

Program for Result financing (PforR)

**SUPPORTING RESILIENT GOVERNANCE FOR
BETTER SERVICE DELIVERY AND FISCAL
SUSTAINABILITY (P177468)**

**ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT
(ESSA)**

Prepared by the World Bank

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EXECUTIVE SUMMARY

The Environmental and Social Systems Assessment (ESSA) provides a comprehensive review of relevant government systems and procedures that address environmental and social issues associated with the program. The ESSA describes the extent to which the government environmental and social policies, legislations, program procedures and institutional systems are consistent with the six 'core principles set out in the World Bank Policy for Program for Results Financing (November 2017) and the associated Interim Guidance Note (June 2012). The Assessment recommends actions to address the gaps and to enhance performance during Program implementation.

The assessment team used various approaches to review the environment and social systems that are relevant to supporting the *ROC Strengthening the Public Financial Management Program*. It included analysis of information/ data on previous assessments and reports on the status of different aspects of its management of environmental and social issues and national consultations with all key stakeholders related to the program. The ESSA identified the potential risks, opportunities and analyzed the compatibility of the program with respect to the core principles of PforR operations. Overall, the ESSA found that the program is compatible with the core principles of PforR. The team is convinced of the institutional capacity of FD in running the program. However, ESSA recommends bolstering institutional capacity through recruiting environmental and social safeguard consultants for the program duration. This recommendation is summarized as actions and incorporated in the Program Action Plan (PAP) and has been agreed with the borrower.

Measures to strengthen system performance for environmental and social management

Objectives and issues	Measures for strengthening systems performance
Environment and Social Management Instruments	<p>MoF/MoB/MoP is involved with the allotment of Revenue Fund to recipient ministries and do not implement projects in the field. As such MoF/MoB/MoP need not develop any 'Environment and Social Management Framework (ESMF)' for the proposed project to address the social and environmental risks.</p>
Strengthen institutional capacity for safeguards management	<p>FD does not need a separate environmental and social unit for overseeing the implementation of recipient ministries programs affecting social and environmental issues.</p> <p>For the current program, it is necessary for FD or IMED to recruit dedicated environmental and social expert (s) for the program tenure to oversee activities/projects of the implementing ministries that has potential to adversely affect environment and the society at large. The borrower agreed with the suggestion and will allocate appropriate fund in the project for this purpose.</p>
Capacity building and training	<p>The project will be implemented by the Ministry of Economy and Finance (MoF), Ministry of Budget, Public Accounts and Public Portfolio and Ministry of Economy, Planning, Statistics, and Regional Integration (MEPSRI). However, as each of these ministries do not have an environmental unit/service, the practical experience and expertise in E&S safeguards acquired in the framework of these respective projects have all been lost as they have only benefited the consultants recruited within the PIUs.</p> <p>As for the MESD, it is the guarantor of the implementation of the country's environmental policy. It thus has, at the national level, the Directorate General for Environment (DGE), who is the main institution responsible for conducting and coordinating the environmental and social assessment process in the country. However, the DGE is facing challenges in terms of institutional capacity associated with staffing, finances and regulatory requirements. DGE has some experience with the implementation of World Bank projects under the environmental and social safeguards.</p> <p>FD will incorporate specific training for the deputed staffs from the recipient ministries on environmental and social management at the SPFMS implementation level.</p>

Objectives and issues	Measures for strengthening systems performance
Inter-ministerial liaison and cooperation	<p>FD should maintain an effective working relationship with IMED under ministry of Planning that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the appropriate tool/ ESMF to address the adverse effects, if any.</p> <p>Effective GRM is another very important issue that the implementing ministries must put in place.</p>

