



The World Bank

Second DRC Foundational Economic Governance Reforms Development Policy Financing (P179141)

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Report No: PGD384

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A

PROPOSED CREDIT

IN THE AMOUNT OF US\$500 MILLION

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR A

SECOND DRC FOUNDATIONAL ECONOMIC GOVERNANCE REFORMS
DEVELOPMENT POLICY FINANCING

March 8, 2023

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

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Democratic Republic of Congo

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

February 28, 2023

US\$1.00 = CDF 2,036

ABBREVIATIONS AND ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Development Agency)
AfDB	African Development Bank
AGREE	Access Governance and Reform for the Electricity and Water Sectors Project
ASYCUDA	Automated Systems for Customs Data
BCC	<i>Banque Central du Congo</i> (Central Bank)
CAB5	Central African Backbone Series of Projects 5
CAFI	Central African Forest Initiative
CCDR	Country Climate and Development Report
CDF	Congolese Franc
CEM	Country Economic Memorandum
CMRA	Capital Market Regulatory Authority
COPIREP	<i>Comité de Pilotage de la Réforme des Entreprises Publiques</i> (Steering Committee for Public Enterprise Reform)
COREF	<i>Comité d'Orientation de la Réforme des Finances Publiques</i> (Orientation Committee for Public Finance Reform)
COVID-19	Coronavirus Disease 2019
CCNF	<i>Conseil National Consultatif des Forêts</i> (National Forestry Advisory Council)
CPSD	Country Private Sector Diagnostic
CPF	Country Partnership Framework
CREDOC	<i>Crédit Documentaire</i> (Central Bank's deposits as guarantees for central government loans)
CSP	<i>Conseil Supérieur du Portefeuille</i> (SOE monitoring unit within the Ministry of Portfolio)
CTR	<i>Comité Technique du Suivi et d'Evaluation des Réformes</i> (Technical Committee for Monitoring and Evaluation of Reforms)
DGDA	<i>Direction Générale des Douanes et Accises</i> (customs and excise authority)
DGDP	<i>Direction Générale de la Dette Publique</i> (Debt Management Unit)
DGI	<i>Direction Générale des Impôts</i> (tax authority)
DGRAD	<i>Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations</i> (non-tax revenues authority)
DGTCP	<i>Direction Générale de la Trésorerie et de la Comptabilité Publique</i> (Treasury and Public Accounting General Directorate)
DPF	Development Policy Financing
DPO	Development Policy Operation

DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ENCORE	Enhancing Collection of Revenue and Expenditure Management Project
EPST	<i>Enseignement Primaire, Secondaire et Technique</i> (primary, secondary and technical education)
ESIA	Environment and Social Impact Assessment
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FOMIN	<i>Fonds Minier pour les Générations Futures</i> (Mining Fund for Future Generations)
FONER	<i>Fonds National d'Entretien Routier</i> (National Road Fund)
FOREST	Forest and Savanna Restoration Investment Program
GCRF	Global Crisis Response Framework
GDP	Gross Domestic Product
GECAMINES	<i>Générale des Carrières et des Mines</i> (main DRC copper SOE)
GHG	Green House Gas
GIB	<i>Groupes Inter-Bailleurs</i> (development partners technical coordination mechanisms)
GIBADER	<i>Groupe Inter-Bailleur Agriculture et Développement Rural</i> (donor group on agriculture and rural development)
GIBEC	<i>Groupe Inter-Bailleur Environnement et Climat</i> (donor group on environment and climate)
GRID	Green, Resilient and Inclusive Development
GRS	Grievance Redress Service
ha	Hectare
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFC	International Finance Corporation
IGF	<i>Inspection Générale des Finances</i> (General Inspectorate of Finance)
IMF	International Monetary Fund
IPF	Investment Project Financing
Isys-Régies	Management Information System for the digitalization of revenue payments
LIC	Low-Income Country
LOGIRAD	<i>Logiciel de Gestion Intégrée des Recettes Administratives et Domaniales</i> (digital Management Information System for DGRAD)
LOI	Letter of Intent
MAPS	Methodology for Assessing Procurement Systems
MEDD	Ministry of Environment and Sustainable Development
MIBA	<i>Société Minière de Bakwanga</i> (diamond SOE)
MOF	Ministry of Finance
NAP	National Adaptation Plan
NDC	Nationally Determined Contributions
NFCS	National Framework for Climate Services
NFMS	National Forest Monitoring System
NSAP	National Sustainable Agricultural Policy

OHADA	<i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires</i> (Organization for the Harmonization of Business Law in Africa)
PACT	Transport and Connectivity Support Project
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PNDA	<i>Programme National de Développement Agricole</i> (National Agriculture Development Program)
PNSD	<i>Plan National Stratégique de Développement</i> (National Strategic Development Plan)
PPA	Performance and Policy Action
PPG	Public and Publicly Guaranteed
PPP	Public Private Partnership
PRA	Prevention and Resilience Allocation
PTNTIC	<i>Postes, Télécommunications et Nouvelles Technologies de l'Information et de la Communication</i> (Post, Telecom and new Information and Communication Technologies)
RCF	Rapid Credit Facility
REDD+	Reducing Emissions from Deforestation and Forest Degradation Program
REGIDESO	<i>Régie de Distribution d'Eau</i> (water utility)
RRA	Risk and Resilience Assessment
RVA	<i>Régie des Voies Aériennes</i> (airport SOE)
SCPT	<i>Société Congolaise des Postes et Télécommunications</i> (telecom SOE)
SCTP	<i>Société Congolaise des Transports et des Ports</i> (port SOE)
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SESA	Strategic Environment and Social Assessment
SICOMINES	<i>Sino-Congolaise des Mines</i> (China-DRC mining company)
SIGMAP	<i>Système Intégré de Gestion des Marchés Publics</i> (Integrated Public Procurement Management System)
SMP	Staff-Monitored Program
SNEL	<i>Société Nationale d'Electricité</i> (power utility)
SOCOF	<i>Société Congolaise de Fibre Optique</i> (fiber optic holding SOE)
SOE	State-Owned Enterprise
USF	Universal Service Fund
VAT	Value-Added Tax
WACS	West Africa Cable System
WBG	World Bank Group

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DEMOCRATIC REPUBLIC OF 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
P179141	Yes	2nd 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: DEMOCRATIC REPUBLIC OF CONGO

Implementing Agency: Ministry of Finance

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Financing	500.00
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DETAILS

International Development Association (IDA)	500.00
IDA Credit	500.00

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

High



Results

Indicator Name	Baseline	Target
Establishing core treasury and accounting function	Percentage of non-wage expenditures of the Ministries of EPST and Health are directly executed (budget commitment authority) by the Ministries: 0% (end 2020)	Percentage of non-wage expenditures of the Ministries of EPST and Health are directly executed (budget commitment authority) through the expenditure chain by the Ministries: 50% (end 2023)
Standard template for single source public procurement	Standard template not legally required (end 2020)	95 percent of single source contracts are based on standard templates (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 central-level 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 fully accounts for (i) payments made (and their allocation) to the provinces, ETD and FOMIN according to their share of 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)
Transfer of SOEs mining assets	Transfers of SOE mining assets are characterized by opaque processes (end 2020)	At least 50 percent of annual SOE mining assets transfers are undertaken in line with the Decree No. 23/08 as documented by the DRC EITI national secretariat (end 2023)
Compliance of forest concessions with applicable law	IGF questioned the legality of 18 forest concession contracts (end 2020)	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. (end 2023)
Amount of financing mobilized to implement the National Strategy for Reducing Deforestation and Forest Degradation (REDD+).	US\$500 million mobilized (end 2020)	US\$1.2 billion mobilized (end 2023)
Number of carbon projects registered	No operational registration framework (end 2020)	At least one carbon project registered (end 2023)



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

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The 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 public expenditure and mining royalties; (ii) accelerating digital transformation and strengthening the transparency and governance of State-Owned Enterprises (SOEs); and (iii) strengthening governance for sustainable forestry. It is the second in a programmatic series of two Development Policy Operations (DPOs), with the first DPO (P177460) approved in June 2022. The proposed operation, financed with a US\$500 million International Development Association (IDA) credit, is aligned with the World Bank Group (WBG) FY22-26 Country Partnership Framework (CPF) for DRC (No. 168084-ZR) and the government's National Strategic Development Plan (*Plan National Stratégique de Développement*, PNSD) for 2019-2023. It also supports WBG corporate and Eastern and Southern Africa regional 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, the Global Crisis Response Framework (GCRF)² and the WBG 2021-2025 Climate Change Action Plan.³

2. **DRC witnessed its first relatively peaceful power transition following the 2018 Presidential elections (delayed by two years), with the inauguration of President Tshisekedi in January 2019.** The first half of President Tshisekedi's mandate was characterized by a complex political coalition that hampered reform efforts. A new political coalition was formed in December 2020 based on which a new Cabinet was named in April 2021. This government has accelerated implementation of the 2019-2023 PNSD and demonstrated commitment to addressing persistent challenges to development as well as an ability to undertake critical reforms, including implementation of the free primary education policy. Reform momentum, coupled with continued macro-economic stability, allowed for the approval, in June 2022, of the first World Bank DPF since 2005. The new government has also restarted a program with the International Monetary Fund (IMF), with approval, in July 2021, of a new Extended Credit Facility (ECF). As such, there is a window of opportunity to support accelerated reform momentum in DRC ahead of the presidential elections scheduled for December 2023.

3. **DRC's development challenges are enormous.** DRC, the largest country by surface area in Sub-Saharan Africa (SSA) and a population estimated at 95.3 million⁴, 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

¹ World Bank Group, 2021. Green, Resilient, and Inclusive Development.

<https://openknowledge.worldbank.org/handle/10986/36322> License: CC BY 3.0 IGO.

² World Bank Group, 2022. Navigating Multiple Crises, Staying the Course on Long-term Development: The World Bank Group's Response to the Crises Affecting Developing Countries (English).

<http://documents.worldbank.org/curated/en/099640108012229672/IDU09002cbf10966704fa00958a0596092f2542c>

³ World Bank Group, 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development.

<https://openknowledge.worldbank.org/handle/10986/35799> License: CC BY 3.0 IGO.

⁴ In 2022, see Table 1 (February 2023 estimates. The last census took place in 1984).



from a grave humanitarian crisis and human development indicators are among the lowest in the world. DRC has the third largest population of poor in the world, with a poverty rate estimated at 62.3 percent in 2022.⁵ A recent surge in insecurity and violence in the East of the country has further exacerbated humanitarian needs and the population's suffering, with more than 5.5 million people currently being internally displaced throughout the country.⁶ Despite abundant and diverse natural resources, including critical minerals for the global energy transition, conflict and insecurity have prevented DRC from converting its ample potential into sustainable economic growth and shared prosperity. The global energy transition – and DRC's positioning as a “solutions country for climate change”,⁷ considering its large critical minerals reserves, hydropower potential and forest – provides a vital opportunity for DRC to transform its vast potential into reality, driving an economic transformation that benefits the Congolese population at large.

4. **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 2020 Notre Dame Global Adaption Index⁸, 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,⁹ droughts, and diseases such as malaria outbreaks, are expected to increase in frequency and intensity over time¹⁰, 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.¹¹

5. **DRC's development trajectory depends on sustainable forest management, striking a balance between conservation and income and wealth generation.** 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 areas¹² and stores the equivalent of 85 billion tons of carbon dioxide, which roughly equals three years of global energy-related Carbon Dioxide (CO₂) emissions.¹³ Forests play an important role in reducing the vulnerability of communities and systems to 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 management and industries, as well as in the mobilization of climate

⁵ World Bank (October 2022): Macro Poverty Outlook.

⁶ UNHCR: as of 31 October 2022: 5.52 million Internally Displaced People.

⁷ <https://drcprecop27.medd.gouv.cd/en/yangambi.php>

⁸ The Notre Dame Global Adaptation Initiative 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/>.

⁹ Floods in December 2022 killed 169 persons in Kinshasa and washed away a section of the road between Kinshasa and the port of Matadi, temporarily in interrupting traffic along the key supply road for Kinshasa (<https://reliefweb.int/report/democratic-republic-congo/democratic-republic-congo-flash-update-3-floods-caused-heavy-rains-kinshasa-31-december-2022>).

¹⁰ <https://climateknowledgeportal.worldbank.org/country/congo-democratic-republic/vulnerability>

¹¹ 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>.

¹² 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).

¹³ 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).



finance. However, DRC's reliance on shifting cultivation for food production, wood as a primary fuel source, and informal methods for mining and logging, leads to significant deforestation. As a result, DRC lost nearly 500,000 hectares of primary forest in 2021, the second-highest amount of any country after Brazil.¹⁴ Forest loss has a significant adverse impact on rainfall patterns, water quality, and food security—in DRC and the wider Congo Basin. It also accelerates climate change, both locally and globally, and presents a threat to biodiversity.

6. **The proposed DPO series supports transparency and institutional strengthening as the foundations for green, resilient, and inclusive development in DRC.** The proposed operation focuses on foundational reforms to improve economic governance, with specific attention to forests considering the importance of forests in adapting to climate change. The operation also aims to contribute to addressing governance-related drivers of fragility identified in the 2021 Risk and Resilience Assessment (RRA).¹⁵ Driver 1 – a governance system under the control of a small group of political elites undermines the potential for a social renewed contract between the state and its citizens and Driver 2 – a non-diversified economy tied to mineral wealth and with renegotiated political settlements for natural resource capture.

7. **The DPO series addresses binding constraints identified in the CPF that hamper stronger growth and poverty reduction.** 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 and invest in key infrastructure. Second, the DPO series supports the liberalization of the telecom sector to accelerate digital transformation, an essential driver 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 people of DRC and the world. The DPO series promotes transparency, as a requisite step towards increased accountability, across the three pillars. The DPO series leverages parallel Investment Project Financing (IPF) operations in PFM, transport and telecom, energy and water, and forest: the DPO series supports key reforms underlying these operations, with these operations providing technical assistance to ensure effective implementation of these reforms (as further detailed in paragraph 94).

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

8. **Real GDP growth in DRC economy picked up to about 8.6 percent in 2022 as mining production expanded strongly.** The mining sector expanded by 20.8 percent in 2022, compared to 10.1 percent in 2021, as a result of domestic capacity expansion and a recovery in global demand. Copper and cobalt production which account for over 80 percent of the DRC exports expanded by 33.3 percent and 24.0 percent respectively in 2022, owing to an ongoing phased expansion of the Kamoa-Kakula copper mine, launched in mid-2021, and which is set to become the world's third-largest copper mine by 2024. However, growth in non-mining sectors was modest, slowing down to 3.0 percent in 2022 (2021: 4.5 percent), due to disruptions

¹⁴ Global Forest Watch (2022). Accessible at: <https://www.globalforestwatch.org/blog/data-and-research/global-tree-cover-loss-data-2021/>. GFW's data indicate 500,000 ha of humid primary forest loss in 2016; 472,000 in 2017; 481,000 in 2019; and 491,000 in 2020.

¹⁵ The 2021 RRA identifies six drivers of fragility across three themes: governance, people and conflict.



in industry and services sectors caused by Russia's invasion of Ukraine. On the demand side, growth has been led by public investment and exports, while higher inflation reduced the purchasing power of households and constrained private consumption.

9. **Despite an acceleration in exports, the current account deficit widened.** The current account deficit is estimated to deteriorate to 2.9 percent of GDP in 2022 (from -0.9 percent in 2021), as strong export earnings were not sufficient to compensate a rising food and fuel import bills. The deficit was accentuated by the structurally high deficit in the balance of services – reflecting a large domestic demand for imports for infrastructure and mining services – and by income transfers from mining companies. Despite the deteriorating current account deficit, Foreign Direct Investment (FDI) and external financing, including IMF ECF disbursements, contributed to strengthen the financial account and to build up foreign reserves which reached 7.9 weeks of imports in 2022 from 5.4 weeks a year earlier, contributing to exchange rate stability.

10. **Due to higher import prices, inflation accelerated to 13.1 percent (end-of-period) in 2022.** Higher global energy and imported food prices due to Russia's invasion of Ukraine exerted upward pressures on domestic inflation lifting the average inflation rate from 9.1 percent in 2021 to an estimated 9.2 percent in 2022, above the medium-term inflation target of 7 percent set by the Central Bank of DRC (*Banque Centrale du Congo*, BCC). However, the Central Bank has opted for a monetary tightening to anchor expectations and preempt further pressure on prices. Thus, after reducing its policy rate by 100 basis points in December 2021, the Central Bank halted any further cut and kept the policy rate steady at 7.5 percent throughout 2022 until a 75 basis points increase in December 2022. As a result, the change in broad money should be contained below 5.0 percent in 2022 from 35.2 percent in 2021. The heavily dollarized economy – with banking deposits in foreign currencies fluctuating around 85 percent of total deposits – impacts the effectiveness of the DRC monetary policy.

11. **The fiscal accounts deteriorated despite improvement in domestic revenue collection.** The fiscal deficit likely deteriorated to 2.7 percent in 2022 (from 0.8 percent in 2021) due to increased spending pressures to address security issues and to deliver infrastructure projects. Domestic revenues reached a peak of 15.6 percent of GDP in 2022, owing to favorable commodity prices and digitalization of the revenue collection process. On the other hand, expenditures increased to 19.7 percent of GDP in 2022 (up from 14.6 percent in 2021) due to wage adjustments and fuel subsidies. Capital spending also increased to 5.4 percent of GDP in 2022 (from 4.7 percent in 2021), mostly driven by higher domestically financed investment. Spending further increased with arrears repayments. Restraining from central bank financing, most of the deficit was financed through domestic market issuance, external concessional borrowing, and IMF Extended Credit Facility (ECF) disbursements, leading the public debt to increase to 24.7 percent of GDP in 2022 (from 23.7 percent in 2021).



Table 1: Democratic Republic of the Congo – Key Macroeconomic Indicators 2020-2026

	2020 Actual	2021 Actual	2022 Prel.	2023 Pro.	2024 Pro.	2025 Pro.	2026 Pro.
<i>Annual percentage change, unless otherwise indicated</i>							
National income and prices							
Real GDP	1.7	6.2	8.6	7.7	7.6	7.5	7.0
Extractive GDP	9.7	10.1	20.8	15.7	11.1	9.6	8.2
Non-Extractive GDP	-1.4	4.5	3.0	3.4	5.5	6.2	6.1
GDP deflator	8.9	21.8	4.3	14.2	6.4	3.9	4.4
CPI (year-average)	11.2	9.1	9.2	8.5	7.2	6.8	6.0
CPI (end-of-period)	15.8	5.3	13.1	9.7	8.5	7.0	6.0
<i>% of GDP, unless otherwise indicated</i>							
Fiscal Accounts							
Expenditure	10.4	14.6	19.7	19.0	17.2	17.2	17.3
Revenue and grants	9.2	13.8	16.9	17.0	16.2	16.2	16.3
Revenue	9.0	11.3	15.6	15.6	15.5	15.4	15.5
Grants	0.2	2.5	1.3	1.3	1.0	0.8	0.8
Overall fiscal balance (commitment basis)	-1.2	-0.8	-2.7	-2.0	-0.9	-0.9	-1.0
<i>Annual percentage change, unless otherwise indicated</i>							
Selected Monetary Accounts							
Broad Money	45.9	36.7	4.5	...	...	...	...
Credit to the economy	12.2	6.7	8.6	...	...	...	...
Net credit to the Government	0.0	-10.1	39.1	...	...	...	...
<i>% of GDP, unless otherwise indicated</i>							
Balance of Payments							
Current Account Balance	-2.2	-0.9	-2.9	-1.1	-1.2	-1.1	-1.0
Exports of goods and services	26.5	34.7	39.1	39.3	38.6	38.4	38.1
Imports of goods and services	27.7	35.8	42.2	40.1	39.5	39.2	38.8
Gross reserves (weeks of imports)	2.1	5.4	7.6	9.3	11.2	12.1	12.8
Memo							
GDP, nominal (millions of US\$)	49,702.4	56,312.4	63,147.7	76,085.1	84,956.8	92,945.3	101,215.5
Population (in million)	89.6	92.4	95.4	98.5	101.8	105.1	108.5
Mining revenues (millions of US\$)	1,307.2	1,817.3	2,590.3	2,903.7	3,242.2	3,724.7	4,627.0

Source: Congolese authorities; and IMF and World Bank staff estimates and projections, February 2023.



Table 2: Democratic Republic of Congo – Key Fiscal Indicators (percent of GDP), 2020-2026

	2020	2021	2022	2023	2024	2025	2026
	Actual	Actual	Prel.	Pro.	Pro.	Pro.	Pro.
Total revenue and grants	9.2	13.8	16.9	17.0	16.5	16.2	16.3
Tax revenue	6.4	8.1	12.0	12.0	11.8	11.7	11.9
Taxes on goods and services	2.9	3.5	3.6	4.0	4.2	4.2	4.3
Taxes on profits and property	2.7	3.9	7.2	6.9	6.6	6.4	6.6
Taxes on international trade	0.8	0.7	1.1	1.1	1.1	1.1	1.0
Non-tax revenue	2.6	3.2	3.6	3.6	3.6	3.7	3.6
Grants	0.2	2.5	1.3	1.3	1.0	0.8	0.8
Expenditure	10.4	14.6	19.7	19.0	17.4	17.2	17.3
Current expenditure	10.1	9.9	14.3	13.4	11.7	11.2	11.5
Wages and salaries	5.4	4.9	5.2	5.0	4.9	4.8	5.1
Goods and services	1.6	2.0	3.2	3.2	2.9	2.5	2.6
Interest payments	0.2	2.2	2.3	1.9	1.6	1.4	2.4
Current transfers	2.8	0.8	3.7	3.4	2.3	2.5	1.4
Capital expenditure	0.3	4.7	5.4	5.5	5.7	6.0	5.8
Domestically financed	0.3	1.0	2.7	3.2	3.2	3.5	3.1
Foreign financed	0.1	3.8	2.7	2.4	2.5	2.5	2.7
Overall balance (commitment basis)	-1.2	-0.8	-2.7	-2.0	-0.9	-0.9	-1.0
Primary balance	-1.0	1.3	-0.5	-0.2	0.7	0.5	1.4
<i>Change in domestic arrears (repayment = -)</i>	<i>0.5</i>	<i>-0.5</i>	<i>-1.2</i>	<i>-0.7</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-0.2</i>
Overall balance (cash basis)	-0.7	-1.4	-3.9	-2.7	-1.1	-1.1	-1.2
Financing	0.7	1.4	3.9	2.7	1.1	1.1	1.2
External (net)	0.5	2.6	2.0	2.4	2.1	1.9	1.7
Disbursements	0.9	1.6	2.5	2.9	2.5	2.3	2.1
<i>o/w WBG DPO (loan)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
IMF SDR allocation	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Amortization of external debt	-0.4	-0.3	-0.5	-0.5	-0.4	-0.4	-0.4
Domestic (net)	0.2	-1.2	2.0	0.3	-0.9	-0.7	-0.5
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Memo:

<i>Mining revenues (in % of GDP)</i>	<i>2.6</i>	<i>3.2</i>	<i>4.1</i>	<i>3.8</i>	<i>3.8</i>	<i>4.0</i>	<i>4.6</i>
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Source: IMF and World Bank estimates, February 2023.



2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

12. **The medium-term outlook remains favorable, sustained by robust demand for DRC's metals.** After reaching 8.6 percent in 2022, GDP growth is projected to gradually decelerate to 7.5 percent in 2025. The mining sector is expected to slight decelerate to 11.1 percent in 2024 with the end of the Kamo-Kakula mine expansion, and to 9.6 percent in 2025, while growth in non-mining sectors gradually picks up, doubling to 6.2 percent by 2025. The services sector is expected to grow by 3.3 percent in 2023 and to reach 7.0 percent in 2025 with improved regulation in the telecom sector fostering digital development. Growth in the construction and manufacturing¹⁶ sectors is also driving the growth of non-extractives by 2025. Extreme poverty is projected to decrease by 2.6 percentage points by 2024 given favorable economic prospects, despite lasting negative effects of the pandemic, high population growth, and Russia's invasion of Ukraine.

13. **The external sector is expected to deteriorate slightly, with higher growth in imports of capital goods and deteriorating terms of trade.** Despite a strong growth in export volumes from minerals (reflecting increases in capacity) and falling global oil prices, rising imports of capital goods (given plans for further mine expansions) and deteriorating terms of trade (as prices of cobalt decline and copper remains volatile) are expected to lead to a current account deficit within a range of 1.1 percent of GDP in 2023-2025. Further FDI inflows could contribute to building-up reserves, which are expected to reach the equivalent of 12.1 weeks of imports in 2025. External financing requirements are expected to be met largely through FDI (Table 3).

14. **The monetary policy stance is expected to support the medium-term inflation target.** Despite pressure on inflation, the stability in the exchange rate and the absence of monetary financing of the budget by the BCC are likely to contain inflationary pressure. Thus, the Central Bank's adequate monetary policy is expected to be conducive to bringing back down to its medium-term inflation target of 7-percent target in 2025. A strong external position will support a stable currency, which with complementary policies should support gradual de-dollarization of the economy. There is space for further tightening of monetary policy if the appreciation of the currency is not enough to contain inflationary pressure.

15. **The fiscal position could improve owing to lower public expenditure.** The fiscal deficit is expected to shrink at 2.1 percent of GDP in 2023, before narrowing to 1.0 percent in 2025, as public expenditures decline despite the continued impact of Russia's invasion of Ukraine and the spending spikes anticipated ahead of presidential elections, based on past experience. Efforts to improve domestic revenue mobilization¹⁷ and to maintain the government's prudent fiscal policy in the medium-term are insufficient to fully offset the level of expenditure. With domestic revenue collection estimated at about 15.5 percent of GDP over 2023 to 2025, public expenditures are expected to decline to an estimated 17.2 percent of GDP in 2025. The increased public investments could be financed by domestic resources estimated to increase from 2.7 percent of GDP in 2022 to 3.5 percent in 2025. The realism of fiscal projection is underpinned by the momentum of improved performance in revenue collection despite the decline in revenues collected from windfall taxes (due to the slowdown in commodity prices). On the expenditure side, the government's commitment to contain the wage bill; decrease fuel subsidies (with a gradual decline in arrears repayment); and reduce security spending following the regional efforts for peace in Eastern DRC, will limit expenditure pressure. As a result, following the election-related surge in expenditure in 2022 and 2023, the fiscal deficit

¹⁶ Construction sector is estimated to grow by 6.1 percent in 2022 to 10.7 percent in 2025; while the manufacturing sector growth is from 2.1 to 5.5 percent by 2025.

