supports the government's efforts in increasing allocation to the education (as part of the free primary education) and health sectors. The budget allocated to health doubled in nominal terms in the last two years, and its share to GDP increased from 1.4 percent in 2021 to 1.7 percent in 2022. The same is also noticeable for the resources allocated to education in nominal terms, albeit maintaining its share to GDP for the past three years constant at 2.7percent.

Table 1. Fiscal indicators (in percentage of GDP)

	2018	2019	2020	2021	2022	
	Act.	Act.	Prel.	Prel.	Budget	Proj.
Revenue and grants	11.1	10.8	9.0	13.1	15.9	13.7
Revenue	10.0	10.1	8.7	11.2	13.9	12.3
Grants	1.1	0.8	0.2	1.9	2.0	1.4
Expenditure	11.1	12.8	10.1	13.3	18.1	16.2
Current expenditure	7.9	10.4	9.9	9.4	11.3	11.3
Wages	3.5	4.3	5.3	4.9	5.2	5.1
Others	4.4	6.0	4.6	4.5	6.8	6.2
Capital expenditure	1.7	2.2	0.3	3.5	6.1	4.9
Overall balance (commitment basis)	0.0	-2.0	-1.2	0.0	-2.2	-2.5

Source: Congolese authorities; and World Bank staff estimates and projections

3. **Authorities are aware of the importance of addressing the credibility and efficiency of public expenditure, through a rebalancing of government spending towards social sectors, including education and health, and productive infrastructure in order to promote access to public services for the poor and vulnerable.** To corroborate this, the government started implementing its PSRFP for 2022-2028 (published in November 2021). The government's plan includes, among others: (1) budget reforms aimed at modernizing the traditional budget system and introducing performance-based budgeting; and (2) improving management of public expenditure aimed to rationalize public spending by strengthening the public expenditure chain, improving payroll management, and strengthening the management of public contracts and public debt. This will enable decision-makers to control the risks associated with the management of public policies for which they are responsible. In coordination with the proposed DPO series, the World Bank financed ENCORE project (P171762) is supporting the establishment and deployment of DGTCP to strengthen expenditure management and is supporting, through Performance-Based Conditions, the authorities to gradually transfer budget commitment authority from the Ministers of Finance and Budget to priority line ministries starting with the social sectors ministries. In addition, the ENCORE project is supporting the establishment of a Treasury Single Account (in coordination with the IMF) and the deployment of an Integrated Financial Management Information System. The ENCORE project also aims to support oversight institutions (General Inspectorate of Finance and Supreme Audit Institution) to ensure effective control of Government.

ANNEX 6: PAST WORLD BANK ENGAGEMENT IN PFM, MINING, SOE REFORM AND FORESTRY

1. **Basic PFM functions were built after the wars, followed by limited reform momentum in later years, post HIPC Completion Point in 2010.** In the early 2000s, the government, with support from the international community, quickly rehabilitated and rebuilt the basic functions and essential PFM systems. From 2001 to 2007, the World Bank used DPF and IPF, in combination with analytical work, to support the government in re-establishing and improving budget preparation, budget execution and procurement, budget controls and civil service management and payroll. While the World Bank did not use DPF after 2005 (see Box 6.1 below), through HIPC-associated policy reforms (HIPC Completion Point achieved in 2010), including the adoption of a modernized legal framework for PFM, Civil Service, Procurement, and SOEs reforms[99], central government revenues were strengthened, and budgetary process reforms consolidated to establish a more effective and transparent payroll system for civil servants and fiduciary systems in targeted provinces. Significant progress was also made in the mining sector, where transparency improved with the publication of existing petroleum and mining contracts, the government working toward EITI validation (DRC joined EITI in 2007).