ACRONYMS AND ABBREVIATIONS

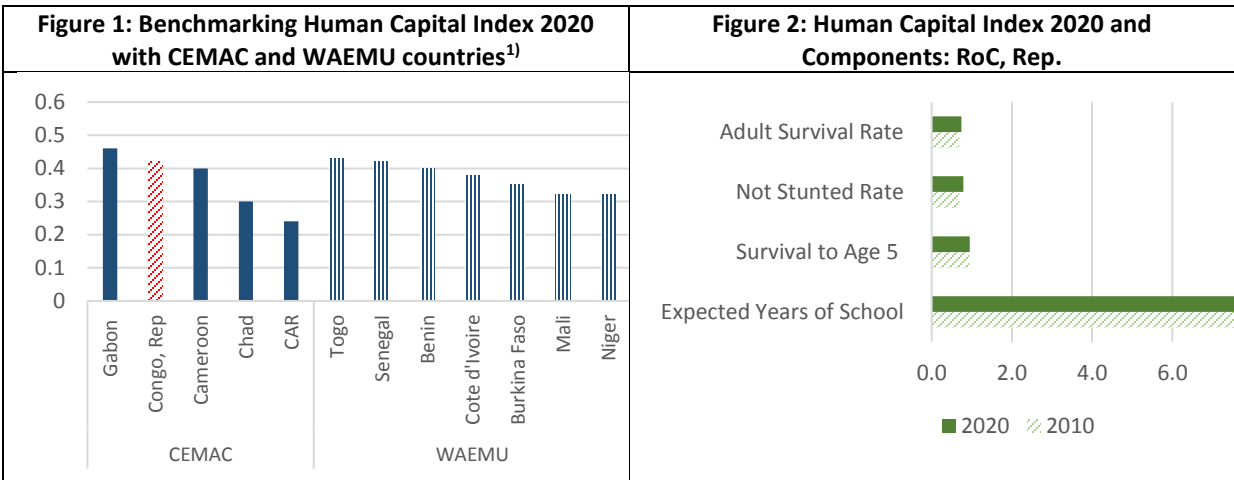
MOP	Ministry of Plan
MOF	Ministry of Finance
MOB	Ministry of Budget
DDO	Drawing and Disbursement Officer
DLI	Disbursement-linked indicators
DP	Development partners
DPO	Development Policy Operation
ESSA	Environmental and Social Systems Assessment
FD	Finance Division
FSA	Fiduciary Systems Assessment
GRM	Grievance Redress Mechanism
IDA	International Development Association
IPF	Investment Project Financing
IPSAS	International Public Accounting Standards
M&E	Monitoring and Evaluation
PCN	Program Concept Note
PIU	Program I Team
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability Assessment
PEMSP	Public Expenditure Management Strengthening Program
PER	Public Expenditure Review
PFM	Public Financial Management (PFM)
PforR	Program for Results
RRI	Rapid Results Initiatives
SIGFIP	Système Intégré de Gestion des Finances Publics
SMART	Specific, Measurable, Appropriate, Realistic, and Timebound
TSA	Treasury Single Account
ToR	Terms of Reference
VAT	Value Added Tax
WDI	World Governance Indicators

SECTION I: INTRODUCTION

1.1 Background and Context

1. The Republic of Congo (RoC), a lower middle-income country with a young, urban population and abundant natural resources (gas, oil, tropical forests), has been managing a severe economic recession since 2015. Forty-seven percent of the 5.7 million population are under 18 years, mostly living in urban areas. Almost two thirds of the land is covered by tropical forests and less than one third is cultivable despite 60 percent of the population being engaged in agriculture. The economy is dominated by the oil sector which accounts for more than half of GDP and 80 percent of exports. The global oil price shock in 2014-16 plunged the economy into a recession, with real GDP declining by 4.6 percent a year between 2015-2019. This was further exacerbated by the sharp decline in economic activity and global demand for oil occasioned by the COVID-19 pandemic and related lockdown. The decline in oil prices caused total government revenues to fall by about 6 percentage points of GDP between 2019 and 2020 from 27.3 percent of GDP to 21.6 percent of GDP. In 2021 the economy continued to contract as oil production fell by 11 percent over the previous year but rebounded in 2022, growing at 1.9 percent of GDP and is forecast to grow by 4.1 percent in 2023-24 driven by higher oil production from new oil fields and the gradual recovery of the non-oil economy.

2. The prolonged economic downturn has led to an increase in extreme poverty and has heightened concerns of escalating inequality with recessions disproportionately affecting the poor. Extreme poverty (defined as the share of those living on less than \$2.15 per person per day in 2017 purchasing power parity) increased to 53.9 percent of the population in 2021 from 39.1 percent in 2015. Nonetheless, life expectancy at birth increased from 63.10 in 2015 to 64.60 in 2019 while under-five mortality (per 1,000 live births) declined from 50.9 to 44.6 over the same period. These improvements, while laudable, are still below the recommended WHO threshold for countries of the same income level. RoC's Human Capital Index (HCI) of 0.42, a measure of the level of productivity a child born today can expect as a future worker, is just slightly above the sub-Saharan African average, but significantly lower than the global average of 0.56 (see Figure 1). The disaggregated HCI data shows social challenges are mainly on quality of education (harmonized test scores are below SSA averages), equity of access to health services especially in treatment of malaria and other tropical diseases. (Figure 2).



Source: World Bank, Human Capital Index 2020.