¹⁷ Through the digitalization of tax administration.



is expected to narrow. Historical trend of pre- and post-election periods have shown efforts towards fiscal consolidation for the forthcoming 3 years post-election (normalization). Unless there is further escalation of the security situation in the East and additional external shocks, the assumptions on the authorities' commitment to contain spending pressure are also consistent with their engagement on revising the fiscal framework as part of the IMF ECF program. This will also keep financing needs on a declining trend (Table 4).

16. **Authorities have made strenuous and noticeable efforts to maintain low levels of public debt.** Public debt, including debt of GECAMINES (*Générales des Carrières et des Mines*, copper SOE) and SICOMINES (*Sino-Congolaise des Mines*, China-DRC mining company), remains low, estimated at 24.7 percent of GDP in 2022 (from 23.7 percent of GDP in 2021) while external and domestic arrears are under reconciliation. Given the challenges faced by the country, the insignificant rise in the public debt, by a mere 1 percent of GDP between 2021 and 2022, highlights the strong discipline followed by the government in containing borrowing and following a prudent debt management policy. 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 SOEs, i.e., GECAMINES and SICOMINES. About half of public external debt is owed to official creditors. Domestic debt in 2021 relative to GDP stood at 9.0 percent of GDP, 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.

17. **According to the latest Debt Sustainability Analysis (DSA) of June 2022, 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 concessional external financing, external debt is expected to increase to 17.6 percent of GDP in 2022 (from 15.6 percent of GDP in 2021), driven among others by the international financing and the budgetary use of part of the IMF SDR allocation. The present value of external debt is estimated at 13.1 percent of GDP in 2022, and reflects the extent of concessional debt, which is projected to remain broadly unchanged given the prudent non-concessional borrowing limit (an FY22 and FY23 Sustainable Development Finance Policy (SDFP) Policy and Performance Action (PPA), as described in paragraph 18). Despite higher debt issuance and temporarily 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 some stress tests, both external and overall public debt are at moderate risk of debt distress.

18. **Given limited buffers, DRC has committed to prudent borrowing policies by prioritizing concessional loans.** As part of the SDFP, the World Bank and the Government of the DRC agreed on two PPAs for FY22 (which have been met), whereby for PPA1, DRC committed to a ceiling on contracting new non-concessional debt and the World Bank coordinates closely with the DRC debt management unit (*Direction Générale de la Dette Publique*, DGDP) to assess proposed new loans. It is worthwhile also highlighting the efforts undertaken by the authorities in successfully implementing PPA2 for FY22 related to improved debt coverage in the published annual and quarterly debt bulletins. Under the SDFP, reforms have been supported in DRC in areas of debt management as well as debt transparency since FY21, and DRC has also successfully completed two PPAs in these areas in FY21. As for FY23, the nominal value of non-concessional borrowing as a performance criterion is replaced with the present value of newly contracted debt, in line with a moderate risk of debt distress, with improved debt management coverage.



- PPA1 – FY23. To ensure debt sustainability, the Government will not enter into new contractual obligations¹⁸ for external PPG debt with cumulative net present value exceeding US\$1.5 billion in FY23. The World Bank may adjust this limit to a) reflect any material change of circumstances and/or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).
- PPA2 – FY23. DRC publishes, in the annual debt report for 2021 and quarterly debt bulletins for 2022, data on the debt of key SOEs and selected provincial governments¹⁹, as well as data on domestic arrears and contingent liabilities, in addition to reporting PPG external and domestic debt. Key SOEs include SNEL (*Société Nationale d'Electricité*, power utility), MIBA (*Minière du Bakwanga*, diamond SOE) and GECAMINES, which were covered in the Q4 2021 debt bulletin, as well as at least two additional SOEs.

Figure 1: DRC: Figure 1. DRC: Debt Sustainability Analysis (DSA), 2022-2032



Source: IMF and World Bank estimates, July 2022.

19. The outlook for economic growth and poverty reduction is subject to substantial risks around local

¹⁸ As per the IMF's new approach to debt limits which implies setting a ceiling on the present value of *all* borrowing rather than a ceiling on nominal *non-concessional* borrowing. This approach more directly relates to debt sustainability while giving the right incentive for concessional borrowing (since the more concessional the debt, the lower the present value, the higher the borrowing space).

¹⁹ As a start, three selected provinces: Kinshasa, Kwilu and Kongo-Central



and international conflicts, rising global interest rates and other factors that could reduce global demand for metals, as well as vulnerability to climate change. DRC's economy remains vulnerable to commodity price movements²⁰ and growth performance of its major trading partners which might be disturbed by geopolitical conflicts, rising interest rates, potential pandemic resurgence and escalating war in the East. The continued economic consequences of Russia's invasion of Ukraine, through rising global food costs and higher oil prices, could exert stronger pressure on fiscal deficit, on inflation and on households' consumption thus exacerbating poverty and inequality. Thus, social risks from the shock remain high for a largely poor (62.3 percent) and food insecure (69.2 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, worsen fiscal imbalances and generate arrears. Given persistent conflicts in the East, DRC's immediate challenge is to strengthen security and maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

20. **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 as reflected by a strong performance in the IMF's program.** The Government has been improving revenue collections, helping it contain its fiscal deficit, by improving both tax and non-tax revenue collection despite increasing pressure on social and public infrastructure spending and adverse external shocks. Monetization of the fiscal deficit by the Central Bank, which had resumed in 2020 due to the Covid pandemic, has been swiftly stopped. A "Stability Pact", banning 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 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, international grants and (mostly) concessional loans. These developments, as well as prudent borrowing largely on concessional terms, have resulted in stable debt ratios. The BCC has been pursuing adequate monetary policy that has contained inflation, a stable currency and overall macroeconomic stability and is now able to pursue expansionary policies if needed. Given the satisfactory completion of the reforms supported by the first operation of this series, strong performance under the IMF program, and together with the ongoing economic reforms, including those supported by this operation, the macroeconomic framework is adequate and expected to remain sustainable over the medium-term.

²⁰ Medium term outlook for copper and cobalt prices remains favorable with positive terms of trade on average, although prices of copper are expected to rise while cobalt prices decline (highest share of total exports is attributed to copper exports, which represent 70 percent vs. 20 percent for cobalt).



Table 3. External Financing Needs, 2020-2026 (million US\$)

	2020	2021	2022	2023	2024	2025	2026
	Actual	Actual	Prel.	Pro.	Pro.	Pro.	Pro.
Financing Requirement [A]	664.1	2,334.4	3,417.7	2,178.2	2,294.1	1,973.2	1,664.7
Current Account Balance (excl. budget grants)	1,193.9	584.0	2,274.5	992.6	1,181.1	1,114.6	1,056.1
Amortization (incl public infra under SCCA)	-360.6	-369.0	-474.0	-572.9	-573.1	-677.5	-677.5
Change in reserves (+: increase)	-169.2	2,119.4	1,617.2	1,758.5	1,686.0	1,536.0	1,286.0
Financing Sources [B]	664.1	2,334.4	3,417.7	2,178.2	2,294.1	1,973.2	1,664.7
FDI and portfolio investments (net)	1,458.6	1,629.7	1,998.9	1,725.9	1,956.1	1,513.0	1,374.3
Portfolio investment	-39.5	-48.0	-34.8	-38.5	31.8	31.8	31.8
Direct investment	1,498.1	1,677.7	2,033.7	1,764.4	1,924.3	1,481.2	1,342.5
Capital Account Balance [B]	626.4	171.3	467.2	326.6	167.3	56.4	57.2
Medium and long-term debt disbursements	-1,420.9	533.4	951.6	125.6	170.7	403.8	233.1
o/w World Bank DPO	0.0	0.0	250.0	500.0	0.0	0.0	0.0
o/w IMF financing (net)	-16.8	430.5	403.9	378.8	189.6	-129.5	-166.4
o/w SDR allocation	0.0	1,466.6	0.0	0.0	0.0	0.0	0.0
Financing Gap [C]= [A]-[B]	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Congolese authorities; and World Bank staff estimates and projections, February 2023

*Sino-Congolese Cooperation Agreement



Table 4. Fiscal Financing Needs and Sources, 2020-2026 (in percent of GDP)

	2020	2021	2022	2023	2024	2025	2026
	Actual	Actual	Prel.	Pro.	Pro.	Pro.	Pro.
Gross financing needs	1.1	1.7	4.5	3.2	1.6	1.5	1.5
Primary deficit	1.0	-1.3	0.5	0.2	-0.7	-0.5	-1.4
Debt service	0.7	2.5	2.8	2.4	1.8	1.8	2.7
Interest payments	0.2	2.2	2.3	1.9	1.4	1.4	2.4
Domestic	0.1	2.2	2.2	1.8	1.2	1.2	2.2
External	0.1	0.0	0.0	0.1	0.2	0.2	0.2
Amortization	0.4	0.3	0.5	0.5	0.4	0.4	0.4
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.4	0.3	0.5	0.5	0.4	0.4	0.4
Other debt creating flows*	-0.5	0.5	1.2	0.7	0.5	0.2	0.2
Gross financing sources	1.1	1.7	4.5	3.2	1.6	1.5	1.5
External (net)	0.9	2.9	2.5	2.9	2.5	2.3	2.1
Disbursements	0.9	1.6	2.5	2.9	2.5	2.3	2.1
<i>o/w WBG DPO (loan)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
IMF SDR allocation	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Domestic (net)	0.2	-1.2	2.0	0.3	-0.9	-0.7	-0.5
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Congolese authorities; and World Bank staff estimates and projections, February 2023

*Includes arrears and clearance.

2.3. IMF RELATIONS

21. **Following the 2019 political transition, the Congolese 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, equivalent to 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, US\$363 million).

22. **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 independence of the Central Bank. The third review was completed in December 2022. This allowed a disbursement of US\$203 million to support balance-of-payment needs, bringing the aggregate disbursement to date to US\$812 million.

23. **The World Bank and the IMF have collaborated closely since IMF's renewed engagement in DRC.** 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 worked closely on the definition of a social



spending floor under the IMF ECF and on 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 development of a new tax code with the reform of the Corporate Income Tax, the Personal Income Tax and the introduction of a capital gain tax; the development of an Operational Action Plan for the implementation of the 2022-2028 Public Finance Reform Strategic Plan; and the Public Investment Management Assessment (PIMA).²¹ The World Bank and the IMF are also coordinating closely in the context of the ongoing Country Climate and Development Report (CCDR) and the IMF preparation of a Resilience and Sustainability Facility for DRC (with a technical level agreement to be reached during the ECF fourth review mission scheduled for April 2023, aiming for a presentation to the IMF Board in June 2023).

3. GOVERNMENT PROGRAM

24. **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, adopted in October 2021, 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, starting in 2019, represents a landmark reform for the country's new leadership and signals that the authorities are striving to rebuild the social contract in DRC. Enrollments in primary education increased from 16.8 million in 2017/18 to 20.2 million in 2020/21.

25. **The authorities have shown commitment to fighting corruption and strengthening accountability.** DRC ranks 166 out of 180 countries in the 2022 Transparency International Corruption Perception Index, with a score of 20/100 and a modest improvement since 2019 (with a score of 18/100).²² 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-days program, the free primary education policy, and mining SOEs. Following these investigations, several high-level political figures have been convicted of charges, with high-visibility court cases being televised. While there have been questions whether some of the IGF interventions are politically motivated, they 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. However, further reforms in the justice sector are needed to ensure that the fight against corruption leads to tangible results. To further support oversight of the management of public finances, the President nominated the President for the Supreme Audit Institution (*Cour des Comptes*) in June 2022 (for the last 15 years the *Cour des Comptes* was headed by an interim President). In addition, the swearing-in

²¹ Country Report No. 2023/058

<https://www.imf.org/en/Publications/CR/Issues/2023/01/30/Democratic-Republic-of-the-Congo-Technical-Assistance-Report-Public-Investment-Management-528748>

²² <https://www.transparency.org/en/cpi/2022/index/cod>.



ceremony of 50 magistrates for the *Cour des Comptes* took place in August 2022. These magistrates were recruited in 2016, appointed in 2018, but were unable to officiate until sworn in. These are long-awaited and critical initial steps to strengthen the effectiveness of the *Cour des Comptes*.

26. There has also been progress in mining sector transparency – but significant governance challenges remain. The DRC Extractives Industry Transparency Initiative (EITI) national secretariat disclosed on its website most mining contracts.²³ Progress in mining sector transparency has been recognized by the EITI, with DRC achieving a high overall score (85.5) in October 2022 in implementing the 2019 EITI Standard.²⁴ Despite such progress, there are still deep-rooted governance challenges in the DRC mining sector, especially in the management of SOE mining assets. In June 2022, the IGF disclosed on its website the conclusions of its GECAMINES investigation, which uncovered massive irregularities between 2000 and 2020²⁵, confirming earlier reports from civil society.²⁶ IGF disclosed its findings on two additional mining SOEs²⁷ in September and November 2022, flagging major concerns on how the mining assets of these SOEs have been transferred to private partners. In addition, the Financial Action Task Force (FATF) included DRC in its list of Jurisdictions under Increased Monitoring (the so-called grey list) in October 2022. While FATF recognized progress since the adoption by DRC of its Mutual Evaluation Report in October 2020 to strengthen its Anti-Money Laundering/Countering the Financing of Terrorism regime, progress has not been sufficient over the last several years and the implementation of the FATF action plan needs to be accelerated. In December 2022, the President of DRC promulgated the Law to Combat Money Laundering and the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction, which is a critical step forward.

27. The authorities have taken key steps to advance climate action through mitigation activities while preserving its forests. 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 includes a specific reduction target for forest and other land use sectors, which account for the country's largest share of GHG emissions (86 percent).²⁸ Reducing Emissions from Deforestation and Forest Degradation (REDD+)²⁹ is an area where DRC has made notable effort in mainstreaming climate change into the policy framework. A National REDD+ Strategy was adopted in 2012 and is backed by an Investment Plan with significant donor funding.³⁰ In November 2021, DRC signed a Letter of Intent (LOI) with the multi-donor Central African Forest Initiative (CAFI). The LOI aims to halt and reverse forest loss and land degradation by 2031 while ensuring sustainable development and promoting inclusive rural transformation. To support this

²³ <https://www.itierdc.net/carte-de-la-rdc-cliuable/contrats-miniers/>. As of December 2021, 201 contracts have been identified and 184 contracts have been publicly disclosed. 5 contracts are too bulky to be scanned, 6 contracts were signed before the 2011 law making contract publication mandatory and 6 contracts are pending disclosure. In December 2022, the authorities disclosed a controversial agreement with a private partner to transfer US\$2 billion of extractive assets to the DRC government as a dispute settlement (<https://www.rfi.fr/fr/afrique/20221202-rdc-le-gouvernement-devoile-l-accord-passe-avec-l-homme-d-affaires-dan-gertler>). The publication of mining contracts, included renegotiated agreements, is a continuous structural benchmark under the IMF ECF. The disclosure of this specific contract was a prior action for the completion of the third review of the IMF ECF.

²⁴ The last DRC validation took place in 2019, with DRC assessed as making “Meaningful Progress” on EITI implementation.

²⁵ <https://igf.gouv.cd/rapports> (also directly accessible on https://www.radiookapi.net/sites/default/files/2022-06/synthese_du_rapport_de_controle_gecamines.pdf)

²⁶ Such as the 2017 Carter Center report “A State Affair: Privatizing Congo’s Copper Sector”:

https://www.cartercenter.org/resources/pdfs/news/peace_publications/democracy/congo-report-carter-center-nov-2017.pdf

²⁷ COMINIÈRE (cassiterite, tantalum, niobium, wolfram, lithium, gold) and SODIMICO (copper).

²⁸ Democratic Republic of Congo. (2021). Revised Nationally Determined Contribution.

²⁹ REDD+ activities include programs focused on conservation, sustainable management and increasing of forest carbon stocks.

³⁰ 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.



objective, the LOI allocates US\$500 million for financing priority interventions during the 2021-2026 period and commits the DRC government to various policy milestones, aligned with the National REDD+ Investment Plan, across different sectors including agriculture, wood energy, forests, mining and oil, land-use planning, land tenure, population, and governance. In line with the REDD+ Investment Plan, 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 emissions reductions achieved through REDD+ investments in the Mai Ndombe Emissions Reductions Program.

28. **With its global engagement in the fight against climate change, DRC is also positioning itself as a “solutions country for climate change” taking regional and global leadership in finding climate solutions.** The country’s involvement in the fight against climate change was strongly felt through the pre-Cop27 that took place in Kinshasa in October 2022, bringing together, among others, about 60 Ministers of the Environment and or/Energy, in addition to representatives of negotiating groups, of civil society, and the UNFCCC secretariat to shape climate negotiation ahead of the COP27. The emphasis was set on DRC ‘s rainforest that acts as a carbon sink and on its mineral wealth deemed critical for the transition to renewable energy given its use in battery production. More recently, at the COP27 in Egypt, November 2022, DRC has reiterated its intent to position itself as a “solutions country³¹ for climate change”, with a high carbon sequestration potential due to its vast forest resources³², a large hydropower potential essential to meet the predicted increase in energy demand, and as a low carbon supplier for clean energy transition minerals (mostly copper and cobalt). Realizing these aspirations will require leveraging sectors with high growth potential (mining, energy) and applying related revenues in investments to enable and build resilience of sectors with high employment and medium-term growth potential (namely agroforestry, commercial agriculture, agro-industry, and services).

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

29. **The proposed operation will support the Government of DRC’s effort to achieve more sustainable and inclusive growth.** It supports increased domestic revenue mobilization, complemented by strengthened expenditure management and SOE governance, to improve service delivery. In addition, it supports the acceleration of digital transformation through increased competition in the telecom sector; and sustainable forest management – to balance forest protection and sustainable development of the agriculture sector. The operation supports the implementation of several sectoral strategies recently approved by the DRC authorities: the 2022-2028 Public Finance Reform Strategic Plan, approved in November 2021 and its 2022-2024 operational action plan approved in August 2022; the 2021-2023 EITI roadmap approved in March 2021; the 2019 National Digital Plan Horizon 2025, as well as the DRC Letter of Intent to CAFI for 2021-2031, approved in November 2021.

30. **The DPO series is anchored in 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 improvements in the public procurement legal framework; (ii)

³¹ https://medd.gouv.cd/wp-content/uploads/2022/07/magazine_COP_env1.pdf

³² Estimated at around 85 billion tonnes, Saatchi et al, NASA, UCLA, WWF, 2017.



Strengthening domestic revenue mobilization and management of mining royalties.

- **Pillar 2: Accelerating digital transformation and strengthening SOE transparency and governance.** Policy areas include: (i) Deepening the liberalization of the telecom sector and accelerating digital transformation 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.

31. **The DPO series builds on lessons from past development policy operations approved for DRC between 2002 and 2005 and from the World Bank's DPF engagement in fragile environments.** The DPO series also recognizes the WBG Fragility, Conflict and Violence Strategy, in terms of needing to remain engaged in difficult operating contexts as well as maintaining a focus on addressing key drivers of fragility. Learning from these lessons 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 throughout 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 and complementing the IMF ECF program. The chosen policy areas are those where significant analytical work and policy dialogue³³ have been undertaken over the years, which has allowed to build a consensus on the proposed reforms and will help ensure effective implementation.³⁴ The implementation of the reforms supported by the DPO series will be sustained through several complementary IDA-financed investment operations, which will provide the required technical assistance and investments to support effective implementation of the reforms (highlighted in Table 7). As such, this 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.

32. **DPO1 has allowed to make a breakthrough on long-awaited structural reforms:** in particular, it supported the promulgation and publication in the Official Gazette of the 2020 Telecom Law which fully liberalizes the telecom sector; the establishment of core treasury and accounting functions, which will bring transparency and accountability in public finances; the deepening of the digitalization of domestic revenue mobilization to reduce fraud and corruption and increase revenues; and the competitive, transparent and meritocratic selection of leadership positions in key service delivery public institutions (power and water utilities and road fund) to improve their financial and operational performance.

33. **The reform momentum supported by the DPO series will be sustained through the expected continued focus on critical PFM reforms included in the 2022-2028 Public Finance Reform Strategic Plan and on sustainable forestry for green and inclusive development, as spelled out in the CAFI Letter of Intent.** In addition, DRC's commitment to the EITI process will help maintain progress on steadily increasing transparency in the extractives sector (mining, oil & gas and forest). On-going World Bank analytical work

³³ Including through the Country Policy and Institutional Assessment process and through the matrix of economic governance developed and monitored by the MoF Technical Committee for Monitoring and Evaluation of Reforms (CTR).

³⁴ 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 – Project Performance Assessment Report of Economic Recovery Credit (P057293, US\$450 million, approved in June 2002) and Post-Reunification Economic Recovery Credit (P082443, US\$200 million, January 2004).



(Country Economic Memorandum and Country Climate and Development Report) will also contribute to informing and sustaining the reform momentum. SOE reform efforts initiated under the DPO series need to be accelerated. The World Bank aims to support the implementation of the SOE reform roadmap adopted in July 2021 through a focus on key SOEs in the energy, water, transport and mining sectors, leveraging IPF operations and complementary analytical work.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

34. **The prior actions and result indicators supporting the DPO series are summarized in Annex 1.** Below is a description of the prior actions selected for the first and second operations and the expected results. The prior actions for DPO1 were completed in May 2022, and all the prior actions for DPO2 were completed by March 7, 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 are listed in Table 7.

35. **The scope and level of ambition of the program have been tailored to DRC's country context characterized by deep fragility and ongoing conflict in parts of the country and are aligned with the engagement strategy defined in the CPF.** The DPO series supports foundational reforms which play a central role in the implementation of the DRC CPF, explaining its relative breadth, tackling PFM, SOEs, telecoms, climate change and forest. Focusing on key governance drivers of fragility also permits the DPO series to address conflict prevention as a wider objective of its proposed interventions. 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. While DPO1 initiated key structural reforms, DPO2 aims to accelerate and deepen implementation of these critical reforms. It supports in particular: the operationalization of the core treasury and accounting functions through key implementing regulations and staffing; the roll-out of digitalization of non-tax revenues across the country; the implementation of the modernized telecom legal framework to allow increased competition; the completion of the competitive recruitment process in key public institution; the strengthening of transparency and oversight mechanisms in the mining sector (mining fund for future generations and mining SOEs); and increased transparency in the forestry sector.