Box 6.1: Past experience with DPOs (2002-2005)

The three DPOs were evaluated as having unsatisfactory outcomes, with modest impact on institutional strengthening, macroeconomic stability and negligible progress recorded on governance and SOE reforms. For the first two operations, approved in June 2002 (Economic Recovery Credit, P057293, US$450 million) and January 2004 (Post-Reunification Economic Recovery Credit, P082443, US$200 million) respectively, the Project Performance Assessment Report (PPAR) judged performance as *"Poor"* due to *"an ambitious reform agenda for the limited implementation capacity and weak ownership of reforms."* The PPAR added that *"instead of being simple, realistic, selective, and balanced across key dimensions of post-conflict recovery, with wide national ownership and sufficient donor buy-in, the results matrices (…) were almost the exact opposite"*. Furthermore, the report states there was a "*lack of recent analytical and advisory work or a reliable knowledge base of country-specific circumstances."* The IEG ICR Review of the third DPO (Transitional Support for Economic Recovery, P091990, US$90 million) approved in December 2005, considers implementation as unsatisfactory, "*on the basis of: the lack of maintaining macro stability (…); the limited outputs delivered under the various indicators (…); and the modest institutional strengthening achieved*".

2. **From 2012, PFM reform progress slowed due to political turmoil and election crisis** (between 2016 and 2018). The IMF ECF was interrupted in 2012 due to concerns on mining sector transparency.

[99] Key PFM legal instruments adopted and institutions established: (i) Budget Framework Act (*Loi sur les Finances Publiques*, 2011) and associated application Decrees (Decrees 13/050 and 13/055 on government accounting system); (ii) Procurement Act (*Loi sur le Code des Marchés Publics,* 2010) and associated regulation and institutions (*Manuel de Procédures des Marchés Publics*, *Agence de Régulation des Marchés Publics*; *Direction Générale des Marchés Publics,* 2010); (iii) revised legal framework for SOEs (*Loi sur la Transformation des Entreprises publiques* and *Loi sur le Désengagement de l'Etat des Entreprises Publiques*, 2008). In 2016, the government enacted revised Civil Service Laws (*Loi Portant Statut des Agents de Carrière des Services Publics de l'Etat* et *Loi Organique sur l'Organisation et le Fonctionnement des Services Publics du Pouvoir Central, des Provinces et des Entités Territoriales Décentralisées*).

World Bank engagements, through IPF[100], continued in support of the implementation and enforcement of the modern legal and regulatory PFM framework that had already been enacted, aiming to increase effectiveness and transparency at central and provincial level (targeting eight provincial governments), in natural resources industries (petroleum, mining and forestry), and in six major SOEs. In 2018, the Mining Code was revised, certain expenditure reforms implemented[101], but overall, there was little reform progress. The government failed in the implementation of the new legal framework for PFM, procurement, and SOEs, as well as the establishment and empowerment of critical governance institutions such as the Court of Accounts (*Cour des Comptes*); the Procurement Board (*Autorité de Régulation des Marchés Publics*); and the DGTCP[102]).

3. **The 2019 PEFA evaluation shows a deterioration in the situation compared to the 2012 evaluation**, despite some improvements in budget preparation procedures, the production of budget execution monitoring reports and the production of accountability statements. The 2019 PEFA explained this regression by the political pressure exerted during budget preparation procedures, which leads to the voting of an unrealistic budget, and secondly by dysfunctions or even the absence of controls over expenditure execution. The gaps between the existing legal texts (in particular the 2011 Public Finance Law, LOFIP) and their effective application remain significant, and the weaknesses already noted at all levels of the budgetary chain have become more pronounced.

4. **Progress on SOE reform followed a similar path, with significant progress after the wars, and progress slowing down after the HIPC Completion Point in 2010 and the interruption of the IMF program in 2012.** Despite significant amount of financing invested in SOE reforms (through DPF and IPF), the results – in term of improved corporate governance, operational and financial performance – have been limited. Two sectoral investment operations included a deep focus on reforming REGIDESO and SNCC. But despite these intense reform efforts, the results of both operations, in term of reforms, have been limited - especially for SNCC. Despite the new legal framework for SOEs adopted in 2008 (a major breakthrough), the political economy around SOEs has not changed. Key SOEs (SNEL, REGIDESO, SNCC, RVA, SCTP, SCPT, GECAMINES) continue to incur significant losses, with an estimated total debt of US$4.4 billion at the end 2017. The 2 largest loss-makers are GECAMINES and SNCC, with an estimated loss of US$435 million in 2017. SOEs are also characterized by a lack of transparency, with limited update to date financial information available. Appointments of Board members and Senior Management have continued to be politically captured, as a reward for political services. The "predatory" approach to SOE management has also continued (at all levels). Recent IGF investigations in SOEs could be a turning point, signaling that "predation as usual" is no longer accepted.