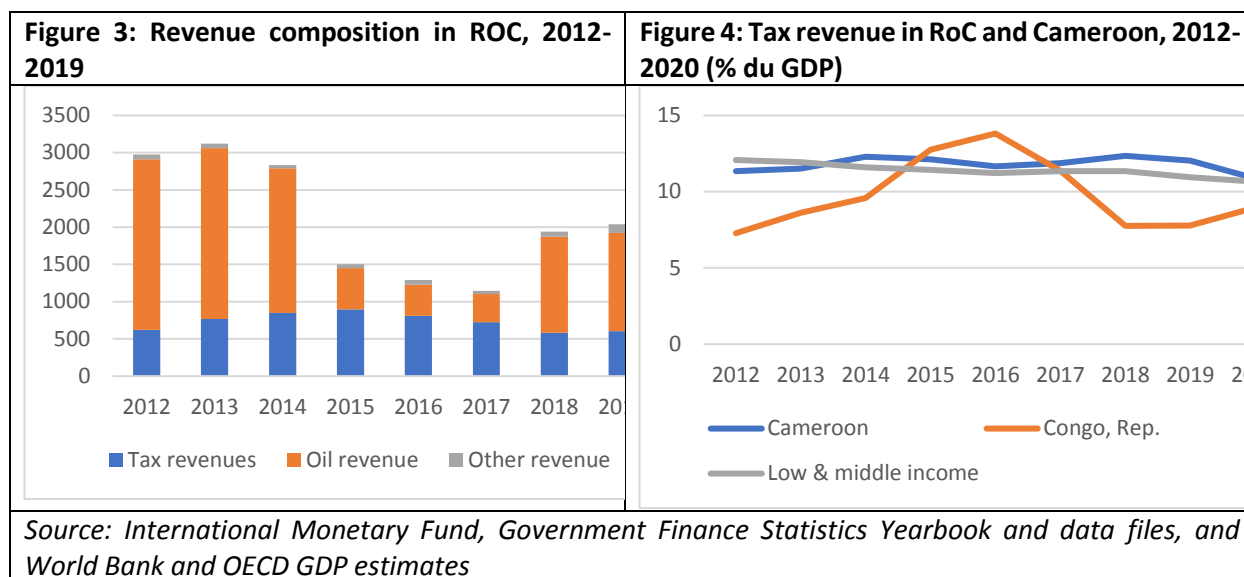
¹⁾HCI for Equatorial Guinea and Guinea Bissau are not available.

3. The fiscal impact of the recession and COVID-19 has led to a contraction in spending on key sectors, the build-up of arrears, and rising public debt levels (table 1). Allocation of public resources to education, health and social assistance is below regional average and the average for its income group. For 2021, budget allocation for basic education was only 8 percent while that of health was 10 percent of total government budget. These rates are expected to decline in 2023. In addition to the low allocation, health and education budgets only partially reach service delivery units (health facilities and schools) or arrive late, due to public finance and governance weaknesses. Service delivery units do not receive the required resources to provide the right services effectively and equitably, raising concerns about the country’s capacity to improve its human capital outcomes.

4. The inefficiency of public expenditures in addition low revenue mobilization is manifested in the poor outcomes in both the health and education sectors. In terms of specific PFM bottlenecks contributing to poor government provided services in the health and education sectors, we find that on the one hand allocations are limited for social sector infrastructure (classrooms, latrines and water) and materials and at the same time allocations are not fully executed. In the health sector weaknesses in the systems governing the flow of public funds and public procurement processes hamper service delivery and lack of capacity to manage public funds limit the responsibilities and effectiveness of front-line service providers at health facilities.

5. Low domestic resource mobilization and overreliance on the oil sector generates structural vulnerability and causes the fiscal outlook to be particularly vulnerable to external shocks and the likely long run decline in global demand for oil. RoC lags behind SSA and low- and middle-income countries on tax collection as a percentage of GDP. The total government revenue for 2020 was 30 percent of GDP of which over sixty percent was from the oil sector and the rest from non-oil tax collection. Revenues from the oil sector arise from the sale of the government’s share of crude oil as set in the Production Sharing Contracts with oil companies (Figure 3). The amount of oil revenues declined significantly in 2015-2017 and has since slightly recovered. Tax revenues, which improved during this crisis period, remain low at only 8.9 percent of GDP in 2020 compared to SSA peers average of 16 percent, the African Union convergence criterion of 20 percent of GDP, and the IMF estimated “take-off” rate of 15 percent of GDP (see Figure 4). Identified weaknesses in relation to non-oil revenue mobilization include: (i) the

excessive and discretionary use of tax exemptions that do not comply with existing laws and regulations; (ii) low tax effort resulting from weaknesses in the tax administration; (iii) low transparency and governance issues in the tax administration; (iv) the inefficiency of the tax administration in collecting indirect taxes; (v) the under-exploitation of mining and forestry taxation; and (vi) weaknesses in the collection of tax arrears from businesses.