36. **Table 5 below summarizes the changes between the DPO1 triggers and the proposed DPO2 prior actions.**

Table 5. Summary of changes between DPO1 triggers and DPO2 prior actions

Trigger in DPO1	Prior Action in DPO2	Changes
<p><i>Tigger #1 for DPO2:</i></p> <p>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</p>	<p><i>Prior Action #1 for DPO2:</i></p> <p>To strengthen expenditure management, the Recipient:</p> <p>(i) has operationalized the DGTCP through: (a) the appointment of DGTCP leadership General Director, two Deputy General Directors and seven Directors; (b) the establishment of the governance and institutional framework of the</p>	<p>Minor revisions:</p> <ul style="list-style-type: none"> - DGTCP leadership includes 10 positions: 1 Director General, 2 Deputy General Directors and 7 Directors. - Sub-trigger (iv) removed as it overlaps with a Performance-Based Condition under the



<p>National Network of Public Accountants; and (iv) Creation of DGTCP Accounting Unit in at least two line ministries.</p>	<p>DGTCP pursuant to Decree No. 22/54 , dated December 30, 2022, published in the Official Gazette, Special Edition, dated March 2, 2023; and (c) the establishment of the National Network of Public Accountants pursuant to Ministerial Order No. 07/CAB/MIN/FINNACES/2023, dated March 2, 2023;</p> <p>(ii) has adopted Decree No. 23/12, dated March 3, 2023, revising Art. 146 of the Manual of Procedures (dated June 2, 2010) of the Public Procurement Law (renumbered as Art. 137), requiring a standard procurement model for all direct contracting, published in the Official Gazette, Special Edition, dated March 7, 2023.</p>	<p>ENCORE operation (P171762)</p> <p>New sub-prior action</p>
<p><i>Indicative Trigger #2 for DPO2:</i></p> <p>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).</p>	<p><i>Prior Action #2 for DPO2:</i></p> <p>To improve collection of non-tax revenues, the Recipient has issued Circular No. 003, dated December 29, 2022, published in the Official Gazette, Special Edition, dated January 12, 2023, operationalizing LOGIRAD as of January 1st, 2023, in Kinshasa, Kongo Central, Lualaba, Haut-Katanga, Bas Uele, Haut Uele, Haut Lomami, Tanganyika and Tshopo provinces and across the following revenue collecting institutions: DGRAD; General Director of Migrations; Ministry of Mines; Ministry of Environment and Sustainable Development; Ministry of Land Affairs; Ministry of Hydrocarbons; and Ministry of Post, Telecommunications and New Information and Communication Technologies.</p>	<p>Minor revisions to specify the 9 provinces and the 6 revenue collecting institutions (targets set in indicative trigger exceeded).</p>
<p><i>Indicative Trigger #3 for DPO2:</i></p> <p>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.</p>	<p><i>Prior Action #3 for DPO2:</i></p> <p>To ensure that the mining sector enables inclusive and sustainable socio-economic development in the DRC, the Recipient has adopted Decree No. 23/05, dated February 20, 2023, published in the Official Gazette, Special Edition, dated March 7, 2023, modifying and complementing Decree No. 19/17 dated November 25, 2019 regarding the statute, organization and operationalization of the Mining Fund</p>	<p>Adjustments to the wording to highlight the focus of the revisions of the decree</p>



	for Future Generations (FOMIN) with extended oversight and transparency mechanisms.	
<p><i>Indicative Trigger #4:</i></p> <p>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.</p>	<p><i>Prior Action #4:</i></p> <p>To accelerate the digital transformation of DRC, the Recipient:</p> <p>(i) has promulgated the following implementing regulations of the Telecommunications Law No. 20/017:</p> <p>(a) Decree No. 23/13, dated March 3, 2023 creating the regulatory authority under the Ministry of Post, Telecommunications and New Information and Communication Technologies, published in the Official Gazette, Special Edition, dated March 7, 2023;</p> <p>(b) Decree No. 22/51, dated December 30, 2022 creating the Universal Service Fund, published in the Official Gazette, Special Edition, dated March 2, 2023; and</p> <p>(c) Ministerial order No. CAB/MIN/PT&NTIC/AKIM/KL/Kbs/037/2022, dated July 11, 2022 on issuance of concession licenses; and</p> <p>(ii) has implemented the effective direct connection of the fiber optic cable owned by SOCOF to the WACS landing station, pursuant to Letter No. 007/FASTCONGO/DG/07/02/2023 dated February 27, 2023 as instructed by letter from the Minister of Ministry of Post, Telecommunications and New Information and Communication Technologies dated December 30, 2022.</p>	<p>No change.</p> <p>New sub-prior action</p>
<p><i>Indicative Trigger #5:</i></p> <p>5a. To increase the transparency of SOEs and strengthen accountability, the SOE Monitoring Unit within the Ministry of Portfolio (<i>Conseil Supérieur du Portefeuille</i>, CSP) publishes an annual report on the financial and operational performance of SOEs for 2021, including a focus on strategic SOEs.³⁵</p>	<p><i>Prior Action #5:</i></p> <p>To increase the transparency and accountability of SOEs and strengthen corporate governance, the Recipient has:</p> <p>(i) published a report on the financial performance of SOEs for 2021 on the CSP website;</p> <p>(ii) adopted Decree No.23/8, dated</p>	<p>Revision to specify that the CSP report focuses on the financial performance of SOEs (including the 6 “strategic” SOEs)</p> <p>New sub-prior action replacing the sub-prior</p>

³⁵ DRC strategic SOEs are SNEL (power utility), REGIDESO (water utility), SCTP (port), RVA (airports), SNCC (railway), and GECAMINES (copper mining)



<p>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 (<i>Commissaires aux Comptes</i>) by the SOE's board of directors, including the criteria to be considered.</p> <p>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.</p>	<p>February 22, 2023, published in Official Gazette, Special Edition, dated March 2, 2023, detailing the procedures regarding the transactions of mining assets of state-owned enterprises, in accordance with Law No. 08/008, dated July 7, 2008, on State Disengagement; and</p> <p>(iii) completed the competitive, meritocratic and transparent recruitment of the Chairmen, General Managers and Deputy General Managers of SNEL, REGIDESO and FONER, and the selected candidates nominated pursuant to Presidential Ordinances No. 22/177; No. 22/176; No. 22/178, dated October 10, 2022, published in the Official Gazette No.21, dated November 1st, 2022.</p>	<p>action on the selection of statutory auditors (completed and added into the narrative of the Program Document).</p> <p>No change.</p>
<p><i>Indicative Trigger #6 for DPO2:</i></p> <p>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.</p> <p>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.</p>	<p><i>Prior actions #6</i></p> <p>To strengthen the implementation of forest protection and management laws and transparency of the forestry sector:</p> <p>(i) the Recipient has adopted Decree No. 23/11, dated March 3, 2023, published in Official Gazette, Special Edition, dated March 7, 2023, modifying and completing Decree n° 08/03 of January 26, 2008 on the composition, organization and functioning of the National Forestry Advisory Council to, <i>inter alia</i>, include civil society and indigenous peoples representation in its executive committee ("<i>Bureau</i>"); and</p> <p>(ii) the MEDD-led inter-ministerial Commission has submitted to the Council of Ministers, for information purposes, its preliminary conclusions related to the administrative review aspects of the forest concessions, on March 3, 2023.</p>	<p>Prior action rephrased.</p>
<p><i>Indicative Trigger #7 for DPO2:</i></p> <p>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</p>	<p><i>Prior Action #7 for DPO2:</i></p> <p>To address deforestation and forest degradation from agriculture, the Council of Ministers has adopted on February 17, 2023 a national sustainable agricultural policy that integrates the principles of land-use planning and protection of high</p>	<p>Minor revision to refer to "high conservation value forests" instead of "peatland", as "high conservation value forests" is a broader term (and encompasses peatland)</p>



development of sustainable commercial agriculture in savannah areas.	conservation value forests and promotes the development of sustainable commercial agriculture in savannah areas.	
<i>Indicative Trigger #8 for DPO2:</i> 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.	<i>Prior Action #8 for DPO2:</i> To mainstream climate change into DRC's policy frameworks and mobilize climate finance to support implementation, the Recipient's Council of Ministers has adopted on February 3, 2023, the draft ordinance-law amending Law 11/009 of July 9, 2011 establishing fundamental principles for protection of the environment.	Change of prior action to include a focus on climate finance.

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

Policy area 1: Strengthening expenditure management by establishing core treasury and accounting functions and improvements in the public procurement legal framework

37. **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.

38. The Methodology for Assessing Procurement Systems (MAPS) II Report³⁶ from June 2020 has found that excessive use of sole source contracting is a major source of fiduciary risks in DRC. Furthermore, the Report indicates that these risks are heightened by current Article 146 of Decree 10/22 dated June 2, 2010 on the Manual of Procedures of the Public Procurement Law which allows the use of a free-form format for all sole source contracting. This legal loophole, in addition to facilitating sole source contracting, obfuscates responsibilities and obligations of contracts signatories, especially of providers. This gap has led to abuses and misappropriations of public resources as evidenced in several audits of government programs, including the President's 100-days program, with most of the contracts investigated were sole sourced and signed on a single sheet of paper with limited specifications on deliverables and financial arrangements.

39. 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).

40. **Program.** While the creation and operationalization of the DGTCP is considered an essential pillar of

³⁶ <https://www.arpmp-rdc.org/index.php/fr/rapport-d-audit-4>



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).³⁷ 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 and its associated 2022-2024 operational action 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.

41. Following the promulgation of the decree establishing the DGTCP in May 2022 (Prior Action #1 for DPO1), its initial operationalization requires the appointment of the management team (i.e., the General Director, two Deputy General Directors and seven Directors), additional implementing regulations, and the roll-out of DGTCP accounting units in four pilot ministries: the Ministry of Primary, Secondary and Technical Education (*Enseignement Primaire, Secondaire et Technique*, EPST), Ministry of Health, Ministry of Rural Development and Ministry of Infrastructure and Public Works. These measures will allow the gradual and effective transfer of budget commitment authority from the Minister of Finance 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 assistance³⁸ from the World Bank financed ENCORE operation (P171762). The operationalization of DGTCP is a critical step to establish a comprehensive state accounting system that records, tracks and reports regularly on all government financial transactions. This will significantly improve efficiency, transparency and accountability in the use of public resources.

42. The DRC authorities completed the competitive recruitment of the ten leadership positions³⁹ of DGTCP, with the appointments announced in February and March 2023. The DRC authorities approved the following implementing regulations allowing the initial operationalization of DGTCP: Decree No. 22/54, dated December 30, 2022 setting the governance and institutional framework of DGTCP; and Ministerial Order No. No. 07/CAB/MIN/FINNACES/2023, dated March 2, 2023 establishing the national network of public accountants (Prior Action #1(i)). In addition, through Ministerial Order No. 08/CAB/MIN/FINNACES/2023, dated March 2, 2023, DGTCP accounting units were established in the Ministries of EPST, Health, Rural Development and Infrastructure and Public Works.

43. The 2019 PEFA highlighted that the overall weak PFM systems, including deficient procurement systems, do not allow the efficient and effective use of public resources. The 2020 MAPS II Report highlights the need to urgently mend a legal loophole represented by Article 146 (which allows free-form format for sole source contracts). The DRC authorities closed this loophole through Decree No. 23/12, dated March 3, 2023, which revised Article 146 of the Manual of Procedures of the Public Procurement Law and removed

³⁷ It also contributes to the low score of DRC in the World Bank 2021 Country Policy and Institutional Assessment indicator on Quality of Budgetary and Financial Management (2.5 for DRC, with an average of 3.0 for IDA borrowers)

³⁸ 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).

³⁹ Director General, Deputy Director General (Technical), Deputy General Director (Administration and Finance), Director of Treasury and Financing, Director for Accounting Regulation and Quality, Director of Financial Litigation, Director of General Resources and Personnel, Director of Information Technology, Director of Treasury Services Inspection, Central Accounting Officer of the Treasury.



the option to use free-form format for single source contracts (Prior Action #1(ii)). As per the revised Article (Article 137 in the Decree No. 23/12), single source contracts, like other public procurement contracts, must include key technical and financial information, in line with Article 48 of the Law 10/010, dated April 27, 2010 on Public Procurement as well as a standard template must be used for all single source contracts. The Public Procurement Regulatory Authority is currently working on updating all standard bidding documents (including for single source selection) and aims to complete this process by April 2023. Decree 23/12 also revised thresholds for the award, review and approval of public contracts; it eliminated references to delegation of public services, which will be taken into account in the Public-Private Partnerships regulations; and it reinforced measures relating to beneficial ownership.

Prior Action #1 for DPO1:

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.

Prior Action #1 for DPO2:

To strengthen expenditure management, the Recipient:

(i) has operationalized the DGTCP through: (a) the appointment of DGTCP leadership General Director, two Deputy General Directors and seven Directors; (b) the establishment of the governance and institutional framework of the DGTCP pursuant to Decree No. 22/54, dated December 30, 2022, published in the Official Gazette, Special Edition, dated March 2, 2023; and (c) the establishment of the National Network of Public Accountants pursuant to Ministerial Order No.

07/CAB/MIN/FINNACES/2023, dated March 2, 2023;

(ii) has adopted Decree No. 23/12, dated March 3, 2023, revising Art. 146 of the Manual of Procedures (dated June 2, 2010) of the Public Procurement Law (renumbered as Art. 137), requiring a standard procurement model for all direct contracting, published in the Official Gazette, Special Edition, dated March 7, 2023.

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 pilot ministries for improved service delivery). Thus, the Ministries of Primary Education and Health will each directly execute (i.e., budget commitment authority delegated to the line ministries) at least 50 percent of central non-wage expenditures through the expenditure chain by end 2023 – as gradual progress towards ultimately directly executing 100 percent of central non-wage expenditures.

45. By end 2023, following the revision of Article 146, 95 percent of single source contracts will be based on standard templates. This will result in increased transparency and accountability, reduced fraud and corruption, and thus in more efficient and effective use of scarce public resources.

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

46. **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 (but recently increasing) revenue mobilization (11.3 percent of GDP in 2021 and 15.6 percent in 2022), the Government has little room to absorb shocks and limited resources to deliver services to the population and invest in physical and human capital. By raising



revenues that can then be spent in an 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), albeit doubling to about 28 percent in 2021 (3.2 percent of GDP). 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. Ensuring benefit sharing lies at the core of supporting a more distributive, equitable economy (RRA driver 2).

47. **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 domestic revenue mobilization and reduce fraud and corruption. Over the years, there has been significant support from development partners for the computerization of the tax system (with 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 of DGRAD operations, which – until end 2022 – manually collected 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 and US\$660 million in 2022, which represents 1 and 1.5 percent of GDP in 2021 and 2022, respectively. 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.

48. Prior Action #2 under DPO1 made 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. This builds on the successful roll-out of *Isys-Régies* whereby payments are only official recognized if they are processed through *Isys-Régies*.⁴⁰ The effective roll-out of *Isys-Régies* brought unprecedented transparency in revenue payments, with key stakeholders able to monitor payments in real time.

49. In addition, the DRC authorities have shown strong commitment to increased transparency in the mining sector, as highlighted in paragraph 26. However, further efforts are required to ensure that increased transparency in the extractive sector benefits communities and the Congolese population at large. A revised mining code was introduced in June 2018, seeking to increase the benefits to the country, with higher royalties and taxes (royalties on non-ferrous metals, including copper, increased from 2 to 3.5 percent; a new 10 percent royalty on "strategic minerals"⁴¹; and a new 50 percent tax on "windfall profit"⁴²), as well as provisions to increase benefit-sharing. Article 242 stipulates the distribution of mining royalties: 50 percent

⁴⁰ The World Bank put the issuance of the order and circular from the Minister of Finance as a prior action in the preparation of a possible DPO to help address the COVID-19 crisis (P174026, dropped). This demonstrates how DPF complements technical assistance (from the World Bank and/or development partners), providing incentives to undertake key reforms and overcome vested interests.

⁴¹ Cobalt was declared a "strategic mineral" in November 2018.

⁴² 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.



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). Because of the incomplete legal framework for benefit sharing, the DRC EITI National Committee (DRC EITI report for 2018, 2019, H12020⁴³) notes that while it can fully account for the mining royalties transferred to the central level (50 percent of royalties), with expected revenues matching realized revenues, this is not the case with the royalties allocated to provinces, ETDs and FOMIN.⁴⁴ In addition, the 2021 appropriations and budget execution audit report from the Supreme Audit Institution (*Cour des Comptes*) indicates that it is unable to trace the funding allocated to FOMIN between 2018 and end 2021, when the FOMIN management team was appointed (in December 2021 by Presidential Decree, as per the prevailing legal framework).

50. DPO1 thus supported the approval of the decree No. 22/20 (Prior Action #3a under DPO1) detailing the mechanism of the payment and management of mining royalties allocated to provinces (25 percent) and ETDs (15 percent). 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. DPO1 supported the approval of an inter-ministerial order between the Ministry of Mines and the Ministry of Social Affairs (Prior Action #3b under DPO1), signed on December 21, 2021, which specifies the rules and procedures to manage the 0.3 percent endowment to community development projects.⁴⁵

51. As mentioned in paragraph 49, the 2018 Mining Code stipulates (in Articles 8 bis and 242) that 10 percent of mining royalties shall be allocated to a “Mining Fund for Future Generations” (FOMIN), however it does not further define the purpose of this mining fund. Decree No. 19/17 dated November 25, 2019 established FOMIN as an “*établissement public*” (public agency). 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 a broad use of FOMIN resources with a weak governance framework, which led to concerns that FOMIN resources could quickly be squandered in unproductive uses. Civil society has been advocating for the revision of the FOMIN decree.⁴⁶

52. Under Prior Action #2 under DPO1, the use of LOGIRAD was made compulsory (through decree No. 22/18 and related order). Following the approval of the decree, and a piloting phase in Kinshasa, the DRC authorities have initiated a gradual roll-out of LOGIRAD across the territory, with training sessions organized between September and December 2022 in priority provinces and ministries. The LOGIRAD roll-out is supported by financing and technical assistance from AFD and the European Union (EU), as part of their support to the digitalization of the three tax authorities. LOGIRAD (<https://logirad.dgrad.cd/>) became fully operational on January 1st, 2023, in Kinshasa, Kongo Central, Lualaba, Haut-Katanga, Bas Uele, Haut Uele, Haut Lomami, Tanganyika and Tshopo provinces (nine provinces) and across DGRAD; General Director of

⁴³ <https://www.itierdc.net/publications/rapports-itie-rdc-2000/rapport-itie-rdc-2018-1er-sem-2020/>

⁴⁴ 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).

⁴⁵ 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.

⁴⁶ “Stakeholders in the multi-stakeholder dialogue from eight mining provinces and the City-Province of Kinshasa call for the reopening of discussions on the Mining Fund for Future Generations (FOMIN), August 13, 2021”

https://congomines.org/system/attachments/assets/000/002/128/original/Makuta_Communique_FOMIN_IDAK-IDAKI_OK.pdf?1628854046

“The Makuta Ya Maendeleo Consortium calls for the redefinition of FOMIN's objectives, regulatory and institutional framework, as well as its management and investment rules”.

<https://congomines.org/reports/2337-analyse-du-cadre-reglementaire-et-institutionnel-du-fomin>



Migrations; Ministry of Mines; Ministry of Environment and Sustainable Development; Ministry of Land Affaires; Ministry of Hydrocarbons; and Ministry of Post, Telecommunications and New Information and Communication Technologies (DGRAD and six revenue collecting institutions), through the Circular No. 003, dated December 29, 2022, issued by the Minister of Finance (Prior Action #2).

53. There is a consensus, among a broad range of stakeholders, including civil society, that it is urgent to revise the FOMIN decree and strengthen its governance framework and safeguard its resources, as FOMIN management is currently facing multiple demands on its funding. FOMIN resources are currently estimated at US\$247 million (as of December 2022).⁴⁷ World Bank estimates indicate that mining royalties allocated to FOMIN (10 percent of total mining royalties) could reach US\$175 million for the year 2023 and US\$204 million for the year 2024. The DRC EITI national secretariat organized a series of consultations on the revision of the FOMIN decree in March⁴⁸ and November 2022 with Government and civil society.⁴⁹ The Decree No. 23/05, dated February 20, 2023, revised the 2019 FOMIN decree and made the following adjustments (Prior Action #3). First, the scope of FOMIN activities was narrowed, with a focus on geological research, sustainable mining and economic diversification (including mining value addition in-country). Second, the revised decree strengthened oversight mechanisms and transparency requirements. Both the procedures manual guiding FOMIN investments and proposed projects will require the approval of the Government via the Council of Ministers. In addition, the revised decree requires the disclosure of annual independent external financial audit and annual reports.

Prior Action #2 for DPO1:

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 for DPO1:

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.

Prior Action #2 for DPO2:

To improve collection of non-tax revenues, the Recipient has issued Circular No. 003, dated 29 December 2022, published in the Official Gazette, Special Edition, dated January 12, 2023, operationalizing LOGIRAD as of January 1st, 2023, in Kinshasa, Kongo Central, Lualaba, Haut-Katanga, Bas Uele, Haut Uele, Haut Lomami, Tanganyika and Tshopo provinces and across the following revenue

⁴⁷ Revenues collected in 2022 covering years 2018-2022. DRC EITI report 2020-2021.

⁴⁸ <https://www.itierdc.net/cloture-de-latelier-dechange-sur-le-fomin-a-kinshasa/>

⁴⁹ <https://www.itierdc.net/atelier-des-parties-prenantes-sur-lamelioration-du-cadre-reglementaire-du-fomin/>



collecting institutions: DGRAD; General Director of Migrations; Ministry of Mines; Ministry of Environment and Sustainable Development; Ministry of Land Affairs; Ministry of Hydrocarbons; and Ministry of Post, Telecommunications and New Information and Communication Technologies.

Prior Action #3 for DPO2:

To ensure that the mining sector enables inclusive and sustainable socio-economic development in the DRC, the Recipient has adopted Decree No. 23/05, dated February 20, 2023, published in the Official Gazette, Special Edition, dated March 7, 2023, modifying and complementing Decree No. 19/17 dated November 25, 2019 regarding the statute, organization and operationalization of the Mining Fund for Future Generations (FOMIN) with extended oversight and transparency mechanisms.

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 Central-level non-tax revenues (including mining royalties) are collected through LOGIRAD in Kinshasa, Lualaba and Haut-Katanga, allowing greater transparency.

55. By end 2023, an effective benefit-sharing mechanism in the extractives sector is in place and the DRC EITI National Committee is able to fully 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: Accelerating digital transformation and strengthening SOE transparency and governance

Policy Area 3: Deepening the liberalization of the telecom sector and accelerating digital transformation through the removal of the State monopoly on long-distance fiber optic cables

56. **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 to the state-owned incumbent (*Société Congolaise des Postes et Télécommunications*, SCPT), which distorted competition, affected quality of service across the country, and hindered private investment. As a result, DRC is in the top ten countries with the highest cost of mobile broadband globally, expressed as a percentage of Gross National Income per capita (10.91 percent for 1 GB, in 2021).⁵⁰ With mobile and internet penetration rates at 44 and 14 percent respectively in 2020, DRC is among the bottom 15 countries in the world. Several leading telecom investors were 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 deepening 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 country can be a key factor for cohesion (RRA driver 5).⁵¹ Over the medium-term the spread and adoption of digital technologies can serve as a critical basis for generating jobs and reducing poverty.

⁵⁰ https://adi.a4ai.org/extra/baskets/A4AI/2021/mobile_broadband_pricing_gni.php (accessed August 29, 2022)

⁵¹ RRA Driver 5: DRC deals with numerous local conflicts, and the fragmentation is exacerbated by dysfunctional security and justice systems.



57. **Program.** The Telecommunications Law No. 20/017, dated November 25, 2020, supported as Prior Action #4 under DPO 1, was made effective through its publication in the Official Gazette dated September 22, 2021. This new law is aligned with good international practices. It ends all monopolies and exclusivities in the sector and opens the digital infrastructure market to private investments and public-private partnerships. It represents a breakthrough in overcoming strong opposition from vested interests of existing operators and the state-owned monopoly. This new law requires a series of accompanying regulations.⁵² The Prior Action #4(i) for DPO2 focuses on three of the most critical regulations: decrees relating to the establishment of the new regulatory authority and of the Universal Service Fund (USF), and a Ministerial order relating to the issuance of concession licenses.

58. The Law No. 014-2002 on the creation of the Post and Telecommunications Regulatory Authority, which complemented the Law No. 013-2002 on Telecommunications, put this authority under the DRC Presidency; however as per the new 2020 Telecom Law, the regulatory authority is now under the Ministry of Post, Telecommunications and New Information and Communication Technologies (PTNTIC) and the regulatory authority needs to be re-established through a new Decree, as the Law No. 014-2002 is now void. The Decree No. 23/13, dated March 3, 2023 thus established the new regulatory agency for Post, Telecommunications, Information and Communication Technologies (*Autorité de Régulation des Postes, des Télécommunications et des Technologies de l'Information et de la Communication du Congo*, ARPTIC), as an *établissement public* (public agency) with management independence, as per Law No. 08/009, dated July 7, 2008, on *Etablissements Publics*, as other regulatory agencies in the country (Prior Action #4(i)(a)). This decree specifies the missions, functions, and powers of the regulator.

59. The 2020 Telecom Law stipulates that the government will establish, through a decree, a public agency (*établissement public*) to manage the USF which aims to 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 is financed by a contribution of 3 percent of telecom and ICT operators' turnover (as stipulated in the 2020 Telecom Law). Under the old Telecom Law No. 013-2002, mobile operators were already contributing 3 percent of their turnover, with the funds allocated to general treasury account, and not allocated to the telecom sector. Decree No. 22/51, dated December 30, 2022 established the USF (Prior Action #4(i)(b)). Overall, the decree is in line with standard practices for USF. Detailed implementation modalities for the USF will be elaborated in forthcoming Ministerial orders and manual of procedures. In addition, the five-person Board will include one representative from telecom and ICT operators and one representative from civil society. The decree stipulates that its staff will be recruited competitively and should demonstrate they do not have any potential conflict of interest.

60. The Ministerial Order (Ministry of PTNTIC) on the conditions and procedures for granting concession licenses has been issued on July 11, 2022 (Prior Action #4(i)(c)). The Ministerial Order proposes two procedures to acquire a concession license: auctions, for licenses requiring frequencies or other rare resources; and for non-rare resources, day-to-day requests to the Ministry in charge of telecommunications, based on a proposal by the operator – which is in line with good practice.

61. The Transport and Connectivity Project (PACT, P161877) 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 telecom regulatory authority (ARPTIC) and the USF and, through technical

⁵² Twenty-eight required new legal instruments have been identified.



assistance and 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. PACT will support the development of implementation regulations (ministerial orders) for USF (collaboration with the regulatory authority and conditions of exercise of the universal service or universal access, obligations of the operators, modalities of financing of telecommunications and ICT services and projects) and of the USF manual of procedures.

62. DRC is connected to the West Africa Cable System (WACS) submarine cable through a landing station in Muanda (located on the Atlantic Ocean coast), managed by SCPT (SOE telecom operator). The 650km fiber optic cable connecting Muanda and Kinshasa owned and operated by SCPT was installed in 2013.⁵³ Because of frequent outages along this cable, internet connection is highly unreliable in Kinshasa and in the Western side of DRC causing significant economic disruption. To allow for redundancy and to improve digital connectivity with faster and more reliable broadband, the World Bank Central African Backbone SOP5 (CAB5, P132821, 2014-2021) project financed a parallel 620km fiber optic cable between Muanda and Kinshasa with a cost of US\$17 million (completed in 2020). This fiber optic is owned by a newly established state-owned telecom holding company, Congolese Fiber Optic Company (*Société Congolaise de Fibre Optique*, SOCOF) and the fiber optic is operated through a Public Private Partnership (PPP). The private operator was selected through an international competitive selection process which led to the signature of the first PPP contract in the telecom sector in DRC in March 2022. The signing of the PPP contract took more time than anticipated due to resistance to remove the SCPT monopoly on long distance fiber optic. To ensure high speed and high quality of the fiber optic link, it is crucial that the SOCOF link be directly connected to the WACS landing station in Muanda. Following delays in making this direct connection effective, the Minister of PTNTIC through its letter dated December 30, 2022 instructed SCPT to allow SOCOF to directly connect to the WACS landing station. The direct connection was made effective on February 25, 2023 (Prior Action #4(ii)). This first direct connection by a telecom operator beyond SCPT is a major step to enforce the open access policy which is a key characteristic of WACS and essential for the accelerated development of the digital sector.

Prior Action #4 for DPO1:

To liberalize the telecommunications sector, the Telecommunications Law No. 20/017 was promulgated and published in the Official Gazette No. 62, Special Edition, dated September 22, 2021.

Prior Action #4 for DPO2:

To accelerate the digital transformation of DRC, the Recipient:

(i) has promulgated the following implementing regulations of the Telecommunications Law No. 20/017:

(a) Decree No. 23/13, dated March 3, 2023 creating the regulatory authority under the Ministry of Post, Telecommunications and New Information and Communication Technologies, published in the Official Gazette, Special Edition, dated March 7, 2023;

(b) Decree No. 22/51, dated December 30, 2022 creating the Universal Service Fund, published in the Official Gazette, Special Edition, dated March 2, 2023; and

(c) Ministerial order No. CAB/MIN/PT&NTIC/AKIM/KL/Kbs/037/2022, dated July 11, 2022 on issuance of concession licenses; and

(ii) has implemented the effective direct connection of the fiber optic cable owned by SOCOF to the

⁵³ The performance of SCPT's Muanda-Kinshasa cable link was widely considered to be substandard due to installation-related defects. It was alleged in a report from a DRC parliamentary mission in 2015 that the cables were not suitable for subterranean use. Implementation Completion and Results Report, Central African Backbone SOP5, CAB5, P132821.