5. **SOE reform efforts have been supported through DPOs (2002 and 2004) and through a series of IPF operations** (US$2.1 billion under IPF[103]). The World Bank financed management contracts in several

[100] Enhancing Governance Capacity (2008-2016, US$107 million, P104041), Independent Evaluation Group (IEG) Rating: Moderately Satisfactory. Strengthening PFM and Accountability (2017-2021, US$72 million, P145747). Implementation Completion and Results Report (ICR) pending.
[101] Introduction of Administrative and Financial Directorates in 12 line-Ministries to handle budget preparation and execution (2018); detailed budget execution information and documents regularly prepared and published on the Budget Ministry website; participatory budgeting in central government, several provincial governments and some sub-provincial entities.
[102] The establishment of DGTCP is a prior action under the proposed DPO series.
[103] Private Sector Development and Competitiveness Project (P71144, US$180 million, 2003-2014); South Africa Power Market

SOEs: "stabilization contracts" in GECAMINES and SNCC (while Government financed the contracts at ONATRA [now SCTP] and RVA); management contracts at REGIDESO and SNEL. These contracts did not lead to marked improvements in the financial and operational performance of the SOEs (political interference, overstaffing and social liabilities, strong resistance to change internally and externally).

6. **The mining sector was central to the World Bank's work in DRC during the first 15 years after reengagement with a focus on the copper and cobalt industries in the Katanga region.** Following the wars, the World Bank supported the development of a new mining code in 2002, which enabled further private sector investment. The World Bank also supported a 2018 code that aimed to establish a more progressive fiscal regime in line with good international practice. Between 2002 and 2005, two of three DPOs targeted the restructuring of the copper mining SOE, GECAMINES, while an IPF financed a staff retrenchment program and a management contract (Private Sector Development and Competitiveness Project, P071144, US$180 million, 2003-2014). This IPF also supported, through the financing of a legal and financial review of mining contracts in 2006, the mining contract review formally launched by the DRC authorities in 2007 and concluded in 2009. 37 contracts were renegotiated and 20 contracts were cancelled. The Growth with Governance in the Minerals Sector Project (P106982, 2010-2018, US$51 million, rated Moderately Satisfactory by IEG) focused on "strengthening the capacity of key institutions to manage the minerals sector, improving the conditions for increased investments in and revenues from mining, and helping increase the socio-economic benefits from artisanal and industrial mining", but did not tackle reform of GECAMINES and other mining SOEs as these issues were deemed too complex to be tackled with a technical assistance project alone.[104]

7. **The governance and political economy of the mining sector, however, did not improve much over these years, until a renewed commitment towards transparency since 2019.** In 2012, the IMF suspended its ECF program with DRC due to concerns relating to mining sector transparency. The IMF SMP approved in December 2019, which paved the way for a new IMF program, required the publication of all new mining contracts and an acceleration in the publication of old contracts. The IMF three-year ECF approved in July 2021 requires the publication of all new mining contracts as a continuous benchmark.

8. **In the forestry sector, the World Bank focused primarily – at the end of the wars – on supporting the development of a legal and institutional framework that reflected DRC's ambition to manage its national forests in a more sustainable and participatory way.** From 2004 to 2009, the World Bank collaborated with the Government and development partners in an important review of the legality of DRC forest contracts. This review analyzed 156 logging permits to determine eligibility for being converted into long-term concession contracts as per the new regulatory framework in place. In January 2009, following a thorough Inter-Ministerial Committee review of all appeals' processes and considerations, the Government announced that only 81 contracts were eligible for conversion into long-term concessions.[105]

Project (P069258, US$535 million, 2007-2016); Regional & Domestic Power Market Development Project (P097201, US$578 million, 2008-2018); Electricity Access and Services Expansion Project (P156208, US$145 million, 2017-2022); Urban Water Supply Project (P091092, US$356 million, 2008-2021); Multi-model Transport Project (P092537, US$386 million, 2010-2018).