6. Despite previous efforts made in PFM reforms, progress on expenditure management has lagged behind as some fundamentals of annual budget preparation are not yet in place, leading to gaps between budgets and spending due to poor revenue forecasts and a lack of commitment control. Actual spending frequently exceeds annual budget allocations although in 2019 and 2020, spending in most sectoral ministries was below the budget allocation. There is considerable variation with the agriculture budget spending only 30 percent of allocation in 2019, while the social protection spending hit 120 percent of the allocation. Data indicates the social sectors budgets are under-executed: in Education, the execution rate of the education budget has actually declined since 2015. In health, the trend is similar except for 2015 when health expenditure exceeded the budget allocation driven by the construction of 14 general hospitals. Health and basic education had some of the lowest budget execution rates in 2020.

7. Budget effectiveness compromises the level and quality of service delivery, incentivizing RoC towards the implementation of budget reforms. A new area of PFM reform, the introduction of program budgeting, has recently been committed to and has the potential to provide an entry point to improve allocative efficiency and align public spending with policy priorities and develop a more medium-term view of the budget. In accordance with the CEMAC directives, the country has embarked on program-based budgeting to be introduced by January 1, 2024. The reform will require establishing a regulatory and institutional framework to define new roles and responsibilities of each spending entity and guidance and systems-upgrade consistent to implement the new procedures.

8. The efficiency and effectiveness of public investment spending is especially low meaning that the cumulative contribution of public investment to the capital stock continues to be very low. As shown in Figure 7, the PIMA index is an estimated at 0.35 compared to the

SSA average of 0.45 (on a scale of 0 (worse) to 1 (maximum)) meaning that for public investments, only 35% of allocated finances are effectively used. There are weaknesses throughout the public investment cycle, from project preparation and selection to implementation. In 2018, to strengthen investment project management, the Center for Studies and Evaluation of Investment Projects (CNEEPIP), was created to assist the sectoral ministries in the preparation of evaluations and studies of potential investment projects. However, the Center still needs to build up technical capacity and resources to fulfil its mandate

9. The new Supporting Resilient Governance for Better Service Delivery and Fiscal Sustainability Program will finance the implementation of a part of the PFM Action Plan and aims to strengthen institutional and systematic governance. The proposed operation would support the implementation of the Government's reform program, particularly in the area of improving governance and institutional capacity for better service delivery with an emphasis on improving public financial management and supporting fiscal sustainability. Specifically, the proposed Program for Results (PforR) would support results in the areas of: (i) modernizing PFM and implementation of program budgeting and (ii) increasing domestic resource mobilization. The first area would include the piloting of key PFM reforms to ensure better service delivery in key sectors such as education and health. These areas are all currently part of the Government's program. The Program boundaries are further clarified later in this document.

10. The proposed PforR complements existing and planned Bank operations that support the legal- and policy reforms underpinning the Government PFM reform program. Specifically, this operation complements the Development Policy Operation (DPO) series which supports the policy changes and actions to improve expenditure efficiency and improve transparency and accountability. The proposed PforR would also complement the ongoing Integrated Public Sector Reforms Project (P160801) by providing financial and technical support to continue the reforms through the medium term and incentivize achievement of outcome-level results building on the investments undertaken through that project. Finally, the proposed PforR will complement ongoing World Bank operations in health (Kobikisa, P167890) and education (P152910) sectors by piloting select PFM reforms that overcome specific bottlenecks affecting the performance of those sectors.

11. The proposed Program will be complemented by a Technical Assistance (TA) or Investment Project Financing (IPF) component to support reform implementation. A TA or IPF component will support selected PFM reforms, recognizing the need for considerable technical advice for the PFM reforms to deliver results. It will ensure the provision of timely, and quality technical assistance and advice as required and include the engagement of expertise to support the government in niche areas (such as Cash Management, Commitment Control, Treasury Single Account (TSA) expertise, budgeting, and medium-term budget frameworks, etc.), as well as several discrete studies to help enhance understanding of key public resource management constraints at central or sectoral levels. The technical assistance would help the government identify relevant actions to address challenges faced as they evolve, broker solutions to collective action problems, and help ensure that reform processes are informed and adapted as implementation progresses.