WACS landing station, pursuant to Letter No. 007/FASTCONGO/DG/07/02/2023 dated February 27, 2023 as instructed by letter from the Minister of Ministry of Post, Telecommunications and New Information and Communication Technologies dated December 30, 2022.

63. **Expected results.** The new law and priority implementing regulations deepen 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 digital 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

64. **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 corporate governance. 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 SOEs⁵⁴ 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).⁵⁵

65. 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.⁵⁶ 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.⁵⁷ 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).

66. Civil society has been vocal for many years about deep and widespread governance challenges in the mining sector, and in GECAMINES in particular, as summarized in the Text Box below.⁵⁸ Improving mining sector transparency has been a major dimension of the IMF re-engagement in DRC since 2019, with a focus on disclosure of mining contracts and a re-energized EITI process (as highlighted in paragraph 26).

⁵⁴ More specifically, the deep infrastructure deficit has been caused by the collapse of the state and institutions, including SOEs, in the 1980s and 1990s and the succession of civil wars between 1996-2003. Until now, efforts to restructure SOEs have failed.

⁵⁵ World Economic Forum (2019), Global Competitiveness Report.

⁵⁶ DRC, Governance of State-Owned Enterprises, World Bank, 2019

⁵⁷ Corporate Governance of State-Owned Enterprises, a Toolkit, World Bank (2014)

⁵⁸ For example: DRC: Digging in corruption – Fraud, abuse and exploitation in Katanga's copper and cobalt mines, Global Witness, 2006. Regime cash machine: How the Democratic Republic of Congo's booming mining exports are failing to benefit its people, Global Witness, 2017. A State Affair: Privatizing Congo's Copper Sector, Carter Center, 2017.



Text Box 1: Civil society concerns on DRC mining sector governance

GECAMINES first started selling off its assets in the 1990s and early 2000s, in a severely challenging business environment (civil war, with collapsed economy). The 2017 Carter Center report describes that in the run-up to the first presidential election after the war, in 2006, “GECAMINES and other state-owned companies entered into a series of lopsided deals that generated small upfront payments that mainly benefited foreign military allies, speculators, and other risk takers. (...) Concerns about the lack of revenue going to the DRC state eventually triggered international pressure to review the underlying partnership contracts. (...) The 2007–2010 contract revisitation process led to the renegotiation of most contracts, ultimately allowing the DRC to increase income for GECAMINES and other state-owned companies significantly”.⁵⁹

The Africa Progress Report 2013 of the Africa Progress Panel Chaired by Kofi Annan – Equity in Extractives: Stewarding Africa’s natural resources for all – assessed that between 2010 and 2012, the DRC lost at least US\$1.36 billion in revenues from the underpricing of mining assets that were sold to offshore companies. It also reports that, in 2012, the IMF stopped its ECF programme after the government failed to publish full details of a mining deal involving the sale by the state-owned mining company, GECAMINES, of a stake in a major copper concession.

The report highlights that “with some of the world’s richest mineral resources, the DRC appears to be losing out because state companies are systematically undervaluing assets. Concessions have been sold on terms that appear to generate large profits for foreign investors, most of them registered in offshore centres, with commensurate losses for public finance”.

67. **Program.** Efforts at pursuing the reform of DRC’s SOEs envisaged in four 2008 laws on state disengagement⁶⁰ from public enterprises have resumed 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 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 an opening to support efforts to reform the complex 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. This also complements efforts at increasing transparency of SOE debt through the SDFP PPA for FY23, which supports the publication by DGDP, in the annual debt report for 2021 and quarterly debt bulletins for 2022, of data on the debt of key SOEs⁶¹ (and selected provincial governments), as well as data on domestic arrears and contingent liabilities, in addition to reporting public and publicly guaranteed external and domestic debt.

⁵⁹ A State Affair: Privatizing Congo’s Copper Sector, Carter Center, 2017. The report then highlights that “in most joint venture partnerships, Gécamines became entitled to extra signing bonuses and production-based royalties. It also regained some of its former assets — some by way of government revocation of licenses and some through negotiations. These assets were subsequently reassigned to new, politically connected partners under joint ventures in exchange for bonuses, future royalties, and other revenue streams for Gécamines. The company continued to benefit from similar transactions well after the revisitation process ended. Beginning in 2010, Gécamines proceeded to sell its minority stakes in some of the most commercially valuable joint ventures, in deals that were heavily criticized for being politicized, opaque, and focused on short-term gains”.

⁶⁰ *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).

⁶¹ Key SOEs include SNEL, MIBA (*Minière du Bakwanga*, the diamond SOE) and GECAMINES, as well as at least two additional SOEs.



68. With support from development partners, the DRC authorities have significantly re-energized the EITI process in DRC. These efforts were recognized by the EITI announcement in October 2022, that DRC has achieved a high overall score in implementing the 2019 EITI Standard, with 85.5 points.⁶² In addition, to strengthen governance in mining SOEs, the IGF has launched a series of investigations into key SOEs and released synthesis reports of its investigations into GECAMINES, SODIMICO and COMINIERE (as discussed in paragraph 26). These investigations have revealed critical weaknesses in the management of these SOEs and have denounced the selling-off of mining assets owned by the Congolese State, which both echo long-held concerns of civil society (see Text Box 1). The President of DRC announced in 2021 that the country intended to renegotiate unbalanced contracts (in echo to the renegotiation process which took place in 2007-2010). In addition, as a key initial forward-looking step to safeguard remaining mining assets under the custody of SOEs, and to prevent corrupt deals and unbalanced contracts, the Decree No. 23/08, dated February 22, 2023, specifies the procedures to transfer SOEs mining assets, based on the Law No. 08/008 dated July 7, 2008 on State Disengagement. To guarantee the interests of the State and of the SOE concerned, the decree stipulates that transactions on mining assets are subject to the principles of transparency, publicity, competition and prior valuation of these assets. The Decree specifies the applicable legal and regulatory framework, the prerequisites before undertaking a mining asset transfer, the types of mining asset transfers, and the institutional framework and procedures to complete the transaction.

69. Prior Action #5(i) under DPO2 pursues efforts at increasing transparency of SOEs, as historically, publicly available information on DRC SOEs has been limited: CSP disclosed on its website (www.csp.cd) the annual report for 2021 on the consolidated financial performance of 20 SOEs. This report confirms the dire financial situation of SOEs in DRC. Total SOEs turnover was US\$1.9 billion in 2021, with only three SOEs having positive net results (for a total of US\$10 million), while the total losses of the SOEs amount to US\$680 million. Medium- and long-term debt of SOEs stood at US\$2.9 billion in 2021. The report calls for urgent reforms to improve SOE governance and improve their performance. The Decree No. 13/036, dated September 3, 2013, restructured CSP and stipulates, in particular, that CSP should produce consolidated financial statements for DRC SOEs with a management report by April 30 each year. However, this requirement has so far not been implemented on a regular basis. The DPO series and the ENCORE operation (P171762) support the regular public disclosure of financial information on SOEs and expects that public disclosure will generate a sustained demand for this information. In addition, following on Prior Action 5(a) under DPO1, most audited financial statements and annual reports on of strategic SOEs (SNEL, REGIDESO, SNCC, RVA, SCTP, GECAMINES) for 2020 and 2021 have been disclosed on the CSP website.⁶³ The CSP also recognizes that the quality of the financial information provided by the SOEs must improve. To do so, the Minister of Portfolio has issued Circular No. 0116/MINPF/MKA/CSP/CMC/AKM/2022, dated February 8, 2023, strengthening the selection process of statutory auditors, to ensure that statutory auditors selected by SOEs have the required expertise, experience and independence.

70. The Council of Ministers approved, in January 2022, to proceed with the competitive recruitment of the leadership team of SNEL, REGIDESO and FONER (*Fonds National d'Entretien Routier*, the National Road

⁶² <https://eiti.org/board-decision/2022-50>

⁶³ CSP is working on uploading on its website the missing documents.



Fund⁶⁴). The competitive selection process was undertaken by COPIREP⁶⁵, with the call for expressions for interest launched on February 22, 2022 (Prior Action #5b under DPO1). The appointment by Presidential Ordinance of the selected candidates, issued from the competitive selection process, for the leadership positions of SNEL, REGIDESO and FONER, was announced on national television on October 10, 2022. This is considered a major breakthrough, as the selection process of these key positions is usually highly politicized.

Prior Action #5 for DPO1:

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 No. 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.

Prior Action #5: for DPO2

To increase the transparency and accountability of SOEs and strengthen corporate governance, the Recipient has:

- (i) published a report on the financial performance of SOEs for 2021 on the CSP website;
- (ii) adopted Decree No. 23/8, dated February 22, 2023, published in Official Gazette, Special Edition, dated March 2, 2023, detailing the procedures regarding the transactions of mining assets of state-owned enterprises, in accordance with Law No. 08/008, dated July 7, 2008, on State Disengagement; and
- (iii) completed the competitive, meritocratic and transparent recruitment of the Chairmen, General Managers and Deputy General Managers of SNEL, REGIDESO and FONER, and the selected candidates nominated pursuant to Presidential Ordinances No. 22/177; No. 22/176; No. 22/178, dated October 10, 2022, published in the Official Gazette No. 21, dated November 1st, 2022.

71. **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. The leadership of SNEL, REGIDESO, and FONER is meritocratically selected. At least 50 percent (by numbers) of SOE mining assets transfers (in whole or in part, including partial equity sales)⁶⁶ in 2023 are undertaken in line with the Decree No. 23/08, dated February 22, 2023, as documented by the DRC EITI national secretariat (as per the EITI requirement #4.5 on Transactions related to SOEs).

⁶⁴ 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".

⁶⁵ 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.

⁶⁶ This refers to transfers to the private sector, as per the Law 08/008 on State Disengagement.



Pillar 3: Strengthening governance for sustainable forestry

Policy Area 5: Improving governance for sustainable forest management

72. **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.

73. Following breaches of the moratorium on new forest concessions initially established in a 2002 Ministerial Order,⁶⁷ a 2005 Presidential Decree⁶⁸ 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 Government undertook a 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. The final results of the review were disclosed in 2014. Serious breaches of the moratorium have occurred since 2015⁶⁹ in a context of weakening Government commitment to 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).

74. **Program.** In July 2021 the Government adopted an urgent plan, presented by MEDD, with ten actions to ensure sustainable management of forests.⁷⁰ 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 lifted⁷¹ 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.⁷²

⁶⁷ Ministerial Order CAB/MIN/AF.F.E.T/194/MAS/02 of May 14, 2002

⁶⁸ Presidential Decree No. 05/116 of October 24, 2005

⁶⁹ There was no apparent breach to moratorium from 2005 to 2014.

⁷⁰ Minutes of the 11th meeting of the Council of Ministers (July 9, 2021). Ministry for Communication and Media (2021). DRC.

⁷¹ 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.

⁷² These measures are consistent with Presidential Decree No. 05/116 of October 24, 2005. It is assessed that DRC has an adequate



75. 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. The Prime Minister asked, in June 2020, the General Inspectorate of Finance (IGF) to launch an investigation⁷³ 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.

76. On April 1, 2022, MEDD published the 2021 Report of the General Inspectorate of Finance (IGF) on forest concessions (Prior Action #6 for DPO1).⁷⁴ 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.⁷⁵ 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.⁷⁶ On April 5, 2022, the Minister of the Environment and Sustainable Development published a single Order⁷⁷ which effectively suspended 12 of the forest concessions⁷⁸ identified as problematic in the IGF report. Following what appeared to be a legitimate challenge brought by one of the suspended companies, the administrative court (*Conseil d'État*) ruled against the order, thereby also lifting the suspension of all other companies listed in the order. On April 20, 2022, following the approval of the Council of Ministers, the MEDD issued a Ministerial Order⁷⁹ establishing a commission to review all forest concession contracts, a step that was well received both domestically and by the international community.

77. 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's commitment 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 EITI.⁸⁰

78. Building on DPO1 Prior Action #6 (publication of the IGF report), DPO2 Prior Action #6 aims to restore

legal framework relating to the transparent award of logging concessions. Challenges have persisted in the implementation of the legal framework.

⁷³ *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

⁷⁴ <https://medd.gouv.cd/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/>

As part of the CAFI LOI, the DRC authorities had committed to disclose the report by end 2021.

⁷⁵ Minutes of the 47th meeting of the Council of Ministers (April 1, 2022).

⁷⁶ Minutes of the 24th meeting of the Council of Ministers (October 15, 2021)

⁷⁷ Arrêté Ministériel N°015/CAB/VPM-MIN/EDD/TSB-PDK/02/2002.

⁷⁸ 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/communiqués-de-presse/51131/rapport-de-l'inspection-générale-des-finances-la-vice-première-ministre-ministre-de-l'environnement-sobstine-a-entretenir-la-confusion%E9%BF%BC/>).

⁷⁹ Ministerial Order No. 016/CAB/VPM-MIN/EDD/EBM/CMB-TSB-PDK/02/2022, dated April 20, 2022.

⁸⁰ Joint Communiqué between MEDD and the Donor Group on Environment and Climate (GIBEC). February 18, 2022.



the path of reforms interrupted by the illegal allocation of concessions that took place between 2014⁸¹ and 2020. This Prior Action 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 stakeholders; the results published; and the forestry concessions that are judged illegal with regard to the national legislation, are canceled by [end of 2022]”. As of end February, 2023, the DRC EITI national secretariat has disclosed 61 forest concessions contracts on its website.⁸²

79. To place government reform and action within a solid and consultative framework the legislation establishing the National Forestry Advisory Council (*Conseil Consultatif National des Forêts*, CCNF) has been revised through Decree No. 23/11, dated March 3, 2023 (Prior Action #6(i)). The CCNF is mandated to give prior opinions on forest policy, forestry management rules, as well as on any draft legislative or regulatory text relating to forests, and thus is a critical institutional foundation for sustainable forest management in DRC. The adopted decree revises the mandate, constituency, and functioning of CCNF with the objective to enhance transparency, representation and efficiency in decision making. It introduces a CCNF executive committee (“*Bureau*”) with representation of civil society and indigenous peoples.

80. A comprehensive legal review of all industrial forest concessions has been completed, with public consultations, and finalized considering the comments offered by civil society, industry and Development Partners. Supported by the Government, CAFI-financed, and conducted by an international consulting firm, this review includes analyses, records and data that allow to determine the legal status of forest concessions, particularly with respect to allocation procedure, transfer and change of use (e.g., conservation), compliance with forest management plans and obligations towards local communities, and tax payments. The study and the IGF report, have been facilitating the deliberations of the MEDD-led inter-ministerial commission in charge of the administrative review of the forest concession.

81. On March 3, 2023, the MEDD-led inter-ministerial Commission submitted to the Council of Ministers, for information purposes, its preliminary conclusions related to the administrative review aspects of the forest concessions (Prior Action #6(ii)). These include a timeline for submission to CCNF for opinion and public information and to complete the review of forest concessions. The prior action supported by DPO2 solely focuses on the conclusion of the administrative review process.⁸³

Prior Action #6 for DPO1:

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.

Prior Action #6 for DPO2:

To strengthen the implementation of forest protection and management laws and transparency of the forestry sector:

(i) the Recipient has adopted Decree No. 23/11, dated March 3, 2023, published in Official Gazette, Special Edition, dated March 7, 2023, modifying and completing Decree No. 08/03 of January 26, 2008

⁸¹ 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.

⁸² <https://www.itierdc.net/contrats-forestiers/>

⁸³ If a concession holder disagrees with the conclusion of the administrative review process, they can decide to undertake a judicial process to question the administrative decision of MEDD (which is beyond the scope of the prior action under DPO2).



on the composition, organization and functioning of the National Forestry Advisory Council to, *inter alia*, include civil society and indigenous peoples representation in its executive committee (“Bureau”); and

(ii) the MEDD-led inter-ministerial Commission has submitted to the Council of Ministers, for information purposes, its preliminary conclusions related to the administrative review aspects of the forest concessions, on March 3, 2023.

82. **Expected results.** By mid-2024, 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

83. **Rationale.** 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 with almost 700,000 hectares lost annually over the period 2014-2018. Illegal logging also adds increasing pressure on forest resources in a context of weakening sectoral governance. 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. Forest related Green House Gas (GHG) emissions, which account for roughly 90 percent of DRC’s total emissions,⁸⁴ make it the twelfth GHG emitter globally. However, the country remains a key net carbon absorber due to its large standing forest⁸⁵ and is characterized by 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/tCO₂eq) with roughly 400 million tCO₂eq per year, largely through the protection of forests and other ecosystems, that could enable the country to achieve net negative emissions by mid-century.⁸⁶ 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.

84. **Program.** A National REDD+ Strategy was adopted in 2012 and backed by an Investment Plan.⁸⁷ The strategy aims to stabilize forest cover on two-thirds of the country’s land area by 2030 and maintain it thereafter. The investment plan sets a programmatic framework to implement the strategy. It has mobilized significant financing to date, including nearly US\$250 million from CAFI and US\$130 million from the World Bank through various Trust Funds. Although implementing REDD+ in DRC still requires a range of reforms and improved governance, notable efforts are on-going to mainstream REDD+ in the policy framework with a focus on the main sectoral and enabling pillars of the REDD+ Strategy, namely agriculture, energy, forests, land-use planning, land tenure, governance, and demography. Key developments include a National Land-Use Planning Policy adopted in 2020 that integrates the objectives of sustainable development and safeguarding forest ecosystems. The Land Use Planning Law, which will translate the policy’s principles and tools into primary regulation, was submitted to Parliament in 2021 and is pending adoption. A Land Policy was also adopted in 2022 to ensure sustainable land management and clarification of land rights to limit

⁸⁴ Source: <https://www.climatewatchdata.org/ghg-emissions?source=CAIT>

⁸⁵ Source : Harris, N.L., Gibbs, D.A., Baccini, A. *et al.* Global maps of twenty-first century forest carbon fluxes. *Nat. Clim. Chang.* 11, 234–240 (2021). <https://doi.org/10.1038/s41558-020-00976-6>

⁸⁶ Roe, S. *et al.* Land-based measures to mitigate climate change: Potential and feasibility by country. *Global Change Biology* (2021). Note: Roe *et al.* are not considering standing forest sinks.

⁸⁷ The National REDD+ Fund (FONAREDD) is the financial vehicle used to implement the Strategy and its Investment Plan.



conversion of forests (a revision of the 1973 Land Law is underway).⁸⁸ The government has also taken a significant step in recognizing the customary rights of its indigenous population by adopting, the law No. 22/030, dated July 15, 2022 on the Promotion and Protection of the Rights of the Indigenous Pygmy Peoples. The law is the country's first legislation to formally recognize and safeguard the rights of indigenous population, in particular their land rights. In May 2022, the MEDD mandated the biennial assessment on deforestation and forest degradation (Prior Action #7 for DPO1) with the objective to systematize the use of reliable and up-to-date information from the National Forest Monitoring System (NFMS) as an essential foundation for policy development and actions to reduce deforestation and to mobilize climate finance.

85. With slash-and-burn a main driver of deforestation in DRC,⁸⁹ the development of sustainable agriculture with reduced impact on forests is a priority for the country to mainstream REDD+ and achieve climate resilient development. The development process for a National Sustainable Agricultural Policy (NSAP) started in 2019 and benefited from an extensive consultation process across the country. The Policy aims to contribute to the diversification of the national economy and ensure inclusive growth through sustainable and forest-friendly agriculture. The NSAP builds on the National Strategic Development Plan and the National REDD+ Framework Strategy including the achievement of its Impact 1 "*Forest-friendly agricultural investments that improve the livelihoods of rural populations, including marginalized vulnerable people*". The development of the policy has been supported by the Food and Agriculture Organization (FAO) with CAFI funding. Specific strategies promoted by the NSAP to address the structural problems of the sector over the period 2020-2030 include, among others, the identification and dissemination of climate change resilient crop and livestock systems; maintaining the integrity of High Conservation Value forests and reducing the pressure on other forests; intensifying sustainable agricultural production in savannah and degraded forest; intensifying perennial crop production in secondary forest and savannah through agroforestry systems; and strengthening producers' organizations with specific consideration for vulnerable populations including women, youth and indigenous peoples. Land use planning is a key approach recommended to implement the NSAP strategies and promote a participatory and sustainable use of natural resources including forest and water. The NSAP was adopted by the Council of Ministers on February 17, 2023 (Prior Action #7). The development of the NSAP took place in parallel to revisions to the 2011 Agriculture Law (Law 11/022, dated December 24, 2011) under discussions at the Parliament. The Ministry of Agriculture indicated that key principles of the NSAP were included in the revisions to the 2011 Agriculture Law made at the Parliament.⁹⁰

86. In addition, in December 2022, the Council of Ministers approved the draft Decree on the National Advisory Council on Agriculture (*Conseil Consultatif National de l'Agriculture*),⁹¹ which will establish a consultation framework for implementation of strategies set out in the NSAP and the (forthcoming) revised Agriculture Law. The NSAP has also been subject to a Strategic Environmental and Social Study (SESA) which identifies and assesses (i) environmental and social impacts of NSAP implementation, (ii) main environmental and climate change constraints on sector performance, and (iii) opportunities to improve the environment, enhance the sector's resilience to climate change, and promote low-carbon development.

⁸⁸ The revision of the 1973 land law and the approval of the land policy are, respectively, a milestone and an indicator under the Prevention and Resilience Allocation (PRA) for DRC (see paragraph 93).

⁸⁹ 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)

⁹⁰ The DRC Senate adopted the revisions to the 2011 Agriculture Law in October 2022. The revised text has been sent for a second reading to the National Assembly. It is expected that the revisions of the Agriculture Law will be finalized in the forthcoming session of the Parliament (starting in March 2023).

⁹¹ Pending publication in the Official Gazette as of end February 2023.



Prior Action #7 for DPO1: 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.

Prior Action #7 for DPO2:

To address deforestation and forest degradation from agriculture, the Council of Ministers has adopted on February 17, 2023 a national sustainable agricultural policy that integrates the principles of land-use planning and protection of high conservation value forests and promotes the development of sustainable commercial agriculture in savannah areas.

87. **Expected results.** By end 2023, DRC has mobilized at least US\$1.2 billion to implement its National Strategy for Reducing Deforestation and Forest Degradation (REDD+).⁹²

Policy Area 7: Supporting climate resilient development

88. **Rationale.** DRC's high vulnerability to the impact of climate change is primarily related to socioeconomic factors, such as poverty, population density, and conflict. Forest health will be crucial in the long-term, not only for providing an important global sink for carbon, but for helping to maintain well-functioning ecosystem services to reduce vulnerability of communities. DRC has taken significant steps to mainstream climate change into its development strategies. Climate change is integrated into the fifth pillar of its National Strategic Development Plan (NSDP, 2019-23) and a new National Adaptation Plan (NAP)⁹³ sets climate resilience priorities for the period 2022-2026. DRC's updated Nationally Determined Contribution (NDC) proposes fifty-two priority adaptation actions. The NDC also commits to a 21 percent emissions reduction from 2021 to 2030, with a specific reduction target for forest and other land use sectors which account for the country's largest share of GHG emissions by far (86 percent).⁹⁴ However, the country still lacks a supportive regulatory framework to operationalize climate strategies into existing sectoral policies and encourage investments in related programs. DRC's key piece of legislation to support environmental compliance – Law 11/009 of July 9, 2011, establishing fundamental principles for protection of the environment – does not explicitly take climate change into account. Achieving NDC objectives will also require domestic financing and a strong mobilization of external funding.⁹⁵ In the updated NDC, 19 percent of emissions reduction is conditional on external financing and 2 percent will be financed on domestic resources. According to the IMF, the resulting fiscal cost is estimated at around 13 percent of fiscal revenue in 2021. With increased clarity on Article 6 of the Paris Agreement, recent strong growth in the value of the voluntary carbon markets in response to net-zero commitments from governments and corporations,⁹⁶ result-based financing and carbon markets could provide additional resources for the country to meet its climate goals.

⁹² Financing mobilized in the context of DRC's National REDD+ Investment Plan 2015-2020. A detailed assessment by the DRC National REDD+ Fund (FONAREDD) is on-going.

⁹³ https://unfccc.int/sites/default/files/resource/DRC-NAP_FRENCH.pdf

⁹⁴ Democratic Republic of Congo. (2021). Revised Nationally Determined Contribution.

⁹⁵ IMF Country Report No. 22/211. Democratic Republic of the Congo. Selected Issues. Building Resilience and Exploring Opportunities from Climate Change. June 2022.

⁹⁶ World Bank. 2022. *State and Trends of Carbon Pricing 2022. State and Trends of Carbon Pricing*; Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/37455> License: CC BY 3.0 IGO



89. **Program.** To mainstream climate change into DRC's policy frameworks and mobilize climate finance to support implementation of NDC objectives, MEDD has prepared an amendment bill to the 2011 Environmental Law. The amendment bill establishes the responsibility of the state for adopting laws, policies, plans, programs, and strategies to address climate change while guaranteeing the well-being of the population and the fight against poverty. It specifically introduces new principles including (i) a national council for the environment and development under the authority of the prime minister, responsible for approving and overseeing the implementation of national plans of action to address climate change, as well as the implementation of the NDC; (ii) a Carbon Market Regulatory Authority (CMRA) to organize the carbon market in DRC and promote the participation of public and private sectors as well as local communities in transactions of carbon credits; (iii) an approval and certification procedure for program or project that generates carbon credits; and (iv) a carbon tax on GHG emitting activities and gains generated from GHG reduction and/or sequestration. Further implementing regulations will be prepared to operationalize the newly introduced principles, including with support from the World Bank.⁹⁷

90. The amendment bill was prepared by the MEDD and adopted by the Council of Ministers on April 15, 2022 and submitted to Parliament. The amendment bill was not adopted by the closing date of the parliamentary session on December 15, 2022. It was thus included in the enabling law adopted by the National Assembly on December 14, 2022, authorizing the President, during the three-month parliamentary vacancy, to legislate by ordinance-law on a certain number of matters, deemed urgent. The draft ordinance-law was approved by the Council of Ministers on February 3, 2023 (Prior Action #8). After signature of the ordinance-law by the President and publication in the official gazette, the government is expected to present the law for ratification to the Parliament by the deadline established in the enabling law, in accordance with article 129 of the Constitution.