[104] DRC Growth with Governance in the Minerals Sector Project (P106982) ICR (2019), p. 6.

[105] Out of the 156 permits reviewed, 65 were judged legal and therefore definitely convertible, 75 were considered definitely non-convertible and therefore to be cancelled, and 16, while not immediately convertible, were the subject of special observations which the Committee asked the DRC government to take into account. Source: Second Progress Report to the Board of Executive Directors On the Implementation of Management's Action Plan In Response to the Democratic Republic of Congo

The results of the review were subsequently published in a 2014 Ministerial press release once 57 of the 81 contracts had short-term management plans and social clauses attached to them and been retained by the Government for effective conversion. Pursuant to the Review, 12.7 million hectares of forests claimed under dubious and illegal contracts were canceled and approximately 10 million hectares were converted into long term concessions. The results of the Review remained in force until new vested interests made inroads, particularly around and after 2014.

9. **Two World Bank-financed operations, the 2003 Emergency Economic and Social Reunification Support Project (P081850) and the 2005 Transitional Support Economic Recovery DPO (P091990), included forest components and were subject to an Investigation by the Inspection Panel** (Investigation Report No. 40746-ZR dated August 31, 2007). The Investigation was initiated by Pygmies communities who argued World Bank-supported forest sector reforms would lead to violations of Pygmies' rights to use ancestral lands according to their traditional practices. While the Inspection Panel found the World Bank had "failed to meet core Bank safeguard policy requirements relating to indigenous peoples and environmental assessment, among others", the Panel recognized "that is important for the Bank to remain engaged in the forest sector in DRC". The Action Plan prepared by the World Bank management in response to the findings of the Investigation Report agreed that the World Bank should remain engaged in the forest sector and committed to continue monitoring the moratorium on future logging concessions; support legal reviews on remaining logging contracts; integrate forest-dependent communities more fully into the World Bank supported activities in DRC; and support critical activities such as capacity building, participatory zoning, customary rights, law enforcement. World Bank support to these reforms was continued through the IDA and Global Environment Facility-financed Forest and Nature Conservation Project (P100620, 2009-2015).

10. **Since 2010, the World Bank's approach in forestry has progressively taken on a climate angle, in line with the international agenda for Reducing Emissions from Deforestation and forest Degradation (REDD+).** About US$130 million have been mobilized by the World Bank to date through various Trust Funds to implement new approaches for sustainable landscape management and support the enabling environment for REDD+. Investments from the DRC Improved Forested Landscape Management Program (P128887) have focused on Western DRC (provinces of Mai-Ndombe, Kongo Central, Kwango, and Kinshasa) and resulted to date in about 20,000 hectares of agroforestry plantations, 170,00 hectares of set aside to facilitate natural regeneration, and 80,000 improved cookstoves distributed. In addition, the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (P149049)[106] has supported sustainable forest-use practices led by forest-dependent communities more specifically.

11. **The World Bank is also supporting the Mai-Ndombe Emission Reductions Program, in a hot spot of deforestation, to pilot results-based payments for forest carbon at scale.** A US$55 million Emission Reductions Payment Agreement (ERPA, P160320) was signed in 2018 between the World Bank and DRC to help achieve long-term sustainability in financing forest protection by making forests more valuable

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Inspection Panel Investigation Report on Transitional Support for Economic Recovery Project and the Emergency Social and Economic Reunification Project March 2011.
https://www.inspectionpanel.org/sites/www.inspectionpanel.org/files/ip/PanelCases/37-Second%20Management%20Progress%20Report%20%28English%29.pdf

[106] The Forest Dependent Communities Support Project (P149049) aims to strengthen the capacity of targeted Indigenous Peoples and Local Communities in selected territories and at the national level to participate in REDD+ oriented land and forest management activities.

standing than cut down. The ERPA will reward the emission reductions achieved in Mai-Ndombe Province through various public and private REDD+ investments. Its carbon payment will be used to scale up existing investments and incentivize community participation in REDD+ activities. The ERPA also aims to attract private sector investment in DRC's forests by leveraging emerging carbon markets under the Paris Agreement.