1.2 Executing Agency of the Program

12. The Agir Program will utilize existing country system structures for overall coordination, M&E and implementation. This will include the existing Steering Committee (SC) overseeing the Government PFM reform program under the Prime Minister's office headed by the Finance Secretary will comprise and the Project Coordination Unit (PCU) created and placed under the leadership of the MoP for the Integrated Public Sector Reform Project (PRISP, P160801). The SC will oversee implementation progress, provide policy guidance and ensure an enabling environment for reforms to succeed and sustain. The PCU will lead the coordination of the reforms and the implementation of the IPF component of the PforR with active support from the reform units and focal point in the participating ministries.

1.2 Environmental and Social systems Assessment: Purpose and Objectives

13. This Environmental and Social Systems Assessment (ESSA) has been prepared by a World Bank E&S Team for the proposed Supporting Resilient Governance for Better Service Delivery and Fiscal Sustainability (P177468), which will be supported by the World Bank's Program for Results (PforR) financing instrument. In accordance with the requirements of the World Bank Policy Program-for-Results Financing (PforR Policy), PforR rely on country-level systems for the management of environmental and social effects. The PforR Policy requires that the Bank conduct a comprehensive ESSA to assess the degree to which the relevant PforR Program's systems promote environmental and social sustainability and to ensure that effective measures are in place to identify, avoid, minimize, or mitigate adverse environmental, health, safety, and social impacts. Through the ESSA process, the Bank E&S Team develops recommendations to enhance environmental and social management within the program, which are included in the overall management action plan.

14. The main purposes of this ESSA is to: (i) identify the Program's environmental, and social effects, (ii) assess the legal and policy framework for environmental and social management, including a review of relevant legislation, rules, procedures, and institutional responsibilities that are being used by the Program; (iii) assess the implementing institutional capacity and performance to date to manage potential adverse environmental and social issues; and (iv) recommend specific actions to address gaps in the program's environmental and social management system, including with regard to the policy and legal framework and implementation capacity.

15. This ESSA assesses or considers the extent to which the Program's environmental and social management systems are adequate for and consistent with six core environmental and social principles contained in paragraph of Section III of the PforR Policy (hereafter, Core Principles), as may be applicable or relevant under PforR circumstances. The Core Principles are listed below. They are further given greater defined through corresponding Key Planning Elements that are included under each Core Principle in Section III.

- **Core Principle 1: General Principle of Environmental and Social Management.** This core principle aims to promote environmental and social sustainability in Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program's environmental and social impacts.

- **Core Principle 2: Natural Habitats and Physical Cultural Resources.** This core principle aims to avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program.
- **Core Principle 3: Public and Worker Safety.** This core principles aims to protect public and worker safety against the potential risks associated with: (i) construction and/or operation of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.
- **Core Principle 4: Land Acquisition.** This core principle aims to manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist affected people in improving, or at the minimum restoring, their livelihoods and living standards.
- **Core Principle 5: Social Considerations - Indigenous Peoples and Vulnerable Groups.** Program E&S systems give due consideration to the cultural appropriateness or and equitable access to, Program benefits, giving special attention to the rights and interests of Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, and to the needs or concerns of vulnerable groups.
- **Core Principle 6: Social Conflict.** This core principle aims to avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

16. The ESSA analysis presents a detailed description of the Program activities and the baseline conditions for existing environmental and social management systems. The Report draws on baseline information and presents an analysis of the existing system regarding the core principles for environmental and social management in Bank Policy and Directive for Program-for-Results financing and presents a Program Action Plan (PAP) that will be incorporated into the overall Program loan documentation.

1.4 ESSA Methodology

17. The ESSA was prepared by World Bank E&S Team through a combination of reviews of existing program materials and available technical literature, interviews with government staff, non-governmental organizations, regulatory agencies and sector experts. As part of the project appraisal process, consultations will be conducted with government, power sector and civil society stakeholders. The findings, conclusions and opinions expressed in the ESSA document are those of the Bank.

18. The scope of the ESSA includes the activities and systems necessary to achieve the Program Development Objective (PDO), and the defined results of the PSRP, represented by the Program's Disbursement Linked Indicators (DLIs) and Results Area Framework. A scoping analysis was completed to determine the applicability of each of the six PforR Environmental and Social Core Principles to the various Program DLIs and Results Framework as presented in Table

1. This scoping exercise was subsequently used to structure the remaining analysis of the ESSA which includes the following elements:

- Review of the baseline environmental and social information to understand the context under which the Program activities are undertaken.
- Analysis of environmental and social benefits and risks of the Program activities.
- Analysis of the energy sector level systems for environmental and social management for planning and implementing the Program activities for consistency with the applicable Core Principles.
- Identification of procedural and policy gaps with Bank Policy and Directive for Program-for-Results Financing as well as performance constraints in carrying out environmental and social management processes.
- Development of a set of viable actions to strengthen the systems and improve environmental and social performance outcomes of the Program.