91. MEDD has stressed the urgency to adapt the DRC legal environment to mobilize climate finance and allow DRC to meet its international commitments under the Paris Agreement. In exchanges with MEDD, when raising concerns on the lack of adequate consultations by MEDD during the revision process of the Environment Law, civil society highlighted that the amendment of the law is necessary, not only to respond to the urgency of mobilizing climate finance, but also to adapt the national legal framework to the evolution of knowledge in environmental protection. MEDD agreed to conduct an in-depth review of the environment governance framework, as part of the commitments made under the CAFI Letter of Intent. In addition, MEDD committed to a participatory process in the context of the implementation roadmap of the Carbon Market Regulatory Authority.

⁹⁷ Support to the Operationalization of the Emission Reductions Payment Agreement (P170835) and upcoming DRC Forest and Savanna Restoration Investment Program (P178642) will specifically support DRC to implement technical and institutional frameworks for result-based climate finance and carbon markets.



Prior Action #8 for DPO1:

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.

Prior actions #8 for DPO2:

To mainstream climate change into DRC's policy frameworks and mobilize climate finance to support implementation, the Recipient's Council of Ministers has adopted on February 3, 2023, the draft ordinance-law amending Law 11/009 of July 9, 2011 establishing fundamental principles for protection of the environment.

92. **Expected results.** By end-2023, DRC has registered at least one carbon project.

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) DRC Technical Assistance Report on Public Investment Management Assessment. IMF (2023). These reports highlight critical reforms needed to strengthen public financial management, in particular the establishment of the DGTCP (core treasury and accounting function) within the Ministry of Finance; and the need to strengthen the implementation of the public procurement legal framework, including strengthening the controls for single source selections.
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) These reports identify key reform efforts to increase domestic revenue mobilization, with a focus on broadening and deepening the digitalization of DRC tax and non-tax agencies, including DGRAD.
Prior action #3	DRC EITI report 2018-2019-H12020 (2020) DRC EITI report 2020-2021 (2023) Resource Governance Index (Mining), DRC, Natural Resource Governance Institute (2021) These reports highlight the importance of strengthening the management of mining revenues, in particular, the mining royalty allocation (10 percent) to the Mining Fund for Future Generations (FOMIN)
Operation Pillar 2: Accelerating digital transformation 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) DRC Economic Update, 7 th edition (2022) These reports highlight the critical importance of accelerating digital transformation in DRC, through the full liberalization of the telecom sector and increased competition, leveraging the effective implementation of the 2020 Telecom Law.
Prior action #5	DRC Governance of SOEs, World Bank (2019) DRC EITI report 2018-2019-H12020 (2020) EITI International Secretariat, Validation of the Democratic Republic of the Congo, Final assessment of progress in implementing the EITI Standard, July 18, 2022 DRC EITI report 2020-2021 (2023)



	These reports highlight key reform efforts needed to improve the governance of SOEs, including mining SOEs, starting with increased transparency and accountability.
Operation Pillar 3: Strengthening governance for sustainable forestry	
Prior action #6	<p>Forests in Post-Conflict DRC: Analysis of a Priority Agenda, World Bank/CIFOR/CIRAD (2007)</p> <p>Deforestation Trends in Congo Basin: Reconciling Economic Growth and Forest Protection, World Bank (2012)</p> <p>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)</p> <p>Audit Report on the Legality and Conformity of Industrial Forest Concessions in DRC (draft). Project Planning and Management Ltd. EU framework contract for the implementation of external aid (2022)</p> <p>The first report reviews the forest sector in DRC as of 2006, including reforms undertaken since 2002 (forest code, legal review) and make recommendations on priorities. The next two reports provide updates on the evolution of the policy, social, economic and physical context of the productive forest sector in DRC since the Bank's landmark 2007 study on the sector. The audit report provides an updated assessment of the legality of the 81 industrial concession contracts resulting from the 1st legal review and conversion process (2005-2014).</p>
Prior action #7	<p>Deforestation Trends in Congo Basin: Reconciling Economic Growth and Forest Protection, World Bank (2012)</p> <p>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).</p> <p>These reports cover emerging policy developments on Reducing Deforestation and Forest Degradation (REDD+) in DRC.</p>
Prior action #8	<p>DRC Selected Issues. Building Resilience and Exploring Opportunities from Climate Change. IMF (2022)</p> <p>DRC: Technical Assistance Report on Public Investment Management Assessment. IMF (2023).</p> <p>DRC Country Climate and Development Report (P178266, ongoing)</p> <p>These three reports assess DRC's current climate policies and institutional framework.</p>

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: Accelerating digital transformation and strengthening SOE transparency and governance	
Prior action #4	Transport and Connectivity Support Project (PACT, P161877), US\$500 million
Prior action #5	<p>Kinshasa Multisector Development and Urban Resilience Project (Kin Elenda, P171141), US\$500 million</p> <p>Enhancing Collection of Revenue and Expenditure Management Project (ENCORE, P171762), US\$250 million</p> <p>Access Governance and Reform for the Electricity and Water Sectors Project (AGREE, P173506), US\$600 million</p> <p>Transport and Connectivity Support Project (PACT, P161877), US\$500 million</p> <p>Rural Water Supply and Sanitation Access Program under preparation (P178389), US\$ 400 million</p>
Operation Pillar 3: Strengthening governance for sustainable forestry	
Prior action #6	Forest and Savanna Restoration Investment Program under preparation (FOREST, P178642), US\$300 million, under preparation
Prior action #7	<p>National Agriculture Development Program (PNDA, P169021), US\$460 million</p> <p>Forest and Savanna Restoration Investment Program under preparation (FOREST, P178642), US\$300 million, under preparation</p>
Prior action #8	<p>Purchase / Sale of Emission Reductions (ER) to be generated under the Mai Ndombe ER Program (ERPA, P160320), US\$55 million</p> <p>Support to the Operationalization of the Emissions Reduction Purchase Agreement (OPERPA, P170835), US\$5 million</p>



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

93. **This DPO series is closely aligned with the WBG CPF 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 Poverty and Resilience Allocation⁹⁸ (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.

94. **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 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 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 2022, aims to strengthen the governance and performance of the power and water SOEs. The US\$500 million Transport and Connectivity Support Project (PACT, P161877), approved in 2022, aims to rehabilitate sections of the national road network and to strengthen the transparency and operations of the national road fund (FONER). The US\$460 million National Agriculture Development Program (PNDA, P169021) and US\$300 million Forest and Savanna Restoration Investment Program under preparation (FOREST, 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.

95. **The DPO series is also aligned with several global or corporate WBG priorities, including digital transformation, GRID and GCRF,** with a focus on “Strengthening Resilience” (Prior Actions #6, #7 and #8) and “Strengthening Policies, Institutions, and Investments for Rebuilding Better” (Prior Actions #1, #2, #3, #4 and #5). The DPO series also supports World Bank Eastern and Southern Africa priorities of universal access to electricity (Prior Action #5), water (Prior Action #5) and broadband (Prior Action #4).

⁹⁸ In October 2021, DRC approved its first national conflict prevention and stabilization strategy. 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).



4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

96. **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 and civil society led by the DRC EITI national secretariat and supported by the Carter Center. Prior Actions #6 and #7 leverage the consultative process under CAFI between the DRC authorities, civil society, private sector, and development partners. An extensive consultation process took place for the development of the National Sustainable Agriculture Policy (Prior Action #7) across the 26 provinces of the country. Prior Action #4 builds on regular consultations between the authorities and telecom operators over several years. The DRC authorities undertook 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 development of the Operational Action Plan (approved in August 2022) to guide initial implementation of this Strategic Plan. Prior Actions #1 and #2 leverage this consultative process.

97. **Further consultations with civil society and stakeholders (including provincial and local authorities) are taking place 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.** For example, the EITI national secretariat led dissemination events on the Decree No. 22/20, dated May 13, 2022, relating to the sharing and management of mining royalties to be paid to provinces and ETD (Prior Action #3a under DPO1) in Haut-Katanga and Lualaba provinces (where copper and cobalt production is concentrated), as well as Haut-Uélé province (gold production) in August-September 2022. The EITI national secretariat disseminated at the same time, in collaboration with the Ministry of Finance (COREF), Decree No. 22/12B, dated March 2022, creating the DGTCP (Prior Action #1 under DPO1) as the DGTCP will play a key role in ensuring sound mining revenue management, through its network of public accountants in charge of managing public funds at the provincial level. The Carter Center also carried out dissemination events (workshops, as well as radio and television programs) on the Decree No. 22/20 (Prior Action #3a under DPO1) and inter-ministerial order relating to the 0.3 percent of turnover of mining enterprises to community development projects (Prior Action #3b under DPO1) in Haut-Katanga, Lualaba and Nord Kivu provinces and in that context developed leaflets highlighting the key aspects of these new regulations.⁹⁹ A consortium of civil society organizations (Makuta ya Maendeleo, which includes the Carter Center) launched a portal to allow citizens to track mining royalties' payments to provinces and ETD.¹⁰⁰ This consortium also participated to the workshops on revisions to the FOMIN decree (Prior Action #3 under DPO2), as highlighted paragraph 53.

98. **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

⁹⁹https://congominer.org/system/attachments/assets/000/002/272/original/D%C3%A9pliant_sur_la_gestion_de_la_redevance_miniere.pdf?1660897419=

<https://congominer.org/reports/2266-depliant-sur-la-gestion-de-la-dotation-minimale-de-0-3-du-chiffre-d-affaires-pour-la-contribution-aux-projets-de-developpement-communautaires-dans-les-zones-minieres-en-rdc>

¹⁰⁰ <https://www.makutayamaendeleo.org/en>



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, Germany, Belgium, Carter Center). The World Bank has 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

99. **This proposed second operation in the DPO series supports reforms that aim to strengthen revenue mobilization and public expenditure management (Pillar 1); accelerate digital transformation and strengthen SOE management and transparency (Pillar 2); and slow deforestation and promote sustainable agriculture (Pillar 3).** None of the reforms is likely to have significant adverse social or distributional impacts, and several of the reforms have the potential to have positive poverty and distributional consequences under certain conditions (if, for instance, improved revenue collection leads to higher spending on pro-poor sectors). There are however some risks of negative impacts, mainly related to reforms in Pillar 3, but these can be managed with appropriate reform implementation and the use of mitigation strategies.

100. **The proposed reforms under Pillar 1 ("Strengthening the management of public expenditure and mining royalties") are expected to have indirect positive distributional impacts through creating the fiscal space for increased social and pro-poor spending.** These positive impacts will however only materialize if part of the additional fiscal resources generated by the reforms is effectively invested in sectors that predominantly benefit the poor and vulnerable, such as spending on basic services and expanded coverage of safety nets, or in the longer term in strategic sectors for inclusive growth. Prior Action #1(i) on operationalizing the DGTCP is expected to improve expenditure management and efficiency in the ministries of Education and Health (sectors that benefit the poor). Prior Action #1(b) on strengthening public procurement is also expected to lead to increase expenditure efficiency. Prior Action #2 on operationalizing LOGIRAD aim to increase domestic revenue mobilization and has the potential to benefit the poor if this allows higher spending on pro-poor sectors, such as Education and Health. The prior action on revising the FOMIN decree (Prior Action #3) to safeguard FOMIN resources and help ensure an effective use of resources has the potential to benefit the poor if public investments supported by FOMIN are carefully targeted and monitored. This objective can however only be achieved if the control and oversight mechanisms included in the revised FOMIN decree are properly implemented. Citizens' engagement can play a key role in strengthening FOMIN's accountability. The effective implementation of the policy actions under Pillar 1 to ensure a pro-poor development impact will be supported through the continuous policy dialogue on the reforms supported by the DPO series and the ENCORE operation (P171762) which includes a focus on strengthening expenditure management and mining revenue management, leveraging citizen's engagement for enhanced accountability.



101. **Reforms under Pillar 2 aim to accelerate digital transformation and to strengthen SOE transparency and governance.** Prior Action #4 on telecom reform is expected to bring down the cost incurred by consumers, improve quality of service, and expand access to telecom services in previously underserved areas of DRC (through the Universal Service Fund), with potentially positive distributional effects. The prior action also provides direct access to the WACS landing station to a second fiber optic cable connecting Kinshasa. This new competition would bring down current costs to consumers, in fixed and/or variable costs, and would expand access to users at the bottom of the distribution who are currently mostly excluded. Potential positive distributional effects would be particularly strong if combined with reforms in other sectors (e.g. the financial sector): expanded telecoms coverage has the potential to boost financial inclusion of low-income households, improving their ability to cope with risks and smooth consumption. In addition, given the critical role of telecommunications as a business enabler, the reform may increase private sector activity and job creation. The reform can benefit the poor proportionally more if the telecommunication costs are further differentiated between commercial and household users. The other reforms under this pillar (Prior Action #5), which aim to strengthen transparency and governance of SOEs, are unlikely to have significant distributional effects in the short run, but may have positive effects in the longer run through better service delivery (e.g., water, power, transport) due to improved operational performance and, more broadly, due to improved fiscal space through an improved management of mining assets of SOEs and via reduction of contingent liabilities through better SOE financial performance. The reforms under Pillar 2 will be supported by parallel IPF operations. The PACT operation (P161877) includes a focus on sectoral governance for improved connectivity (in the road, aviation, and digital sectors) to ensure that investments in the sector lead to inclusive, pro poor, socio-economic development. Similarly, the AGREE operation (P173506) includes a focus on governance of the power and water SOEs. The ENCORE operation (P171762) supports cross-sectoral efforts to strengthen SOE oversight.

102. **The reforms under Pillar 3 aim to preserve DRC's forests, which are a crucial asset not just for DRC's development trajectory but also for global carbon sequestration.** While the proposed reforms are likely to have positive distributional and poverty impacts in the longer run by enhancing climate change resilience of communities and systems, there may be some negative effects in the short run depending on how the reforms are implemented. Under Prior Action #6, disclosing the legal status of all forest concessions will improve transparency and has the potential to lead to more sustainable investments in the sector. To the extent that a large share of the residents' livelihoods is linked to these concessions, this may lead to more jobs for the poor. However, for concessions, already terminated by the MEDD as well as those for which irregularities noted by the Commission in charge of the review of the concessions call for termination, there is a risk of loss of employment and income among workers on the concessions. In this case, appropriate short-term mitigation measures may be needed for communities that will be affected by the cancellation of illegal concessions. The methodology of the Commission considered the level of investment carried out by concessions, the provision of social infrastructure and job creation, thereby minimizing any negative impacts on workers and communities.

103. The Prior Action #7 related to the adoption of a National Sustainable Agricultural Policy is unlikely to have any adverse poverty or distributional impacts, and may have positive impacts if the policy is successful in steering agriculture away from slash and burn practices to sustainable climate-resilient agriculture in savannah areas. Potential negative impacts of the new policy were identified in a Strategic Environmental and Social Assessment (SESA) along with related mitigation measures. The PNDA (P169021) and FOREST (P178642, under preparation) will scale up tested approaches to improve community livelihoods while addressing deforestation and forest degradation. Finally, Prior Action #8 on the revision of the environment



law is likely to have positive poverty or distributional impacts if the organization of the carbon market is focused on promoting inclusive sustainable socio-economic development across the country and with a focus on local communities. Stronger national frameworks for carbon markets are expected to support the implementation of the National REDD+ Strategy whose main goal is to reduce deforestation and forest degradation while contributing to the well-being of forest-dependent communities. A Strategic Environmental and Social Assessment (SESA) was developed to identify, avoid, and mitigate the potential negative environmental and social impacts associated with future activities to be supported by the REDD+ strategy. Upcoming implementing regulations, in particular pertaining to the registration of carbon programs, will need to address equitable and transparent benefit sharing arrangements and ensure that all stakeholders, including indigenous peoples and communities, are fairly recognized and rewarded for their role in reducing emissions, including through forest conservation and sustainable forest management. The Support to the Operationalization of the Emissions Reduction Purchase Agreement (OPERPA, P170835), US\$5 million, will provide technical assistance to develop the required implementing regulations.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

104. 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. This law is under revision to integrate matters related climate change, including the implementation of the Nationally Determined Contribution, the institution of a carbon tax, and the establishment of the Carbon Market Regulatory Authority. The proposed versions were adopted by the Council of Ministers February 3, 2023. The Decree 14/030 of November 18, 2014 regulates Environmental and Social Impact Assessment (ESIA) and the Congolese Environmental Agency is responsible for the enforcement of the Environment 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 legislative requirements.

105. To mitigate the identified weaknesses, the DPO series leverages a strong participatory policymaking process in the forest sector supported under the CAFI's Letter of Intent (signed in November 2021) which allocates US\$500 million for financing priority interventions during the 2021-2026 period and commits the DRC government to various policy milestones, aligned with the National REDD+ Investment Plan, across different sectors including agriculture, wood energy, forests, mining and oil, land-use planning, land tenure, population, and governance.

106. World Bank financed operations also support capacity development for managing natural resources. These include the Improved Forested Landscape Management Project (P128887) which supports rural communities and authorities to reduce the pressure on forests and restore degraded landscapes (in Western provinces), the Forest Dependent Communities Support Project (P149049) which supports capacity building activities for Indigenous Peoples and local communities to participate in REDD+ and the ongoing carbon finance pilot Mai Ndombe Emission Reductions Program (P160320). These operations have generated positive preliminary results, based on which a scale-up is under preparation (FY23), namely the DRC Forest and Savanna Restoration Investment Program (P178642). Other complementary operations include PACT operation (Transport and Connectivity Support Project, P161877), AGREE (Access, Governance and Reform for the Electricity and Water Sectors, P173506) and ENCORE (Enhancing Collection of Revenue and Expenditure Management Project, P171762), which incorporate natural resources management and ESF



capacity building.

107. **As per 2021 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 Action #6, given its focus on strengthening transparency and governance of forest resources, is likely to have a positive impact on the country's environment, forest and natural resources if proper mitigation measures are in place. In particular, Prior Action #6 will have positive impacts as it should lead to a reduction of illegal forest exploitation. However, the government needs to go beyond cancellation and publication of contracts to (i) dedicate more resources to monitor the performance of concession holders to ensure that forests are managed to achieve maximum environmental, social, economic and scientific benefits for present and future generations, (ii) ascertain compliance with legal requirements, (iii) ensure that approved forest management plans are successfully implemented, and (iv) suspend/cancel, in compliance with the legal framework in force, any oil/gas exploration/exploitation activities that pose the greatest threats to peatlands, high value forests, protected areas and world heritage sites. The government committed to ensure compliance with the moratorium on new forest concessions as per the Presidential Decree No. 05/116 of October 24, 2005.¹⁰¹ The CAFI and AFD funded US\$16 million Sustainable Forest Management Program, launched in December 2022, aims to provide technical assistance to the DRC authorities on these questions. In addition, the German technical cooperation is preparing a US\$6 million technical assistance project on REDD+ standards in the mining and hydrocarbon sectors (through CAFI funding). DRC is vulnerable to several climate related hazards, including flooding and gully erosion. Prior Action #8 will also have a positive impact. The revision of the environmental law will strengthen environmental compliance by mainstreaming climate change impacts in the appraisal and implementation of projects and programs in DRC. In particular, improved national frameworks for carbon markets are expected to strengthen environmental integrity and transparency for monitoring, reporting, and verification of climate change programs and ensure these are underpinned by real actions to reduce greenhouse gas emissions.

108. **Prior Actions #3, #4 and #7 will likely lead to additional or more future investments with their associated potential downstream environmental risks and impacts.** However, per the Law no. 11/009 of July 9, 2011, on the fundamental principles of environmental protection, for such initiatives, an Environment Assessment is mandatory and must be done before any project or policy is adopted and implemented. To mitigate the risks related to the new National Sustainable Agricultural Policy (Prior Action #7), a policy centric Strategic Environment and Social Assessment (SESA) has been finalized by the Recipient with FAO support. It focuses on environmental and social issues which interact with agricultural activities, climate change, protection of natural resources essential to agriculture, enhancing farmland ecosystem services, the environmental and social sustainability of planned priority actions, institutional capacities, and challenges as well as environmental and social risks, weather risks, human health risks, pest and disease risks. Prior Action #3 will likely lead to more future investments in provinces, ETDs and communities and their potential downstream impacts are expected to be addressed by an impact-centered Strategic Environment and Social Assessment (SESA) to be prepared under the ENCORE operation (P171762). The Recipient shall go beyond this SESA to ensure that the FOMIN design includes best practices for good environmental, social, and economic governance of any investments associated with FOMIN, which will also be supported under the ENCORE operation (P171762). Prior Action #1(ii) on public procurement could lead to adverse environmental impacts, however these risks are mitigated as the standard procurement templates under development

¹⁰¹ The minutes of the Council of Ministers held on March 3, 2023 mention "the need for a full assessment of the impact of the moratorium since the 2005 Decree before any decision is made".



(including for direct contracting) will include Health, Safety and Protection of the Environment requirements.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

109. **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 and its 2022-2024 Operational Action Plan. 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, were approved in December 2021 by the Parliament, and the execution of the 2021 budget ended with a surplus in revenue mobilization, with an improved budget execution rate in 2021 reaching 89.8 percent (76.3 percent in 2020). Preliminary estimates for 2022 show overperformance in revenue mobilization with super profits from the mining sector allowing increased investment spending and higher than anticipated security related exceptional expenditure, thus, posting budget execution at about 114.5 percent in 2022.

110. **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 (viii) digitalization of the public financial management system. An Operational Action Plan for 2022-2024 to guide the implementation of the strategy (developed with IMF technical assistance) was approved by the Council of Ministers in August 2022. It identifies 24 priorities reforms across five pillars: (i) budget reform; (ii) tax policy and tax administration; (iii) public expenditure reform; (iv) public accounting and cash management; and (v) digitization of PFM systems. The DRC authorities are making significant progress in the implementation of this action plan, with, for example, the adoption by the Government for submission to the National Assembly of the draft law on Personal Income Tax and Corporate Income Tax¹⁰² in October 2022 and the approval of the Decree on Budget Governance¹⁰³; and in November 2022, the approval of two decrees restructuring and modernizing the tax and non-tax authorities (DGI and DGRAD). This proposed DPO and the ENCORE operation support the implementation of the priority reforms identified in this Operational Action Plan. The IMF ECF also supports key elements of the Action Plan.

111. **The Government’s budget is publicly available on the Ministry of Budget’s website¹⁰⁴** Budget

¹⁰² The World Bank provided technical assistance to the development of this draft law.

¹⁰³ A Structural Benchmark under the IMF ECF.

¹⁰⁴ <https://budget.gouv.cd/budget-2023/>



reports are produced every month;¹⁰⁵ they are presented with the same nomenclature as the initial budget. 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. Under 2021 Open Budget Survey¹⁰⁶, DRC scores 35/100 for public participation (with a global average of 14), 44/100 on budget oversight and 42/100 on budget transparency (with a global average of 45).

112. Procurement integrity remains a concern in the country, despite the existence of an institutional and regulatory framework, based on the 2010 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, effective implementation of the law approved in 2010 has initially been slow. The limited integrity of the procurement system is of 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. These shortcomings have been highlighted in the MAPS II evaluation completed in June 2020. The 2022-2024 Operational Action Plan (approved in August 2022) for the implementation of the Strategic Plan for Public Finance Reform includes priority reforms related to public procurement. One of the priority reforms is the official launch of the Integrated Public Procurement Management System (*Système Intégré de Gestion des Marchés Publics*, SIGMAP)¹⁰⁷ which took place in August 2022, thus initiating the deployment of SIGMAP as a pilot, before its deployment across the territory by 2024. SIGMAP represents an important initial step towards the roll-out of a full-fledged e-procurement system.

113. 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 2021 are audited by an internationally recognized firm.¹⁰⁸ The auditor's opinions for BCC audited financial statements related to calendar years 2016 to 2021 are unqualified. However, the audit opinions contain an "Emphasis of Matter" paragraph relating to BCC pending recapitalization. The analysis of the BCC's recapitalization needs was approved by the BCC Board in November 2022 (IMF Structural Benchmark). Under the IMF ECF, the signing of a memorandum of understanding between BCC and the Government on the implementation of the BCC's recapitalization plan is expected by September 2023.

¹⁰⁵ <https://budget.gouv.cd/exercice-2022/>

¹⁰⁶ <https://internationalbudget.org/open-budget-survey/country-results/2021/democratic-republic-congo>

¹⁰⁷ The deployment of SIGMAP (as a precursor to e-procurement) is supported by ENCORE (P171762). <https://marchepublic.cd/>

¹⁰⁸ https://www.bcc.cd/bcc/publications-redirect/autres_publications



114. **Disbursement, Accounting and Auditing.** The Recipient is DRC, represented by the Government through MoF. The financing will be released in a single tranche equivalent of US\$500 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. Upon approval of the operation and effectiveness of the Financing Agreement, the proceeds of the DPO will be disbursed by IDA into an account designated by the Recipient and acceptable to the Association. The proceeds of the credit will not be used to finance expenditures excluded under the Financing Agreement. The Recipient shall ensure that upon the deposit of the credit 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 into said 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.

115. **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 account designated by the Recipient, 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.

116. **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 Recipient's budget management system, 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 deposit account and related audit as the Association shall reasonably request. The Government indicated that the Supreme Audit Institution (*Cour des Comptes*) will undertake the audit for this second DPF (the *Cour des Comptes* undertook the audit for the first DPF).

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

117. **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 DPO series, gathering on a regular basis key institutions responsible for the various policy areas (e.g., CTR, COREF, DRC EITI national secretariat, Ministry of Mines, Ministry of PTNTIC, COPIREP, CSP, MEDD, Ministry of Agriculture).

118. **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 Financing may submit complaints to the responsible country authorities, appropriate



local/national grievance mechanisms, or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. 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 Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

6. SUMMARY OF RISKS AND MITIGATION

119. **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 heightened conflict in Eastern DRC and Russia's invasion of Ukraine.