Table 1. Applicability of Core Environmental and Social Principles (CP) to PforR Disbursement Linked Indicators (DLIs)

DLI	CP1 Environmental and Social Management	CP2 Natural habitat	CP3 Public and Worker safety	CP4 Land acquisition	CP5 Indigenous Peoples and Vulnerable Groups	CP6 Social conflict
<p>Result Area 1 DLI 1.1: A reduction in the average processing time for tax dispute resolution. DLI 1.2: A reduction in the average processing time for customs clearance DLI 2: An improvement in the share of profit oil.</p>	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Applicable.	Not Applicable
<p>Result Area 2 DLI 3: Percentage of Ministries, Departments and Agencies presenting with annual reports on execution of programs' budget. DLI 4: Percentage of contracts concluded during the period of validity of the tender DLI 5: Percentage of new investment projects in the Budget Law with studies validated by CNEEPIP and screened for climate change mitigation and adaptation</p>	Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

DLI	CP1 Environmental and Social Management	CP2 Natural habitant	CP3 Public and Worker safety	CP4 Land acquisition	CP5 Indigenous Peoples and Vulnerable Groups	CP6 Social conflict
Result Area 3 DLI 6: Percentage of budget execution of health centers DLI 7: Percentage of budget execution in school centers	Applicable DLI6 will promote the E&S sustainability and hygiene & health in health centers and schools	Not Applicable	Applicable Standardized safeguards procedures will contribute to the safety of public workers.	Not Applicable	Not Applicable	Not Applicable

SECTION II: PROGRAM DESCRIPTION OF *SUPPORTING RESILIENT GOVERNANCE FOR BETTER SERVICE DELIVERY AND FISCAL SUSTAINABILITY (P177468)* AND POTENTIAL ENVIRONMENTAL AND SOCIAL EFFECTS

2.1 Program Development Objectives of the Proposed Program

19. The Program Development Objective is to improve fiscal management and strengthen service delivery, especially those provided in the health and education sectors. The Program starts in FY 2024 and ends in FY 2027. The PDO Level Result Indicators are:

- Real domestic revenue collection (CAF or US\$)
- Aggregate budget execution rates (Actual as % of Initial (or revised) Budget Allocation)
- Change in the execution rates of health relative to the execution rate of the entire budget.
- Change in the execution rates of education relative to the execution rate of the entire budget.

20. As envisaged, the Program will make significant contributions for Increasing efficiency and transparency in domestic resource mobilization, Improving the efficiency of public spending and managing climate-related fiscal impacts, Improving service delivery in health and education

2.2 Proposed Disbursement Linked Indicators (DLIs)

21. DLIs provide an ideal mechanism to advance the reforms, including incremental and process targets to guide their implementation. The Program will have seven DLIs, aligned with the indicators of the Government PFM reform program with data collected and provided by the MoB. The DLIs aim to address the bottlenecks along the results chain, including a reasonably even distribution of disbursements. The DLIs have been designed to incentivize results along the results chain and to maximize disbursements in the initial years of the four-year program. Early emphasis will be given to specific process indicators or milestones seen as critical for the achievement of the DLIs. Following table summarizes an initial concept for DLIs and the amount of IDA financing associated with each:

Table 2: DLIs

Result Area 1: Increasing efficiency and transparency in domestic resource mobilization
DLI 1.1 A reduction in the average processing time for tax dispute resolution
DLI 1.2 A reduction in the average processing time for customs clearance
DLI 2: An improvement in the share of profit oil.
Result Area 2: Improving the efficiency of public spending and managing climate-related fiscal impacts
DLI 3: Percentage of Ministries, Departments and Agencies presenting with annual reports on execution of programs’ budget.
DLI 4: Percentage of contracts concluded during the period of validity of the tender

DLI 5: Percentage of new investment projects in the Budget Law with studies validated by CNEEPIP and screened for climate change mitigation and adaptation.
Result Area 3: Improvement of service delivery in health and education
DLI 6: Percentage of budget execution of health centers
DLI 7: Percentage of budget execution in school centers

17. The DLIs are structured to strike an appropriate balance between high-level and intermediate results. In addition to discrete capacity building interventions, this will require reforms to strengthen the PFM institutions.

2.3 Scope of the Program

1. This Program outlines a theory of change that uses result-based financing to make meaningful contribution towards the achievement of key goals of the PFM Reform Strategy. The DLIs are structured to strike an appropriate balance between high-level and intermediate results. In addition to discrete capacity building interventions, this will require tough reforms to strengthen the PFM institutions and systems (PDO). The Table 1 above shows that certain reform activities incentivized via DLIs rest at the intersection of achieving more than one strategic goal of fiscal discipline & budget credibility, efficient service delivery, and accountability. The DLI 10 supports the foundational goal of adequate enabling environment for PFM reforms.

2.3.1 Proposed Program boundary for PforR

2. The new *Strengthening PFM Program to Enable Service Delivery (SPFMS)* will support the FD in implementing 8 out of 14 selected components of the Government’s PFM Action Plan. The Government has requested the Bank-support for the PFM Action Plan components directly led by FD – including the macro-fiscal forecasting, debt management, budget preparation and execution, integrated financial management information system (IFMIS), treasury single account (TSA), SOEs monitoring, pensions, internal audit, and financial reporting. Government-own resources haven’t been sufficient to maintain the reforms’ momentum in these areas after the closure of SPEMP-A in 2014 and also impeded FD’s ability to lead the overall PFM reforms in RoC. While the new Program will support FD-implemented components, separate projects and initiatives are already in place for the components implemented by the National Revenue Board, Planning Ministry, and accountability institutions - see table 2 below for the Program boundary. Hence, the proposed IDA operation will fill a significant gap by co-financing the implementation of 8 out of 14 components of the PFM Action Plan that will be directly led by the FD.

Table 2: Support to the PFM Reform Action Plan (Program Boundary)

PFM Reform Action Plan (Components)	Lead Institution	Government PFM reform initiatives and development partner support
C-1 Revenue and Expenditure Forecasting C-3 Debt Management C-4 Planning and Budget Preparation C-7 iBAS++ /BACS Implementation) C-8 Pension Management C-9 SOE Governance C-10 Financial Reporting	FD	- New Strengthening PFM Program to Enable Service Delivery (SPFMS) (\$170m with IDA co-financing) - Complemented by TA under the SPEMP BETF

C-14 PFM Reforms Leadership Coordination, and Monitoring		
C-2 Domestic Resource Mobilization	National Board of Revenue	- VAT Improvement Program (\$90mil co-financed by IDA) - SPEMP BETF - EU TA \$4mil
C-5 Public Investment Management	Programming Division, Ministry of Planning	- Strengthening Public Investment Management Program (supported by JICA \$5mil)
C-6 Public Sector Performance Management	Cabinet Division	- SPEMP BETF
C-11 Strengthen External Scrutiny & Oversight C-12 Strengthen Parliamentary Oversight and Scrutiny of Public Expenditures	- Office of Comptroller & Auditor General - PAC	- SPEMP BETF & potentially an RETF - EU TA \$6mil
C-13 Procurement	Central Procurement Technical Unit, Ministry of Planning	- Digitization Procurement Program (IDA co-financing \$55mil)

2.4 Potential role of Development Partners (DPs) in the Program

21. The proposed Program will be implemented at an estimated total cost of US\$170 million out of which IDA would finance US\$100 million. FD developed the PFM Action Plan in close collaboration namely DPs' provision of time, comments and documentation, extremely useful contributions on specific analytical inputs, as well as financing for engagement of technical and secretarial assistance through the SPEMP MDTF. This included. The DPs have emphasized on the need for greater linkages between spending, performance, and results.

2.5 Envisaged Program Duration – 5 Year Horizon

22. The PforR operation to support the *RoC Strengthening the Public Financial Management Program to Enable Service Delivery (SPFMS – P167491)* will span over a period of 5 years (hereinafter the 'Program support period') from 2019 to 2023.

SECTION III: POTENTIAL ENVIRONMENTAL AND SOCIAL EFFECTS OF THE PROGRAM

3.1 Environmental Risks and Benefits of the Program

3.1.1 Potential Environmental Risks

The Program does not apparently pose any significant environmental risk since all the activities of the program are aimed at strengthening PFM program to enable service delivery. There is no new physical facilities construction, civil works or any activities that can pose any significant environmental risk.

3.1.2 Potential Environmental Benefits and Opportunities

The DLI2 focuses on Cost catalog available and mastered by the staff Identification of cost comparators for benchmarking Improvement of the State's share of profit oil Number of inspections carried out according to the required standards Establishment of a model to better calculate/project oil costs and revenues Sector strategy is available. This would encourage the inclusion of environmental and social sustainability concepts while submitting proposals for projects as added emphasis is assigned in the screening process.