120. **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 defective 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 new Telecom legal framework), 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 heightened conflict in Eastern DRC and 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.

121. **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, election related instability and possible policy reversals such as 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 volatility of 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.

122. The risk from Sector Strategies and Policies is Substantial. While sector strategies and policies exist, the political economy in each sector, coupled with low institutional capacity, may hamper implementation. World Bank dialogue in sectors and the close follow-up on the reforms supported by 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 and its 2022-2024 Operational Action Plan (building on the 2019 PEFA). The EITI process also ensures a strong multi-stakeholders ownership of the reform roadmap. The SOE reform agenda has been re-activated 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 gradual improvements in corporate governance, with further reform efforts for the energy and water SOEs supported by IPFs. Supported forestry related policy reforms have benefitted from ongoing World Bank led policy dialogue, such as on the REDD+ agenda.¹⁰⁹ They leverage other World Bank financed operations¹¹⁰ 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 range of stakeholders.¹¹¹

123. 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 and reform champions. Through complementary IPF, the World Bank will continue to provide technical assistance to these key reform institutions, as well as to other important sectoral institutions (e.g., MEDD, telecom regulator, CSP) and will support the operationalization of new institutions, such as DGTCP (within MOF), FOMIN and the USF.

¹⁰⁹ 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.

¹¹⁰ Such as Strengthening Hydro-Meteorological and Climate Services (P159217).

¹¹¹ The Letter of Intent (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.



124. **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, Ministry of PTNTIC, MEDD, Ministry of Agriculture, COREF, CTR, COPIREP, CSP, DRC EITI national secretariat), 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.

125. **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 recent resumption of DPF (with disbursement of DPO1 in August 2022).¹¹²

126. **Environment and Social risks are Substantial.** Environment risks can emerge from increased investments in the telecom sector and in geographical areas benefiting from increased investment and benefit sharing from the mining sector. These risks will need to be managed through ESIA's (for telecom) and SESA (for increased investments and 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 related to the mining sector. 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 paragraph 102, efforts to address illegal forest concessions could possibly result in physical and economic displacement of concession workers currently operating in the concessions under review. However the proposed methodology for the review of concessions mitigates this risk, as the focus will be on cancelling illegal concessions acquired for speculative purposes without sustainable investments. In addition, to identify and mitigate possible environment and social risks associated with the National Sustainable Agriculture Policy, a policy centric SESA has been finalized by the Recipient with FAO support.

127. **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

¹¹² The audit of the first DPF approved in June 2022 (and disbursed in end August 2022) by the Supreme Audit Institution (*Cour des Comptes*) was shared for comments with the Ministry of Finance on February 23rd, 2023.



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 (CTR 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,¹¹³ were questioned¹¹⁴ or received with cautious support¹¹⁵ 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 has deployed a strong engagement and communications strategy (including reaching out to non-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.

¹¹³ Minutes of the 11th meeting of the Council of Ministers (July 9, 2021). Ministry for Communication and Media (2021). DRC.

¹¹⁴ 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/>

¹¹⁵ 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>.



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 (approved in June 2022)	Prior Actions for DPF 2	Indicator Name	Baseline	Target
<i>Pillar 1 – Strengthening the management of public expenditure and mining royalties</i>				
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.	Prior Action #1: To strengthen expenditure management, the Recipient: (i) has operationalized the DGTCP through: (a) the appointment of DGTCP leadership General Director, two Deputy General Directors and seven Directors; (b) the establishment of the governance and institutional framework of the DGTCP pursuant to Decree No. 22/54, dated December 30, 2022, published in the Official Gazette, Special Edition, dated March 2, 2023; and (c) the establishment of the National Network of Public Accountants pursuant to Ministerial Order No. 07/CAB/MIN/FINNACES/2023, dated March 2, 2023; (ii) has adopted Decree No. 23/12, dated March 3, 2023, revising Art. 146 of the Manual of Procedures (dated June 2, 2010) of the Public Procurement Law (renumbered as Art. 137), requiring a standard procurement model for all direct contracting, published in the Official Gazette, Special Edition, dated March 7, 2023.	Results Indicator #1.1: Establishing core treasury and accounting function	Percentage of non-wage expenditures of the Ministries of EPST and Health are directly executed (budget commitment authority) by the Ministries: 0% (end 2020)	Percentage of non-wage expenditures of the Ministries of EPST and Health are directly executed (budget commitment authority) through the expenditure chain by the Ministries: 50% (end 2023)
		Results Indicator #1.2: Standard template for single source public procurement	Standard template not legally required (end 2020)	95 percent of single source contracts are based on standard templates (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,	Prior Action #2: To improve collection of non-tax revenues, the Recipient has issued Circular No. 003, dated December 29, 2022, published in	Results Indicator #2: Digitalization of DGRAD (non-tax	Percentage of central-level non-tax revenues collected	Percentage of central-level non-tax revenues collected digitally in



Prior actions and Triggers		Results		
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.	the Official Gazette, Special Edition, dated January 12, 2023, operationalizing LOGIRAD as of January 1 st , 2023, in Kinshasa, Kongo Central, Lualaba, Haut-Katanga, Bas Uele, Haut Uele, Haut Lomami, Tanganyika and Tshopo provinces and across the following revenue collecting institutions: DGRAD; General Director of Migrations; Ministry of Mines; Ministry of Environment and Sustainable Development; Ministry of Land Affairs; Ministry of Hydrocarbons; and Ministry of Post, Telecommunications and New Information and Communication Technologies.	revenues authority) operations	digitally in Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 0% (end 2020)	Kinshasa, Haut Katanga and Lualaba through LOGIRAD: 50% (end 2023)
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, <i>inter alia</i> , the rules and procedures to manage these funds.	Prior Action #3: To ensure that the mining sector enables inclusive and sustainable socio-economic development in the DRC, the Recipient has adopted Decree No 23/05, dated February 20, 2023, published in the Official Gazette, Special Edition, dated March 7, 2023, modifying and complementing Decree No. 19/17 dated November 25, 2019 regarding the statute, organization and operationalization of the Mining Fund for Future Generations (FOMIN) with extended oversight and transparency mechanisms.	Results Indicator #3: Effective benefit-sharing mechanism in the extractive sector	The DRC EITI National Committee is not able to fully 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 fully accounts 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)



Prior actions and Triggers		Results		
Pillar 2 – Accelerating digital transformation 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 September 22, 2021.	Prior Action #4: To accelerate the digital transformation of DRC, the Recipient: (i) has promulgated the following implementing regulations of the Telecommunications Law No. 20/017: (a) Decree No. 23/13, dated March 3, 2023 creating the regulatory authority under the Ministry of Post, Telecommunications and New Information and Communication Technologies, published in the Official Gazette, Special Edition, dated March 7, 2023; (b) Decree No. 22/51, dated December 30, 2022 creating the Universal Service Fund, published in the Official Gazette, Special Edition, dated March 2, 2023; and (c) Ministerial order No. CAB/MIN/PT&NTIC/AKIM/KL/Kbs/037/2022, dated July 11, 2022 on issuance of concession licenses; and (ii) has implemented the effective direct connection of the fiber optic cable owned by SOCOF to the WACS landing station, pursuant to Letter No. 007/FASTCONGO/DG/07/02/2023 dated February 27, 2023 as instructed by letter from the Minister of Ministry of Post, Telecommunications and New Information and Communication Technologies dated December 30, 2022.	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 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	Prior Action #5: To increase the transparency and accountability of SOEs and strengthen corporate governance, the Recipient has: (i) published a report on the financial performance of SOEs for 2021 on the CSP website;	Results Indicator #5.1: Public disclosure of audited financial statements and annual reports of SOEs	Audited financial statements and annual reports of strategic SOEs are not publicly disclosed	Audited financial statements and annual reports of six strategic SOEs (SNEL, REGIDESO, SCTP, RVA, SNCC, GECAMINES) are publicly



Prior actions and Triggers		Results		
<p>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.</p> <p>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.</p>	<p>(ii) adopted Decree No.23/8, dated February 22, 2023, published in Official Gazette, Special Edition, dated March 2, 2023, detailing the procedures regarding the transactions of mining assets of state-owned enterprises, in accordance with Law No 08/008, dated July 7, 2008, on State Disengagement; and</p> <p>(iii) completed the competitive, meritocratic and transparent recruitment of the Chairmen, General Managers and Deputy General Managers of SNEL, REGIDESO and FONER, and the selected candidates nominated pursuant to Presidential Ordinances No. 22/177; No 22/176; No 22/178, dated October 10, 2022, published in the Official Gazette No.21, dated November 1st, 2022.</p>	Results Indicator #5.2: Transfer of SOEs mining assets	<p>(end 2020)</p> <p>Transfers of SOE mining assets are characterized by opaque processes (end 2020)</p>	<p>disclosed for 2021 and 2022 (end 2023)</p> <p>At least 50 percent of annual SOE mining assets transfers are undertaken in line with the Decree No 23/08, as documented by the DRC EITI national secretariat (end 2023)</p>
Pillar 3 – Strengthening governance for sustainable forestry				
<p>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.</p>	<p>Prior Action #6: To strengthen the implementation of forest protection and management laws and transparency of the forestry sector:</p> <p>(i) the Recipient has adopted Decree No 23/11, dated March 3, 2023, published in Official Gazette, Special Edition, dated March 7, 2023, modifying and completing Decree No. 08/03 of January 26, 2008 on the composition, organization and functioning of the National Forestry Advisory Council to, <i>inter alia</i>, include civil society and indigenous peoples representation in its executive committee ("Bureau"); and</p> <p>(ii) the MEDD-led inter-ministerial Commission</p>	Results Indicator #6: Compliance of forest concessions with applicable law	IGF questioned the legality of 18 forest concession contracts (end 2020)	<p>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. (end 2023)</p>



Prior actions and Triggers		Results		
	has submitted to the Council of Ministers, for information purposes, its preliminary conclusions related to the administrative review aspects of the forest concessions, on March 3, 2023.			
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.	Prior Action #7: To address deforestation and forest degradation from agriculture, the Council of Ministers has adopted on February 17, 2023 a national sustainable agricultural policy that integrates the principles of land-use planning and protection of high conservation value forests and promotes the development of sustainable commercial agriculture in savannah areas.	Results Indicator #7: Amount of financing mobilized to implement the National Strategy for Reducing Deforestation and Forest Degradation (REDD+).	US\$500 million mobilized (end 2020)	US\$1.2 billion mobilized (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.	Prior Action #8. To mainstream climate change into DRC's policy frameworks and mobilize climate finance to support implementation, the Recipient's Council of Ministers has adopted on February 3, 2023, the draft ordinance-law amending Law 11/009 of July 9, 2011 establishing fundamental principles for protection of the environment.	Results Indicator #8: Number of carbon projects registered	No operational registration framework (end 2020)	At least one carbon project registered. (end 2023)



ANNEX 2: FUND RELATIONS ANNEX

IMF Executive Board Concludes 2022 Third Review Under the Extended Credit Facility Arrangement with The Democratic Republic of the Congo

December 20, 2022

- The IMF Executive Board decision allows for an immediate disbursement of about US\$203 million to the Democratic Republic of the Congo. This disbursement will help reinforce international reserves, given downside risks to the domestic and global economy outlook.
- Despite multiple shocks, economic activity has proven resilient supported by higher-than-envisaged mining production. Growth is forecast at 6.6 per cent in 2022, but inflation is expected to exceed 12 percent by end-2022.
- The Fund-supported program continues to support the authorities' medium-term reform program to foster macroeconomic stability and sustainable development by stepping up domestic revenue mobilization, strengthening governance, and reinforcing monetary policy.

Washington, DC : The Executive Board of the International Monetary Fund (IMF) concluded the third review of the *Extended Credit Facility (ECF)* arrangement for the Democratic Republic of the Congo (DRC). The completion of the Third Review allowed an immediate disbursement equivalent to SDR152.3 million (about US\$ 203 million) to support balance-of-payment needs, bringing the aggregate disbursement to date to SDR609.2 million (about US\$812.4 million).

The DRC's macroeconomic environment is showing resilience despite the spillovers of the war in Ukraine and the deteriorating global economic environment. Real GDP is showing resilience, with growth forecasted at 6.6 percent in 2022 supported by higher-than-projected mining production. Inflation is expected to exceed 12 percent by end-2022, due to higher global food and fuel prices exacerbated by the war in Ukraine and supply chain bottlenecks. The current account reached a surplus in the first half of the year driven by strong exports, and as of end-October, gross international reserves have reached about 2 months of imports, well-above the objective at the beginning of the ECF arrangement. The 2022 domestic fiscal balance (cash basis) is projected at 1.1 percent of GDP, in line with program commitments, despite unanticipated spending pressures raising from the escalating conflict in the East, increased outlays in ministries and public institutions, and arrears repayment to fuel distributors, funded by higher unexpected fiscal revenues mainly due to favorable mining developments.

Progress under the program remains satisfactory. All end-June 2022 quantitative performance criteria were met, and all indicative targets (ITs) except for two: the one related to health spending due to procurement delays; and the one related to the central bank's guarantees for central government domestic loans due to monitoring shortcomings and despite the fact that no new guarantees were issued. Efforts to meet the social spending under the IT will require close monitoring during implementation. Four of six structural benchmarks were also met, and a fifth one was achieved with a small delay.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director and Chair stated:



“Macroeconomic performance in 2022 is strong, despite recurrent shocks. Growth is robust and external buffers have strengthened, notwithstanding rising global energy and food prices. Performance under the Extended Credit Facility (ECF) arrangement remains satisfactory. While growth prospects remain favorable in 2023, downside risks emanate from adverse terms-of-trade shocks and the conflict in the east.


“The fiscal deficit is expected to narrow in 2023. Sustained revenue mobilization and contained current spending in goods, services and subsidies are expected to provide space for social spending, infrastructure, and human capital investment, and arrears clearance. Saving revenue overperformance would support efforts to build buffers. Phasing out the fuel subsidy and establishing targeted social transfers are important measures to strengthen social safety nets to protect the vulnerable. Enhancing budget credibility should help the budget serve as a fiscal anchor under the program. Revamping the fiscal framework to manage resource wealth, strengthening the public investment framework, and accelerating public financial management reforms are necessary to enhance spending efficiency and transparency.

“Readiness to tighten the monetary stance to bring inflation to the 7- percent target together with efforts to strengthen the monetary policy framework will support price stability. Further accumulation of reserves, while enhancing the role of the exchange rate as a shock absorber, is essential to external resilience. The recent adoption of the new banking law is crucial to strengthen financial sector regulation and supervision.

“Sustained efforts to improve governance, including in mining, strengthen the anti-corruption and AML/CFT frameworks, and enhance the business environment would support private sector development and competitiveness. Committing to specific climate-related reforms is also important to catalyze financing for green investments.”



ANNEX 3: LETTER OF DEVELOPMENT POLICY


MINISTÈRE DES FINANCES
Le Ministre

N°Réf: **0555** CAB/MIN/FINANCES/CTR/MPO/KAN/2023 Kinshasa, le **07 MARS 2023**

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

(Fous) 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

à Washington D.C./Etats-Unis d'Amérique


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

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

Monsieur le Président,

Par la présente, je voudrais, au nom du Gouvernement de la République Démocratique du Congo, remercier la Banque Mondiale pour son appui budgétaire octroyé en juin 2022, lequel a contribué notamment à la relance de l'économie dans un contexte caractérisé par l'augmentation des prix des produits de première nécessité et énergétiques, induite par l'inflation importée due à la guerre en Ukraine.

La lettre de politique de développement que j'ai l'honneur de vous transmettre, décrit le contexte du Pays, l'évolution du cadre macroéconomique, l'évolution de la pauvreté, la mise en œuvre des réformes dans le cadre du programme économique





conclu avec le FMI, les réformes qui sous-tendent le deuxième appui budgétaire, les interventions de la Banque Mondiale en RDC ainsi que les risques et mesures de mitigation.

I. CONTEXTE DU PAYS

1. **L'Economie mondiale au cours de l'année 2022 a été placée sous le signe de l'incertitude.** En effet, les conséquences économiques et sociales du changement climatique sont révélées chaque jour par l'augmentation de la fréquence et de l'intensité des catastrophes naturelles. En plus de ces bouleversements climatiques, se sont ajoutés les effets persistants de la pandémie à COVID-19 ainsi que la guerre en Ukraine, qui ont occasionné l'inflation mondiale et les perturbations des chaînes d'approvisionnement.
2. **Sur le plan national, cet environnement mondial difficile a induit un regain de l'inflation avec l'augmentation des prix des produits de première nécessité et des produits énergétiques.** En effet, l'économie a enregistré un taux d'inflation de 13,1 % à fin période contre les prévisions initiales de 6,8%. Le déficit de la balance courante s'est creusé à 6,5 % du PIB en 2022 contre un déficit de 0,9 % du PIB en 2021, occasionné notamment par la détérioration de la balance commerciale. La hausse de la facture des importations des biens et services a accru la demande en devises étrangères, limitant ainsi nos capacités d'intervention sur le marché de change. La subvention des prix des produits pétroliers a augmenté en vue de préserver le pouvoir d'achat de la population. Le solde global des opérations financières de l'Etat a accusé un déficit, couvert notamment par l'appui budgétaire obtenu en juin 2022.
3. **Outre ces effets découlant de l'environnement international, la guerre d'agression qui affecte la partie Est du pays a entraîné d'importantes dépenses sécuritaires, plus ou moins 3% du PIB, et creusé le déficit public en 2022.**
4. **Les appuis à la balance des paiements reçus dans le cadre du programme économique soutenu par la Facilité Elargie de Crédit du FMI ont permis de consolider la situation extérieure du pays.** Dans le cadre de ce programme, le Gouvernement a conclu de manière satisfaisante depuis décembre 2022, la 3^{ème} revue qui a abouti au décaissement de 203 millions USD, portant ainsi le total des décaissements à 812,4 millions USD. Pour rappel, ce programme poursuit trois objectifs, à savoir : (i) améliorer la mobilisation des recettes, (ii) améliorer la gouvernance plus particulièrement dans le secteur extractif et (iii) renforcer l'indépendance de la Banque Centrale et la gestion de la politique monétaire.

Pour parer à la vulnérabilité due au changement climatique et renforcer la résilience de l'économie, le Gouvernement envisage de conclure avec le FMI un nouveau programme au titre de la facilité pour la résilience et la durabilité.

II. EVOLUTION DU CADRE MACROECONOMIQUE

5. **L'économie congolaise a fait preuve d'une forte résilience en dépit de chocs (externes et internes) liés successivement à la COVID-19, la guerre en Ukraine et l'agression armée à l'Est du pays.** En effet, la RDC a enregistré au cours de deux dernières années de niveaux de croissance du PIB positifs et élevés. Partant de 1,7% de croissance en 2020, alors que la plupart des économies étaient en berne, la RDC a réalisé un taux de croissance du PIB de 6,2% en 2021 et [8,5%] en 2022. Ce niveau de croissance a été principalement soutenu par le dynamisme du secteur extractif, nonobstant un ralentissement observé au niveau du secteur non extractif sur la même période.



L'évolution des prix intérieurs a été impactée par la perturbation de la chaîne d'approvisionnement des produits énergétiques et l'augmentation des prix des céréales importés par le Pays. L'inflation s'est accélérée en 2022 pour atteindre un taux de 13,1% à fin décembre 2022 contre 5,281% en 2021. Le Gouvernement entend contenir le niveau de l'inflation à 9,7% en 2023.

Après une période d'instabilité, la monnaie nationale s'est stabilisée en 2021 et 2022 sur le marché de change avec une légère dépréciation gravitant autour de 1% par rapport au dollar américain, en dépit de fortes pressions durant les derniers mois de l'année 2022.

6. **Pour prémunir l'économie contre les chocs externes, le pays a accumulé les réserves internationales en 2022 qui ont atteint USD 4,56 milliards à fin décembre 2022 contre USD 2,9 milliards en 2021.** Ce qui représente une couverture de 7,6 semaines d'importation de biens et services en 2022 contre 5,4 en 2021 dans un contexte d'augmentation de la facture d'importations. Le Gouvernement entrevoit d'atteindre une couverture d'au moins 3 mois d'importation de biens et services pour se conformer au critère de convergence de la SADC.
7. **Pour augmenter l'espace budgétaire nécessaire au financement des investissements et des dépenses sociales indispensables, le Gouvernement a amélioré les recettes en 2022.** Les recettes intérieures sont passées à 15,5% en 2022 contre 11,3% en 2021 et 8% du PIB en 2020. Cette amélioration des recettes intérieures est consécutive à la surperformance induite par le bon comportement de nos produits d'exportation, à l'effort de mobilisation des recettes domestiques et à la digitalisation des procédures de collecte des recettes (ISYS REGIES, LOGIRAD). Les recettes mobilisées (hors dons) sont passées de 12.683 milliards de CDF en 2021 à 19.737 milliards de CDF en 2022.

III. ETAT DE LA MISE EN OEUVRE DE LA STRATEGIE DE REDUCTION DE LA PAUVRETE

8. **De bonnes évolutions économiques en 2022 contribuent à atténuer les effets sociaux néfastes des chocs (externes et internes) liés notamment à la COVID-19 et à la guerre en Ukraine, même si les conséquences continueront à se faire ressentir 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 2022 a légèrement augmenté de 5%, les emplois ont été recouverts 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 recouvrer les gains jadis enregistrés et remettre le pays sur la trajectoire de l'atteinte des ODD.

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. Ce plan s'articule autour de cinq piliers principaux (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.

9. **Malgré la résilience de l'Economie de la RDC face aux chocs externes, le Gouvernement est conscient des défis majeurs auxquels est confronté le Pays pour l'amélioration des conditions de vie des populations.** L'enquête par grappe à indicateur



des ODD, menée conjointement par l'Institut National de Statistiques et Observatoire Congolais de Développement Durable, la pauvreté demeure préoccupante avec la pauvreté monétaire qui touche 62,3% de la population vivant avec un revenu journalier de moins de 2,15 \$ 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 en cours 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

10. La conclusion du Programme économique avec le FMI en juillet 2021 a significativement contribué à accélérer la mise en œuvre des réformes du Gouvernement. Depuis juillet 2021, trois revues ont été conclues de manière satisfaisante grâce à la performance dans la mise en œuvre des réformes économiques, des repères structurels et des critères quantitatifs. Ces réformes concernent notamment la gestion des finances publiques, la transparence et la gouvernance du secteur extractif, la politique monétaire et l'indépendance de la banque centrale, la lutte contre la corruption et le blanchiment des capitaux.

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

11. Tous les repères structurels convenus dans le cadre du Programme avec le FMI ont été exécutés de manière satisfaisante. Durant l'année 2022, le Gouvernement a maintenu la dynamique de mise en œuvre des réformes.
12. Pour renforcer la gouvernance et l'autonomie financière de la Banque Centrale du Congo, un nouveau règlement sur la constitution des réserves obligatoires pour les dépôts en devises a été adopté et est d'application depuis janvier 2022. Aussi, le ministère des Finances et la BCC ont procédé à la signature d'un protocole d'accord pour la régularisation des titres de créances de la BCC sur le Trésor public. Pour renforcer l'indépendance de la BCC, le Conseil d'administration de l'Institut d'émission a validé en novembre 2022 l'analyse sur le nouveau capital de la BCC. Les modalités de leur constitution seront convenues avec le Gouvernement. Un plan de mise en œuvre du cadre comptable IFRS a été adopté. Pour renforcer la supervision bancaire, un nouveau cadre légal portant sur l'organisation et fonctionnement des établissements de crédits a été adopté par le Parlement et promulgué par le Chef de l'État en décembre 2022.
13. Pour lutter contre la corruption et la criminalité économique, le Chef de l'État a promulgué la loi n° 22/068 du 27 décembre 2022 portant sur la lutte contre le blanchiment de capitaux et le financement du terrorisme et de la prolifération des armes de destruction massive.
14. Dans le but d'améliorer la mobilisation des recettes, des 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, Le Gouvernement a rendu opérationnel 10 nouveaux bureaux de douanes et les a équipés du logiciel SYDONIA. Il a également amorcé le processus d'implémentation du système de traçabilité de droits d'accises. Par ailleurs, le Rapport sur les dépenses fiscales pour l'exercice 2021 a été publié en annexe de la loi de



finances 2023. Un plan de rationalisation de ces dépenses fiscales a été finalisé et est en cours d'exécution. Un plan de rationalisation des charges non fiscales pour treize (13) ministères pilotes a été adopté par le Gouvernement en septembre 2022.

15. **Pour rétablir le bon fonctionnement de la TVA**, le Ministre des Finances a signé un arrêté pour rendre la collecte de la TVA conforme à la législation existante et aux meilleures pratiques internationales. Aussi, l'Inspection Générale des Finances a finalisé la certification des arriérés de crédit TVA envers les Sociétés minières. Au cours de l'année 2022, le Ministère des Finances a procédé au paiement d'une quatorzième des arriérés TVA en faveur des opérateurs miniers. Le Gouvernement compte rembourser le reste des arriérés de crédit TVA sur la base d'un plan étalé sur plusieurs années.
16. **Dans le domaine de la transparence et la gouvernance du secteur minier**, le processus de validation de la RDC par le secrétariat international de l'ITIE a été finalisé. La RDC a obtenu un score global de 85,5 points montrant ainsi un niveau de transparence élevée dans la mise en œuvre de la norme ITIE. Aussi, plusieurs contrats miniers ont été publiés conformément aux dispositions du code minier et des exigences de l'ITIE. Dans cette foulée, les états financiers de la Gécamines sont publiés régulièrement sur le site web de cette entreprise depuis 2020.
17. **Dans le domaine de gestion des finances publiques**, le plan d'action opérationnel de la mise en œuvre de la stratégie de la réforme des finances publiques a été adopté en août 2022. Pour améliorer la transparence du budget, le Gouvernement a adopté le décret portant sur la gouvernance budgétaire en octobre 2022. Afin de renforcer la chaîne de la dépense et limiter le recours aux procédures d'urgence, le Gouvernement publie sur une base trimestrielle un rapport retraçant toutes les dépenses exécutées en mode d'urgence. Le gouvernement a initié l'informatisation des procédures de passation des marchés publics à travers le système intégré de gestion des marchés publics (SIGMAP) et poursuivi le processus de mise en place d'une chaîne informatisée de la recette publique par l'implémentation de nouveaux outils (LOGIRAD, ERP). Pour améliorer l'efficacité, l'efficacité dans la gestion des Investissements publics, le Gouvernement a procédé en septembre 2022, sous l'assistance d'assistance technique PIMA, à l'évaluation de son cadre de gestion des investissements publics et à l'adoption d'un plan d'action de mise en œuvre des recommandations.

B. Evaluation des critères quantitatifs et cibles indicatives du Programme

18. Le rapport sur l'évaluation de la troisième revue du Programme a attesté le respect de tous les critères de réalisation (CR) quantitatifs à fin juin 2022. Cependant, un de quatre objectifs indicatifs (OI) n'a pas été atteint, à savoir : le plancher des dépenses sociales ciblées, en raison de problèmes techniques. Quelques actions correctives sont en cours pour améliorer l'exécution de ces programmes de santé, accélérer les décaissements correspondants, ainsi que résoudre les problèmes administratifs et de coordination. A date, l'évaluation provisoire de tous les critères quantitatifs et objectifs indicatifs du Programme à fin décembre 2022 montre que ceux-ci devraient être respectés.

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

19. La RDC a bénéficié du décaissement de la première tranche de l'appui budgétaire de l'ordre de 250 millions de dollars américains, suivant le projet d'ordonnance d'Approbation de l'Accord de Don n°E0900-ZR signé en date du 28 juin 2022 entre la République Démocratique



du Congo et l'Association Internationale de Développement (IDA). Cette première tranche est intervenue après la mise en œuvre satisfaisante des actions préalables en termes de réformes convenues dans le cadre : (i) du renforcement de la gestion des finances publiques et l'amélioration de la gouvernance dans la mobilisation des recettes publiques, (ii) de la libéralisation du secteur de télécommunication et le renforcement de la transparence ainsi que de la gouvernance des entreprises publiques, et (iii) du renforcement de la gouvernance dans la gestion des ressources forestières.

Outre les actions préalables convenues dans le cadre du programme des réformes, chaque axe comprenait des déclencheurs devant être commués en actions préalables pour le décaissement de la deuxième tranche. Les réformes s'y rapportant menées par le Gouvernement sont décrites dans les sections ci-dessous :

Section 1: Renforcement de la gestion des finances publiques et amélioration de la transparence dans les marchés publics

1.1. Renforcement de la gestion des finances publiques

20. Dans le cadre de la mise en œuvre du plan stratégique de la réforme des finances publiques, le Gouvernement s'est engagé à : (i) rendre opérationnel la Direction Générale du Trésor et de la comptabilité publique et (ii) créer les unités comptables de la DGTCP dans deux ministères pilotes (Santé et Education).

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 devra garantir 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 Gouvernement a publié au journal officiel le 02 mars 2023 le Décret no 22/12B du 31 Mars 2022 portant « création, missions, organisation et fonctionnement de la DGTCP ».

Pour rendre opérationnel la DGTCP, le Gouvernement a publié le 01 mars 2023 au journal officiel, l'Ordonnance n°23/014 du 16 février 2023 portant nomination du Directeur Général et Directeurs Généraux Adjointes, après leur recrutement sur la base d'un processus compétitif. Outre, sept Directeurs devant animer les Directions opérationnelles de la DGTCP ont été nommés.

En exécution du Décret établissant le cadre et les structures organiques de la DGTCP, l'Arrêté portant création du réseau national des comptables publics a été également signé par le Ministre des Finances en date du 07 mars 2023.

S'agissant de la création des unités comptables, un Arrêté portant création de l'unité comptable du Ministère de la Santé et celle de l'Éducation a été signée par le Ministre des Finances le 07 mars 2023.

Perspectives. Dans le cadre de la préparation du basculement vers le budget-programme, le Gouvernement entend renforcer la fonction de comptabilité et de la trésorerie, à travers la poursuite de la mise en service progressif de la DGTCP conformément à son nouveau cadre organique. A cet effet, il compte mobiliser une assistance technique de moyen terme devant



appuyer et accompagner la DGTCP dans l'exercice de ses missions. Par ailleurs, la réforme relative à la déconcentration de l'ordonnancement de la dépense publique devra se poursuivre afin de renforcer les compétences financières et budgétaires des ministères sectoriels, devenant responsable de la phase administrative de la gestion de la dépense. Enfin, il entend renforcer la gestion de la trésorerie après rationalisation des différents comptes identifiés dans la perspective de la mise en place d'un compte unique du trésor, dont le périmètre et la structure seront déterminés par un cadre réglementaire adopté par le Gouvernement.

1.2. Transparence dans les marchés publics

21. **Dans le souci de se doter d'un cadre moderne de passation de marchés publics**, le Gouvernement a promulgué depuis avril 2010, la Loi relative aux marchés publics en vue de remédier aux insuffisances de l'Ordonnance-Loi n°69/13054 du 13 décembre 1969. La Loi relative aux marchés publics édicte des règles relatives à la préparation des projets, à la passation des marchés, à leur exécution et contrôle. Selon les prescrits de cette loi, les marchés publics sont passés par appel d'offre dont les variantes sont clairement définies. Ils peuvent exceptionnellement être attribués de gré à gré conformément aux dispositions du Décret 23/12 du 03 mars 2023 portant manuel de procédures des marchés publics publié au journal officiel spécial du 07 mars 2023.

Pour accroître la transparence et réduire la fraude dans le marché public, le Gouvernement a publié un nouveau décret portant révision du manuel des procédures de la loi relative aux marchés publics en y intégrant un modèle standard de passation des marchés pour le contrat gré à gré. Aussi par la même occasion, les dispositions relatives à la communication des bénéficiaires ultimes des marchés publics ont été introduites dans ce manuel des procédures.

Perspectives. Le Gouvernement s'emploiera à vulgariser ce nouveau manuel des procédures en vue de son exécution par tous les acteurs concernés. Il entend également publier les informations des entreprises tributaires sur un site Internet d'accès aisé.

Section 2 : Renforcer la mobilisation des recettes publiques et amélioration de la redevance minière

2.1. Renforcer la mobilisation des recettes publiques

22. **En vue d'accélérer le processus de mise en place de la chaîne informatisée de la recette publique**, quelques infrastructures informatiques ont été déployées permettant 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 mentionné plus haut.

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, gestion de contentieux administratif et juridique. Son montage a été finalisée en octobre 2019 et le lancement de la phase pilote s'est achevé au premier trimestre 2022. Les résultats de la phase pilote étant satisfaisants, le Gouvernement a entrepris de déployer progressivement la LOGIRAD sur l'ensemble du territoire national en rendant son



utilisation obligatoire afin de renforcer la mobilisation des recettes non fiscales. A cet effet, le Décret n°22/18 a été signé par le Premier Ministre le 04 mai 22, instituant la plateforme informatique de gestion intégrée des droits, taxes et redevances du pouvoir central, qui consacre cette obligation. A la faveur de la signature de ce décret, le Gouvernement a lancé le déploiement du LOGIRAD dans 9 provinces (Kinshasa, le Haut Katanga, Kongo Central, Lualaba, Bas Uele, Haut Uele, Haut Lomami, Tanganyika et Tshopo) pour les six (6) ministères (Mines, Environnement, affaires foncières, PNTIC, Intérieur – DGM - et Hydrocarbures). L'utilisation obligatoire de LOGIRAD par ces ministères est entrée en vigueur à partir du 1^{er} janvier 2023 conformément à la circulaire du Ministre des Finances signée le 29 décembre 2022. Ceci permettra de digitaliser les opérations de paiement des taxes, droits et redevances en faveur du Trésor public.

Perspectives. En exécution du Décret n°22 instituant la plateforme LOGIRAD, le Gouvernement rendra obligatoire l'utilisation de la LOGIRAD dans les autres provinces restantes pour les mêmes ministères et services retenus dans la première phase. Par ailleurs, dans le même cadre de la numérisation de la chaîne des recettes, le Gouvernement entend procéder au déploiement d'un logiciel de gestion centralisée de l'impôt à la DGI.

2.2. Amélioration de la gestion de la redevance minière

23. **La réforme de la législation minière en 2018 a été l'opportunité pour trouver des voies et moyens afin d'améliorer les conditions de vie des communautés impactées par l'exploitation minière et de favoriser le développement durable desdites communautés locales affectées par l'exploitation minière.** L'exploitation minière industrielle 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 les milieux naturels.

La RDC s'emploie pour s'assurer que la transparence dans le secteur extractif profite aux communautés impactées et à la population congolaise en général. Un code minier révisé a été introduit en juin 2018, cherchant à augmenter les bénéfices pour le Pays, avec des taxes et des redevances plus élevées (les redevances sur les métaux non ferreux, dont le cuivre de 2 à 3,5% ; une nouvelle redevance de 10% sur les substances minérales stratégiques ; et une nouvelle taxe de 50% sur les bénéfices exceptionnels, ainsi que des dispositions pour augmenter le partage des bénéfices. L'article 142 du code minier stipule la répartition des redevances minières : 50% au gouvernement central, 25 au gouvernement provincial où la mine est située, 15% à l'Entité Territoriale Décentralisée (ETD) où la mine est située et 10% au Fonds Minier pour les Générations Futures (FOMIN). Le Comité National de l'ITIE de la RDC est capable de concilier et de publier régulièrement l'exhaustivité des revenus collectés par la DGRAD et les régies financières des Provinces au titre des quotités de 50 et 25 % de la redevance minière revenant respectivement au Trésor Public et aux Provinces. Cependant, en raison du cadre juridique incomplet, il ne saurait obtenir les mêmes résultats en ce qui concerne les quotités de 15 et 10% collectées respectivement par les ETD et le FOMIN.

24. **Dans le cadre du renforcement du système fiscal et de transfert des ressources au profit des entités infra nationales, le gouvernement a mis l'accent, entre autres, sur 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 où se trouve le projet ; l'entité territoriale décentralisée dans le ressort de laquelle s'opère l'exploitation et le fonds minier pour les générations futures.

Pour s'assurer que le secteur minier impulse un développement socio-économique inclusif et durable, le Gouvernement a publié au journal officiel spécial du 07 mars 2023 le Décret 23/05 du 20 février 2023 modifiant et complétant le Décret 19/17 du 15/11/2019 portant statut, organisation et fonctionnement de l'établissement public, Fonds Minier pour les générations futures (FOMIN) conformément aux articles 8 bis et 242 du code minier.

Perspectives. En exécution des dispositions de ce nouveau Décret, le Gouvernement envisage d'adopter, publier et vulgariser le manuel des procédures contenant, entre autres, les directives d'investissement et les règles de transparence en vue d'assurer une meilleure sélection des projets transversaux à financer sur ressources du FOMIN.

Section 3 : la libéralisation secteur des télécommunications et le renforcement de la transparence ainsi que de la gouvernance des entreprises publiques

3.1. Libéralisation secteur des télécommunications

25. 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 de télécommunication et de TIC ; (ii) la mise en œuvre du document de politique sectorielle, (iii) l'appui à l'Autorité de régulation de PTT ; (iv) la finalisation de l'étude sur la politique sectorielle postale ; (v) 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 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. A cet effet, le Gouvernement a publié au journal officiel du 01 mars 2023 le Décret portant création du Fonds de Développement de Service Universel. Aussi, un arrêté ministériel n°CAB/MIN/PT&NTIC/AKIM/KI/kbs/037/2022 fixant les conditions, la procédure et la modalité d'octroi et de renouvellement des licences de concession a été signé par le Ministre de PTNTIC depuis juillet 2022. La quatre-vingt-septième réunion du Conseil des Ministres du Gouvernement, tenue le vendredi 17 février 2023, a adopté le projet de Décret portant création, organisation et fonctionnement de l'Autorité de Régulation des Postes, des Télécommunications et des Technologies de l'Information et de la Communication du Congo (ARPTIC). La signature du Décret y relatif référencé 23/13 est intervenue le 03 mars 2023 et sa publication au journal officiel spécial a eu lieu le 07 mars 2023.

Dans le cadre de la libéralisation du secteur de télécommunication, le Ministère du Portefeuille et de PTNTIC, ont instruit la société des postes et de télécommunication de fournir un accès direct à la station d'atterrissage WACS à l'opérateur privé sélectionné pour exploiter la fibre optique appartenant à l'Etat et connectant le câble sous-marin WACS à Kinshasa. Cette connexion est effective depuis le 25 février 2023 et permettra d'amorcer la transformation digitale de la RDC.



Perspectives. Le Gouvernement compte procéder à l'opérationnalisation de FDSU. A cet effet, il entend recruter le Directeur Général de cet organisme ainsi que les cadres et personnel nécessaires pour rendre opérationnel cet Etablissement Public.

3.2. Accroître la transparence et la gouvernance des entreprises publiques

26. **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 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.
27. **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 a recruté des nouveaux dirigeants de la SNEI, de la REGIDESO et du FONER suivant un processus compétitif. Ces mandataires ont été nommés par les ordonnances présidentielles publiées au journal officiel en date du 01 novembre 2022.
28. **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 (CSP) a publié sur le site le 01 mars 2023 le rapport sur la performance financière de 20 entreprises publiques ainsi que les Etats financiers et rapports de gestion des six entreprises stratégiques sur le site du CSP. Une circulaire prescrivant le cadre de sélection des commissaires aux comptes, y compris les critères de sélection, a été publiée par le Ministère du portefeuille le 8 février 2023. Ceci pour renforcer la redevabilité des gestionnaires vis-à-vis des citoyens.
29. 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 mandataires publics vis-à-vis de l'Etat et de la population.

Pour renforcer la transparence dans la cession des actifs des entreprises publiques transformées en société commerciale, le Gouvernement a publié au journal officiel le 02 mars 2023 le Décret n° 22/08 du 22 février 2023 portant manuel des procédures relatives aux transactions sur les actifs miniers des entreprises publiques.



Perspectives. Le Gouvernement envisage la vulgarisation des dispositions légales et réglementaires de ce nouveau Décret et du cadre juridique général du désengagement de l'Etat ainsi que la présentation d'un rapport annuel sur le désengagement de l'Etat dans les Entreprises Publiques.

SECTION 4 : Renforcer de la gouvernance pour une foresterie durable

4.1. Améliorer la gouvernance pour la gestion durable des forêts

30. **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) Renforcement du cadre institutionnel et des capacités des secteurs des eaux et forêts ; (ii) Gestion durable des forêts et des tourbières ; (iii) Valorisation des ressources forestières ; (iv) Conservation de la biodiversité ; (v) Harmonisation des politiques et législations forestières avec des autres secteurs de développement ; (vi) Coopération et partenariats ; (vii) 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.
31. **Les actions prioritaires retenues dans le cadre de l'intervention avec la Banque mondiale portent sur :** (i) le renforcement de la transparence du secteur forestier ; (ii) la lutte contre la déforestation et dégradation des forêts dues à l'agriculture et ; (iii) les questions transversales sur le Changement climatique.

Pour renforcer la transparence et améliorer la gouvernance dans le secteur forestier en vue d'une gestion durable des forêts, le Gouvernement a publié au journal officiel spécial le Décret n° 23/11 du 03 mars 2023, modifiant et complétant le Décret n° 08/03 du 26 janvier 2008 portant, composition, organisation et fonctionnement du Conseil Consultatif National des Forêts pour inclure, entre autres, la représentation de la société civile et des peuples autochtones au sein de son bureau. Le Conseil est compétent pour donner des avis préalables sur les projets de planification et la coordination de la politique forestière, les projets concernant les règles de gestion forestière, tout projet de texte législatif ou réglementaire relatifs aux forêts, toute procédure de classement et de déclasserment des forêts, ainsi que toute question qu'il juge nécessaire se rapportant au domaine forestier. D'autre part, à la suite de la publication du 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, une commission interministérielle dirigée par le MEDD a été mise en place pour examiner les dossiers des détenteurs des titres forestiers d'exploitation et de conservation. Au terme de la mission de ladite commission, le Conseil des Ministres a pris acte le 3 mars 2023 des conclusions préliminaires de la revue administrative de la commission, y compris le calendrier proposé pour saisir le CCNF pour avis et information publique ainsi que pour finaliser ladite revue.

Perspectives. Les étapes administratives qui doivent être franchies pour boucler les travaux de la revue des titres forestiers comprennent, entre autres, la notification des décisions provisoires de la Commission aux concessionnaires avec éventuelle demande d'informations supplémentaires et signification de la possibilité du recours ainsi que du délai y afférent, ainsi qu'un délai de 14 jours accordé après notification aux concessionnaires pour présentation de leurs recours. Au terme de ce délai, un rapport sera produit et transmis au Conseil Consultatif



National des Forêts pour avis et information publique. À l'issue du processus, le rapport sera finalisé par la Commission qui s'assurera que les contrats attribués et réattribués après publication de la liste de 2014, et donc en rupture du moratoire, soient dûment identifiés et traités séparément des autres dans la version finale du rapport qui sera soumise à l'approbation du Conseil des Ministres. D'ici la fin de l'année 2023, le processus de revue administrative des concessions forestières sera finalisé suivant le chronogramme assorti d'un plan d'actions précises défini par le gouvernement et par conséquent, tous les contrats non conformes à la législation seront annulés et la liste de tous les contrats valides publiée. Une étude d'évaluation sera réalisée sur l'impact du moratoire et les conditions de sa levée dans le cadre du Décret Présidentiel n° 05/116 du 24 octobre 2005 seront définies, avant toute décision d'octroi de droit d'exploitation, y compris par échange, relocalisation ou réhabilitation d'anciens titres

Les politiques sectorielles existantes sur le climat en RDC souffrent d'une absence d'un cadre réglementaire favorable pour rendre les stratégies climatiques opérationnelles et encourager les investissements connexes. 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 climatiques (NFCS) par le Décret n°32/19 publié le samedi 14 mai 2022. Le 3 février 2023 le Conseil des ministres a adopté le projet d'Ordonnance-Loi modifiant la Loi du 11/009 du 9 juillet 2011 établissant les principes fondamentaux de la protection de l'environnement. Après la signature de l'Ordonnance-Loi par le Président et sa publication au Journal Officiel, le Gouvernement présentera au Parlement l'Ordonnance-Loi pour ratification dans le délai fixé par la loi d'habilitation conformément à l'article 129 de la Constitution (d'ici le 15 mars 2023). La révision de la loi vise à intégrer, dans l'arsenal législatif congolais, deux aspects importants que sont la lutte contre le changement climatique et la Contribution Déterminée au niveau National (CDN), au titre de l'Accord de Paris sur le Climat. Elle intègre notamment les modalités de rémunération des acteurs qui contribuent au processus de séquestration du carbone en instituant une Autorité de Régulation du Marché de Carbone ayant pour mission d'organiser le marché de carbone sur le territoire national, et de promouvoir la participation des acteurs publics et privés secteurs ainsi que des communautés locales dans les activités d'achat, de vente, et de revente des crédits carbone.

Perspectives. Au regard des enjeux climatiques de l'heure, le Gouvernement reste déterminé à développer un marché carbone, en vue d'encourager les investissements réalisés pour assurer une bonne contribution déterminée dans la séquestration du carbone. Une fois la loi révisée ratifiée, le Gouvernement déroulera une feuille de route participative pour la mise en œuvre de l'Autorité de Régulation du Marché de Carbone et du processus d'homologation des programmes et projet carbone.

32. Dans le cadre de la mise en œuvre de la Stratégie-Cadre Nationale REDD+ et de la Contribution Déterminée au niveau National (CDN) de la RDC au titre de l'Accord de Paris sur le Climat, le Gouvernement a mandaté, en mai 2022, l'évaluation bisannuelle sur la déforestation et la dégradation des forêts afin de systématiser l'utilisation d'informations fiables et actualisées provenant du Système National de Surveillance des Forêts pour l'élaboration de politiques et d'actions visant à réduire la déforestation et à mobiliser la finance climat. Afin de renforcer la lutte contre la déforestation et la dégradation des forêts dues à l'agriculture, le Conseil des ministres a adopté le 17 février 2023, la Politique de l'Agriculture Durable (PAID) de la RDC. Cette politique prend en compte les engagements en lien avec la sécurité alimentaire et nutritionnelle, l'amélioration des conditions de vie des populations ainsi que les changements climatiques auxquels le pays a souscrit. 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.



Perspectives. Le Gouvernement s'emploiera à vulgariser le document de politique en le traduisant en quatre langues nationales. A la lumière de cette nouvelle politique, le Gouvernement envisage de revisiter les textes juridiques et réglementaires à venir, en particulier ceux qui compléteront ou pourront modifier la Loi portant principes fondamentaux de l'Agriculture du 24 décembre 2011, en s'appuyant sur le Conseil Consultatif National de l'Agriculture comme cadre consultatif. La matérialisation de la Politique de l'Agriculture Durable de la RDC requiert également la mobilisation des ressources financières y compris dans le cadre de la REDD+.

VI. LES INTERVENTIONS DE LA BANQUE MONDIALE EN RDC

33. 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 éconómico-sociale, le Gouvernement souhaite davantage être appuyé sur le plan budgétaire par la Banque Mondiale de manière à permettre au pays de résorber le gap en besoin de financement du Gouvernement.

Cet appui va également contribuer au financement des efforts de résilience réalisés par le Gouvernement pour faire face aux effets négatifs de la crise liée à la guerre en Ukraine.

VII. RISQUES ET STRATÉGIES DE MITIGATION

34. L'insécurité à l'Est de la République Démocratique du Congo a occasionné non seulement une crise humanitaire alarmante mais aussi écologique caractérisée notamment par des millions de réfugiés et personnes déplacées, l'insécurité alimentaire inhérente à la hausse des prix de certains produits et aggravée par la guerre en Ukraine ainsi que la destruction des écosystèmes et perte de la biodiversité. A titre d'illustration, le nombre de congolais confrontés à l'insécurité alimentaire aigue est de l'ordre de 26,4 millions en 2022 contre 15,6 millions en 2019. Ces effectifs croissants vivant dans une situation d'extrême fragilité requièrent du Gouvernement un accompagnement au titre des filets de protection sociale en vue de leur permettre de mener relativement une vie décente.
35. La conjugaison de tous ces facteurs et d'autres défis liés au développement du capital humain, notamment la poursuite de la politique de la gratuité, la couverture santé universelle en pleine conception, nécessite un appui financier supplémentaire afin de permettre au Gouvernement d'adresser ses problématiques.
36. De ce qui précède, le Gouvernement de la République Démocratique du Congo sollicite auprès de la Banque mondiale le décaissement de 500 millions d'USD au titre de la deuxième tranche de l'appui budgétaire convenu de commun accord et faisant l'objet de la présente lettre de politique de développement. Le Gouvernement de la RDC reste déterminé à poursuivre une franche collaboration avec la Banque mondiale et lui exprime sa reconnaissance pour l'accompagnement sans relâche qu'elle ne cesse de lui apporter dans la lutte contre la pauvreté.

Pour le Ministre en mission,


O'Neige NSELE MIMPA

Vice-Ministre



UNOFFICIAL TRANSLATION

CAB/MIN/FINANCES/CTR/MPO/KAN/2023

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

(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

in Washington D.C./United States of America

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

Subject: Development policy letter in the Democratic Republic of Congo

Mr. President,

On behalf of the Government of the Democratic Republic of Congo, I would like to thank the World Bank for its budget support granted in June 2022, which contributed to the revival of the economy in a context characterized by the increase in the price of basic necessities and energy, induced by imported inflation due to the war in Ukraine.

The development policy letter that I have the honor of transmitting to you describes the country's context, the evolution of the macroeconomic framework, the evolution of poverty, the implementation of reforms within the framework of the economic program concluded with the IMF, the reforms underlying the second budget support, the World Bank's interventions in the DRC, as well as the risks and mitigation measures.



I. COUNTRY CONTEXT

- 1. The global economy in the year 2022 has been placed under the sign of uncertainty.** Indeed, the economic and social consequences of climate change are revealed every day by the increasing frequency and intensity of natural disasters. In addition to these climatic upheavals, the lingering effects of the COVID-19 pandemic and the war in Ukraine have caused global inflation and disruption of supply chains.
- 2. At the national level, this difficult global environment has led to a resurgence in inflation with the increase in the price of basic necessities and energy products.** Indeed, the economy recorded an inflation rate of 13.1% at the end of the period, compared with the initial forecast of 6.8%. The current account deficit widened to 6.5% of GDP in 2022, compared with a deficit of 0.9% of GDP in 2021, due in particular to the deterioration of the trade balance. The rise in the import bill for goods and services has increased the demand for foreign currency, thus limiting our capacity to intervene in the foreign exchange market. Subsidies on the price of petroleum products have increased in order to preserve the population's purchasing power. The overall balance of the State's financial operations showed a deficit, covered in particular by the budget support obtained in June 2022.
- 3. In addition to these effects arising from the international environment, the war of aggression affecting the eastern part of the country has led to significant security expenditures, more or less 3% of GDP, and increased the public deficit in 2022.**
- 4. The balance of payments support received under the economic program supported by the IMF's Extended Fund Facility has helped consolidate the country's external situation.** Under this program, the Government has satisfactorily concluded the 3rd review since December 2022, which resulted in the disbursement of US\$203 million, bringing the total disbursements to US\$812.4 million. As a reminder, this program has three objectives, namely: (i) to improve revenue mobilization, (ii) to improve governance, particularly in the extractive sector, and (iii) to strengthen the independence of the Central Bank and monetary policy management.

To address climate change vulnerability and build economic resilience, the Government is considering a new program with the IMF under the Resilience and Sustainability Facility.

II. EVOLUTION OF THE MACROECONOMIC FRAMEWORK

- 5. The Congolese economy has shown strong resilience despite shocks (external and internal)** related successively to the COVID-19, the war in Ukraine and the armed aggression in the East of the country. In fact, the DRC has recorded positive and high levels of GDP growth over the last two years. Starting from 1.7 percent growth in 2020, when most economies were sluggish, the DRC achieved a GDP growth rate of 6.2 percent in 2021 and [8.5 percent] in 2022. This level of growth has been mainly driven by the dynamism of the extractive sector, notwithstanding a slowdown in the non-extractive sector over the same period.

Domestic price trends were affected by the disruption of the energy supply chain and the increase



in the price of cereals imported by the country. Inflation accelerated in 2022, reaching a rate of 13.1% at the end of December 2022, compared with 5.281% in 2021. The government intends to contain inflation to 9.7% in 2023.

After a period of instability, the national currency stabilized in 2021 and 2022 on the foreign exchange market with a slight depreciation of around 1% against the U.S. dollar, despite strong pressure during the last months of 2022.

6. **To protect the economy against external shocks, the country has accumulated international reserves in 2022, which reached USD 4.56 billion at the end of December 2022, compared with USD 2.9 billion in 2021.** This represents a coverage of 7.6 weeks of imports of goods and services in 2022 against 5.4 in 2021 in a context of increasing import bills. The government plans to achieve a coverage of at least three months of imports of goods and services in order to comply with the SADC convergence criteria.
7. **To increase the fiscal space needed to finance essential investments and social spending, the government has improved revenues in 2022.** Domestic revenue will increase to 15.5% in 2022, compared with 11.3% in 2021 and 8% of GDP in 2020. This improvement in domestic revenue is due to the outperformance of our export products, the effort to mobilize domestic revenue and the digitization of revenue collection procedures (ISYS REGIES, LOGIRAD). Revenue mobilization (excluding grants) will increase from 12,683 billion CDF in 2021 to 19,737 billion CDF in 2022.

III. STATUS OF THE IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY

8. **Good economic developments in 2022 are helping to mitigate the adverse social effects of shocks (external and internal) related to COVID -19 and the war in Ukraine, among others, although the consequences will continue to be felt at the population level and will continue to be a blow to the country's trajectory towards the Sustainable Development Goals (SDGs).** GDP per capita in 2022 has increased slightly by 5%, jobs have been 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 once made and put the country back on track to achieve the SDGs.

The five pillars of the National Strategic Development Plan (PNSD) 2019-2023, validated in December 2019, should enable progress towards the achievement of the SDGs. This plan is based on five main pillars: (i) the enhancement of human capital, social and cultural development; (ii) the strengthening of good governance, the restoration of state authority and the consolidation of peace; (iii) the consolidation of economic growth, diversification and transformation of the economy; (iv) land use planning, reconstruction and modernization of infrastructure; and (v) the protection of the environment, the fight against climate change, and sustainable and balanced development

9. **Despite the resilience of the DRC's economy to external shocks, the Government is aware of the major challenges facing the country in improving the living conditions of the**



population. According to the SDG cluster survey, conducted jointly by the National Institute of Statistics and the Congolese Sustainable Development Observatory, poverty remains a concern, with monetary poverty affecting 62.3% of the population living on a daily income of less than \$2.15 according to the international threshold. 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 ongoing 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

- 10. The conclusion of the Economic Program with the IMF in July 2021 has significantly contributed to accelerating the implementation of the Government's reforms.** Since July 2021, three reviews have been satisfactorily concluded thanks to performance in the implementation of economic reforms, structural benchmarks and quantitative criteria. These reforms include public financial management, transparency and governance of the extractive sector, monetary policy and central bank independence, and the fight against corruption and money laundering.

A. Implementation of benchmarks and other structural program reforms

- 11. All the structural benchmarks agreed upon in the Program with the IMF have been satisfactorily implemented.** During the year 2022, the Government maintained the momentum of implementing reforms.
- 12. To strengthen the governance and financial autonomy of the Central Bank of Congo,** a new regulation on the constitution of required reserves for foreign currency deposits has been adopted and has been in force since January 2022. Also, the Ministry of Finance and the BCC have signed a memorandum of understanding for the regularization of the BCC's claims on the Treasury. To strengthen the independence of the BCC, the Board of Directors of the Issuing Institute has validated the analysis of the new capital of the BCC in November 2022. The modalities of their constitution will be agreed with the Government. A plan to implement the IFRS accounting framework has been adopted. To strengthen banking supervision, a new legal framework for the organization and operation of credit institutions has been adopted by Parliament and promulgated by the Head of State in December 2022.
- 13. To fight against corruption and economic crime,** the Head of State has promulgated Law No. 22/068 of December 27, 2022 on the fight against money laundering and the financing of terrorism and the proliferation of weapons of mass destruction.
- 14. In order to improve revenue mobilization, reforms have been implemented to re-establish the proper functioning of the VAT, modernize tax administration, increase the performance of the financial authorities, and rationalize tax expenditures and non-tax charges.** To this end, the government has made 10 new customs offices operational and equipped them with ASYCUDA software. It has also begun the process of implementing the



excise duty tracking system. In addition, the Fiscal Expenditure Report for Fiscal Year 2021 was published as an annex to the 2023 budget law. A plan to rationalize these tax expenditures has been finalized and is being implemented. A plan to rationalize non-tax expenses for thirteen (13) pilot ministries was adopted by the Government in September 2022.

15. **To restore the proper functioning of VAT**, the Minister of Finance signed an order to bring VAT collection into line with existing legislation and international best practices. Also, the General Inspectorate of Finance has finalized the certification of VAT credit arrears to mining companies. During the year 2022, the Ministry of Finance paid a portion of the VAT arrears to mining operators. The government intends to repay the remaining VAT arrears on the basis of a multi-year plan.
16. **In the area of transparency and governance of the mining sector**, the validation process of the DRC by the EITI international secretariat was finalized. The DRC obtained an overall score of 85.5 points, showing a high level of transparency in the implementation of the EITI standard. Also, several mining contracts were published in accordance with the provisions of the mining code and EITI requirements. In this vein, Gécamines' financial statements have been published regularly on the company's website since 2020.
17. **In the area of public financial management**, the operational action plan for the implementation of the public financial reform strategy was adopted in August 2022. To improve budget transparency, the government adopted the decree on budget governance in October 2022. In order to strengthen the expenditure chain and limit the use of emergency procedures, the government publishes a quarterly report tracing all expenditures executed in emergency mode. The government has initiated the computerization of public procurement procedures through the integrated public procurement management system (SIGMAP) and continued the process of setting up a computerized public revenue chain by implementing new tools (LOGIRAD, ERP). In order to improve the efficiency and effectiveness of public investment management, in September 2022 the Government, with the assistance of PIMA technical assistance, carried out an evaluation of its public investment management framework and adopted an action plan to implement the recommendations.

B. Evaluation of the quantitative criteria and indicative targets of the Program

18. The report on the evaluation of the third review of the program attested to the respect of all quantitative performance criteria (QPCs) at the end of June 2022. However, one of the four indicative targets (ITs) was not met, namely the targeted social spending floor, due to technical problems. Some corrective actions are underway to improve the execution of these health programs, accelerate the corresponding disbursements, and resolve administrative and coordination issues. To date, the provisional assessment of all the quantitative criteria and indicative objectives of the program at the end of December 2022 shows that these should be met.



V. STRUCTURING THE REFORM PROGRAM UNDER THE WORLD BANK'S BUDGET SUPPORT

19. The DRC has received the first tranche of budget support in the amount of US\$250 million, in accordance with the draft approval order for Grant Agreement No. E0900-ZR signed on June 28, 2022 between the Democratic Republic of Congo and the International Development Association (IDA). This first installment was made after the satisfactory implementation of prior actions in terms of reforms agreed upon in the framework of: (i) strengthening public finance management and improving governance in the mobilization of public revenues, (ii) liberalization of the telecommunication sector and strengthening transparency and governance of public enterprises, and (iii) strengthening governance in the management of forest resources.

In addition to the prior actions agreed upon in the reform program, each axis included triggers that had to be converted into prior actions for the disbursement of the second tranche. The related reforms undertaken by the Government are described in the sections below:

Section 1: Strengthening public financial management and improving transparency in public procurement

1.1. Strengthening public financial management

20. **As part of the implementation of the strategic plan for public finance reform**, the government has committed to (i) make the General Directorate of the Treasury and Public Accounting operational and (ii) create the accounting units of the DGTCP in two pilot ministries (Health and Education).

The effective creation of the DGTCP responds to the need to reorganize the services of the Ministry of Finance in order to set up a structure dedicated to the centralization of financial information and the consolidation of the State's accounts. It will have to ensure that the organizational framework of the Ministry is in line with the innovations contained in this new legal framework, in terms of accounting and cash management, in particular the introduction of general accounting and the obligation to respect the principle of unity of cash. With this in mind, the government published Decree No. 22/12B of March 31, 2022 in the official gazette on March 2, 2023 on the "creation, missions, organization and functioning of the DGTCP".

To make the DGTCP operational, on March 1, 2023, the Government published in the Official Gazette Ordinance No. 23/014 of February 16, 2023, appointing the Director General and Deputy Directors General, after their recruitment based on a competitive process. In addition, seven Directors have been appointed to lead the operational departments of the DGTCP.

In execution of the Decree establishing the framework and organic structures of the DGTCP, the Order creating the national network of public accountants was also signed by the Minister of Finance on March 7, 2023.



With regard to the creation of accounting units, an order creating the accounting unit of the Ministry of Health and the Ministry of Education was signed by the Minister of Finance on March 7, 2023.

Outlook. As part of the preparations for the changeover to the program budget, the government intends to strengthen the accounting and treasury function, through the continued gradual implementation of the DGTCP in accordance with its new organic framework. To this end, it intends to mobilize medium-term technical assistance to support and accompany the DGTCP in carrying out its missions. In addition, the reform relating to the transfer of budget commitment authority will have to continue in order to strengthen the financial and budgetary skills of the sectoral ministries, which will become responsible for the administrative phase of expenditure management. Finally, it intends to strengthen cash management after rationalizing the various accounts identified with a view to setting up a single treasury account, the scope and structure of which will be determined by a regulatory framework adopted by the government.

1.2. Transparency in public procurement

21. **In order to provide a modern framework for public procurement**, the Government has promulgated since April 2010, the Law on Public Procurement to remedy the shortcomings of Ordinance-Law No. 69/13054 of December 13, 1969. The Law on Public Procurement establishes rules for the preparation of projects, the awarding of contracts, their execution and control. According to the provisions of this law, public contracts are awarded by invitation to tender, the variants of which are clearly defined. They can exceptionally be awarded by mutual agreement in accordance with the provisions of Decree 23/12 of March 3, 2023 on public procurement procedures manual published in the special edition of the official gazette of March 7, 2023.

To increase transparency and reduce fraud in public procurement, the government has issued a new decree revising the procedures manual of the public procurement law by including a standard procurement model for the direct contract. At the same time, provisions relating to the communication of the ultimate beneficiaries of public contracts have been introduced into this procedures manual.

Outlook. The government will work to popularize this new procedures manual with a view to its implementation by all the actors concerned. It also intends to publish the information of the awarded companies on an easily accessible website.

Section 2: Strengthening Public Revenue Mobilization and Improving the Mining Royalty

2.1. Strengthen public revenue mobilization

22. **In order to accelerate the process of setting up the computerized public revenue chain**, several IT infrastructures have been deployed to (i) automate revenue collection procedures; (ii) make collection circuits more reliable and secure; (iii) reduce human handling; and (iv) combat tax fraud with a view to maximizing 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.

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 management of the non-tax revenue, namely: establishment, liquidation, authorization and collection; control, management of administrative and legal disputes. Its set-up was finalized in October 2019 and the launch of the pilot phase was completed in the first quarter of 2022. The results of the pilot phase being satisfactory, the Government has undertaken to gradually deploy LOGIRAD throughout the national territory by making its use mandatory in order to strengthen the mobilization of non-tax revenues. To this end, Decree No. 22/18 was signed by the Prime Minister on May 4, 2002, establishing the computerized platform for the integrated management of central government duties, taxes and fees, which enshrines this obligation. With the signature of this decree, the Government launched the deployment of LOGIRAD in 9 provinces (Kinshasa, Haut Katanga, Kongo Central, Lualaba, Bas Uele, Haut Lomami, Tanganyika and Tshopo) for the six (6) ministries (Mines, Environment, Land Affairs, PTNTIC, Interior - DGM - and Hydrocarbons). The mandatory use of LOGIRAD by these ministries came into effect on January 1, 2023 in accordance with the circular of the Minister of Finance signed on December 29, 2022. This will allow the digitization of payment operations for taxes, duties and fees to the Treasury.

Outlook. In execution of Decree No. 22 establishing the LOGIRAD platform, the Government will make the use of LOGIRAD mandatory in the other remaining provinces for the same ministries and departments selected in the first phase. In addition, within the same framework of digitizing the revenue chain, the Government intends to proceed with the deployment of a centralized tax management software at the DGI.

2.2. Improving the management of mining royalties

- 23. The reform of the mining legislation in 2018 was an opportunity to find ways to improve the living conditions of communities impacted by mining and to promote the sustainable development of said local communities affected by mining.** Industrial mining has experienced strong growth in recent years. This growth has not been able 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 the natural environment.

The DRC is working to ensure that transparency in the extractive sector benefits impacted communities and the Congolese population in general. A revised mining code was introduced in June 2018, seeking to increase benefits for the Country, with higher taxes and royalties (royalties on non-ferrous metals, including copper from 2 to 3.5%; a new 10% royalty on strategic mineral substances; and a new 50% tax on windfall profits, as well as provisions to increase profit sharing. Article 142 of the mining code stipulates the distribution of mining royalties: 50% to the central government, 25% to the provincial government where the mine is located, 15% to the Decentralized Territorial Entity (DTE) where the mine is located and 10% to the Mining Fund for Future Generations (FOMIN). The DRC EITI National Committee is able to reconcile and



regularly publish the completeness of the revenues collected by the DGRAD and the provincial financial authorities for the 50 and 25 percent of the mining royalty due to the Treasury and the Provinces respectively. However, due to the incomplete legal framework, it would not be possible to obtain the same results for the 15% and 10% quotas collected by the ETD and FOMIN respectively.

24. **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 n°007/2002 of July 11, 2002 on the Mining Code as amended and supplemented by Law n°18/001 of March 09, 2018 establish 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 where the project is located; the decentralized territorial entity within whose jurisdiction the exploitation takes place and the mining fund for future generations.

To ensure that the mining sector drives inclusive and sustainable socio-economic development, the Government has published in the special edition of the official gazette of March 7, 2023, Decree 23/05 of February 20, 2023, modifying and completing Decree 19/17 of November 15, 2019, on the status, organization and operation of the public institution, Fonds Minier pour les générations futures (FOMIN), in accordance with articles 8 bis and 242 of the mining code.

Outlook. In execution of the provisions of this new Decree, the Government plans to adopt, publish and disseminate the procedures manual containing, among other things, investment guidelines and transparency rules to ensure better selection of cross-cutting projects to be financed with FOMIN resources.

Section 3: liberalization of the telecommunications sector and strengthening of transparency and governance of state-owned enterprises

3.1. Liberalization of the telecommunications sector

25. **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 post and telecom regulatory authority; (iv) finalizing the study on postal sectoral policy; and (v) conducting 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 impact several 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. To this end, the Government has published in the Official Gazette of March 01, 2023 the Decree establishing the Universal Service Development Fund (FDSU). Also, a ministerial order n°CAB/MIN/PT&NTIC/AKIM/KL/kbs/037/2022 fixing the conditions, the procedure and the modality of granting and renewing concession licenses was signed by the Minister of PTNTIC



since July 2022. The eighty-seventh meeting of the Council of Ministers of the Government, held on Friday, February 17, 2023, adopted the draft Decree on the creation, organization and operation of the Regulatory Authority for Post, Telecommunications and Information Technology of the Congo (ARPTIC). The signing of the related Decree referenced 23/13 took place on March 03, 2023 and its publication in the special official journal took place on March 07, 2023.

As part of the liberalization of the telecommunications sector, the Ministries of Portfolio and PTNTIC, have instructed the company of posts and telecommunications to provide direct access to the WACS landing station to the private operator selected to operate the fiber optic cable owned by the State and connecting the submarine cable WACS in Kinshasa. This connection is effective since February 25, 2023 and will help to initiate the digital transformation of the DRC.

Outlook. The Government intends to proceed with the operationalization of FDSU. To this end, it intends to recruit the Director General of this organization as well as the executives and staff necessary to make this public institution operational.

3.2. Increase transparency and governance of state-owned enterprises

26. **The reform of state-owned enterprises 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 state-owned enterprises (SOEs) has been completed with the promulgation of four laws on the management of the state portfolio and their implementing decrees. In addition to strengthening the legal framework for the management of SOEs, the Government has begun the stabilization phase of SOEs in order to stop the deterioration of their technical, operational and financial situation before beginning their in-depth structuring.
27. **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 liberated 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 has recruited new managers for SNEL, REGIDESO and FONER through a competitive process. These officers were appointed by presidential orders published in the official journal on November 1, 2022.
28. **The government also remains committed to increasing the transparency and performance of state-owned enterprises.** To this end, a circular from the Ministry of Portfolio has made the publication of audited financial statements and annual reports of SOEs mandatory. The Conseil Supérieur du Portefeuille (CSP) published the financial performance report of 20 public enterprises as well as the financial statements and management reports of six strategic enterprises on the CSP website on March 01, 2023. A circular prescribing the framework for the selection of auditors, including the selection criteria, was issued by the Ministry of Portfolio on February 8, 2023. This is to strengthen the accountability of managers to citizens.



29. In the same framework, the Government has introduced the State portfolio review, consisting of a presentation by the various managers of SOEs of their management results, in a public meeting before the State delegates composed 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 managers of the SOEs 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.

To strengthen transparency in the transfer of assets of SOEs transformed into commercial companies, the Government published in the Official Gazette on March 2, 2023 Decree No. 22/08 of February 22, 2023 on the manual of procedures relating to transactions on mining assets of SOEs.

Outlook. The Government plans to disseminate the legal and regulatory provisions of this new Decree and the general legal framework for State disengagement, as well as the presentation of an annual report on State disengagement from SOEs.

SECTION 4: Strengthening Governance for Sustainable Forestry

4.1. Improving governance for sustainable forest management

30. **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 CAFI to halt and reverse forest loss and land degradation by 2031 while ensuring sustainable development and promoting inclusive rural transformation.
31. **The priority actions selected within the framework of the intervention with the World Bank concern: (i) strengthening transparency in the forestry sector; (ii) combating deforestation and forest degradation due to agriculture and; (iii) cross-cutting issues on Climate Change.**

To strengthen transparency and improve governance in the forestry sector with a view to sustainable forest management, the Government published in the special edition of the official gazette Decree No. 23/11 of March 3, 2023, amending and supplementing Decree No. 08/03 of January 26, 2008 on the composition, organization and functioning of the National Forestry Advisory Council to include, among other things, representation of civil society and indigenous peoples on its board. The Council is competent to give prior opinions on planning projects and the coordination of forestry policy, projects concerning forestry management rules, any draft legislative or regulatory text relating to forests, any procedure for classifying and declassifying forests, as well as any question it deems necessary relating to the forestry domain. On the other



hand, following the publication of the report 2021 of the Inspection Générale des Finances (IGF) on the control of the legality of forest concession allocations and transfers, and on taxes owed to the Treasury by logging companies, an interministerial commission headed by the MEDD was set up to review the documentation of holders of forest concessions (logging and conservation titles). At the end of the commission's mission, the Council of Ministers took note on March 3, 2023 of the preliminary conclusions of the commission's administrative review, including the proposed timetable for referring the matter to the CCNF for advice and public information and for finalizing the review.

Outlook. The administrative steps that must be taken to complete the work of the review of forest concessions include, among others, the notification of the Commission's provisional decisions to the concessionaires with a possible request for additional information and notification of the possibility of appeal as well as the related deadline, as well as a 14-day period granted after notification to the concessionaires to present their appeals. At the end of this period, a report will be produced and sent to the National Forestry Advisory Council for its opinion and public information. At the end of the process, the report will be finalized by the Commission, which will ensure that the contracts awarded and reawarded after publication of the 2014 list, and thus in breach of the moratorium, are duly identified and treated separately from the others in the final version of the report, which will be submitted to the Council of Ministers for approval. By the end of 2023, the administrative review process for forest concessions will be finalized according to the timetable with a precise action plan defined by the government and, as a result, all contracts that do not comply with the legislation will be cancelled and the list of all valid contracts published. An evaluation study will be carried out on the impact of the moratorium and the conditions for lifting it under Presidential Decree No. 05/116 of October 24, 2005 will be defined, before any decision is made to grant logging rights, including through exchange, relocation, or rehabilitation of old titles.

Existing sectoral climate policies in the DRC suffer from a lack of a favorable regulatory framework to operationalize climate strategies and encourage related investments. To strengthen the assessment of climate impacts and integrate resilience in climate sensitive sectors, the Government established the National Framework for Climate Services (NFCS) by Decree n°32/19 published on Saturday 14 May 2022. On February 3, 2023 the Council of Ministers adopted the draft Ordinance-Law amending the Law of 11/009 of July 9, 2011 establishing the fundamental principles of environmental protection. After the signature of the Ordinance-Law by the President and its publication in the official gazette, the Government will present the Ordinance-Law to the Parliament for ratification within the deadline set by the enabling law in accordance with Article 129 of the Constitution (by March 15, 2023). The revision of the law aims to integrate into the Congolese legislative arsenal two important aspects: the fight against climate change and the Nationally Determined Contribution (NDC), under the Paris Climate Agreement. It includes the modalities of remuneration of actors who contribute to the carbon sequestration process by establishing a Carbon Market Regulatory Authority whose mission is to organize the carbon market on the national territory and to promote the participation of public and private actors as well as local communities in the purchase, sale and resale of carbon credits.

Outlook. In light of the current climate challenges, the Government remains committed to the development of a carbon market, with a view to encouraging investments to ensure a determined



contribution to carbon sequestration. Once the revised law is ratified, the Government will develop a participatory roadmap for the implementation of the Carbon Market Regulatory Authority and the certification process for carbon programs and projects.

- 32. As part of the implementation of the REDD+ National Framework Strategy and the DRC's Nationally Determined Contribution (NDC) under the Paris Climate Agreement,** the Government mandated, in May 2022, the biennial assessment on deforestation and forest degradation in order to systematize the use of reliable and updated information from the National Forest Monitoring System for the development of policies and actions to reduce deforestation and mobilize climate finance. In order to strengthen the fight against deforestation and forest degradation due to agriculture, the Council of Ministers adopted on February 17, 2023, the Sustainable Agriculture Policy (SAP) of the DRC. This policy takes into account the commitments related to food and nutritional security, the improvement of the living conditions of the populations as well as climate change to which the country has subscribed. It integrates the principles of land use planning and forest and peatland conservation and promotes the development of sustainable commercial agriculture in the savannah areas.

Outlook. The Government will work to disseminate the policy document by translating it into four national languages. In light of this new policy, the Government plans to revisit future legal and regulatory texts, in particular those that will complement or may modify the Law on the fundamental principles of agriculture of December 24, 2011, relying on the National Advisory Council on Agriculture as a consultative framework. The materialization of the DRC's Sustainable Agriculture Policy also requires the mobilization of financial resources, including in the framework of REDD+.

VI. THE WORLD BANK'S INTERVENTIONS IN THE DRC

- 33.** 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 the socio-economic development of our country.

Although these interventions are bringing about an economic and social transformation, the government would like more budgetary support from the World Bank to enable the country to close the gap in government financing needs.

This support will also help fund the Government's resilience efforts to address the negative effects of the war-related crisis in Ukraine.

VII. RISKS AND MITIGATION STRATEGIES

- 34.** Insecurity in the east of the Democratic Republic of Congo has caused not only an alarming humanitarian crisis but also an ecological crisis characterized by millions of refugees and displaced persons, food insecurity due to the rise in prices of certain products and aggravated by the war in Ukraine, as well as the destruction of ecosystems and loss of biodiversity. For example, the number of Congolese facing acute food insecurity will be 26.4 million in 2022, compared to 15.6 million in 2019. These growing numbers living in a situation of extreme fragility require the Government to provide support for social safety nets to enable them to lead a decent life.
- 35.** The combination of all these factors and other challenges related to human capital development, notably the continuation of the policy of free health care and universal health coverage, which is



currently being designed, requires additional financial support to enable the government to address these issues.

36. In view of the foregoing, the Government of the Democratic Republic of Congo requests the World Bank to disburse US\$ 500 million as the second tranche of the budget support agreed upon by mutual consent and which is the subject of this development policy letter. The Government of the DRC remains committed to continuing to work closely with the World Bank and expresses its gratitude for the Bank's continued support in the fight against poverty.

Visa: CTR Coordinator Visa: Dircab

For the Minister on mission,

O'Neige N'SELE MIMPA

Vice Minister



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: indirect positive distributional impacts through creating the fiscal space for increased social and pro-poor spending
Prior action #2	Positive: digitalization will significantly reduce paper usage	Positive: indirect positive distributional impacts through creating the fiscal space for increased social and pro-poor spending
Prior action #3	Negative: will lead to additional investments in mining regions. Possible negative effects will be assessed and addressed through the proposed SESA under ENCORE (P171762). FOMIN design shall include best practices for good environmental, social, and economic governance of any investments associated with FOMIN.	Positive: indirect positive distributional impacts through creating the fiscal space for increased social spending
Operation Pillar 2: Accelerating digital transformation 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 and corporate governance of SOE is a critical initial step towards improved performance and service delivery.
Operation Pillar 3: Strengthening governance for sustainable forestry		
Prior action #6	Positive: reduction of illegal forest exploitation	Positive: will likely lead to positive distributional and poverty impacts in the longer run as the Prior Action focuses on canceling permits for concessions acquired for speculative purposes and not fostering investment or local job creation, while identifying pathways towards regularization, minimizing any negative impacts on workers and communities, for concessions which have carried out substantial investments, built social infrastructure and created jobs.
Prior action #7	Positive: aims to address deforestation and forest degradation from agriculture. Potential downstream environmental risks and impacts associated with future investment to be identified along with mitigation measures in a SESA.	Positive: will likely lead to positive distributional and poverty impacts in the longer run if the policy supported by the Prior Action is successful in steering agriculture away from slash and burn practices to sustainable climate-resilient agriculture in savannah areas.
Prior action #8	Positive: The revision of the environmental law will strengthen environmental compliance by mainstreaming climate change impacts in the appraisal and implementation of projects and programs.	Positive: if the organization of the carbon market is focused on promoting inclusive sustainable socio-economic development across the country and with a focus on local communities