3.2 Social Risks and Opportunities of the Program

3.2.1 Potential Challenges and Social Risks

23. The Program does not apparently pose any social risk since all the activities of the program are at the macro level and aims at strengthening PFM program to enable service delivery. Thus, all citizens of the country including the vulnerable, the poor, disabled, women, children, the elderly and the indigenous people at large will directly benefit from the program.

3.2.2 Potential Social Benefits and Opportunities

24. Potential social benefits and opportunities of the program are many. Some are:

- DLI 1 Reduction of processing times for tax and customs operations (collection, litigation, etc.) improving the efficiency of the present PFM system at the Macro level with its positive effect felt at the micro level. As such, these would directly and indirectly benefits all including the women, children, elderly, marginalized people, the vulnerable groups and the indigenous people. The previous reforms will be capitalized on, in particular the SIGFIP, which is part of the dynamics of public finance reforms, being a modern integrated management tool that guarantees the transversality of our working approaches, the reliability and security of financial information, the improvement of performance and the transparency of public management in accordance with the National Development Plan.
- DLI 2 focuses on cost catalog available and mastered by the staff Identification of cost comparators for benchmarking Improvement of the State's share of profit oil Number of inspections carried out according to the required standards Establishment of a model to better calculate/project oil costs and revenues Sector strategy is available. DLI 2 will provide direct benefit to the benefit all government employees, including the vulnerable, poor and disabled,

women and the elderly. Government employees from the indigenous community who draw their salary from the revenue fund will also be included amongst the beneficiaries. Presently the system is manual and some clerical staff has to prepare the salary demand in a paper bill format on monthly basis and the process is slow, cumbersome and not without errors. This creates bottleneck in the process and a faulty salary demand has to be redone and the process takes time and the affected recipient suffers. FD has planned to undertake a specific scheme incorporating Electronic Fund Transfer (EFT) system whereby government employees have to verify their accounts digitally and their salaries will automatically be sent to their bank accounts without any delay. This will make the ‘Salary’ matter paperless and efficient. Presently, the Widows, Freedom fighters and the elderly get monetary benefit monthly from the revenue fund under present ‘Social Safety Net’ program.

- DLI 3 Implementation of the program budget with approved program templates and appointed program managers
- DLI 4 Compliance with procedural rules and deadlines in the procurement process (% of public contracts complying with the rules, % of contracts concluded during the period of validity of the tender)
- DLI 5 focuses on new investment projects in the finance law with validated studies by the CNEEPIP . Thus DLI 5 would most directly benefit all including the vulnerable, the poor, disabled, women, the elderly and the indigenous people at large through improved pension service.

- FD will plan ‘Gender Analysis’ to identify relevant gaps between women and men, boys and girls, particularly as they relate to the Bank’s broader country engagement framework. FD will arrange participation of the mix of staffs (men and women) at the organizational level and promote the same with line ministries when they are deputed to work/undergo training with FD. The same staffs could be utilized in executing the program. This way FD can identify relevant gaps between men and women at the execution level. Beneficiaries of DLI 4 and 5 include men and women; so as the beneficiaries of ‘Social Safety Net’. This analysis will be used to identify specific actions that can be supported by the program, to be linked with relevant indicators in the results framework. This analysis will also focus on how the operation will contribute to the four pillars of the World Bank Group Gender Strategy 2016-2023 (to narrow gaps between males and females in human endowments, more and better jobs, ownership and control of assets, and voice and agency)¹.

25. In view of above, there would be positive effect on the society at large, particularly the vulnerable, the poor, disabled, women, the elderly and the indigenous people and those covered by Social Safety Net’ program’, as they would be economically benefitted owing to their dues reaching them within a very short time. Some of the likely opportunities that the program would offer include:

- Improved living condition, better health, nutrition, education by the VG/IP community owing to timely receipt of salary and pension money through EFTs.

¹ PCN, June 19, 2018; page 19, para 50

- More economic activities in the locality due to additional demand of daily necessities, including agro-products owing to improved purchasing power.
- Enhancing ‘Gender Mainstreaming’ through creating equal opportunity, especially for the women. It is mentionable here that FD allots Revenue budget to ministries and Divisions for various projects. As the projects are implemented, these create lot of job opportunities at the project sites and the locals including women, VG and IP can find a job suiting one’s capability. This in turn improves their earning and purchasing power. Thus an efficient PFM program indirectly creates job opportunity and helps in the attainment of gender mainstreaming.

26. ROC has a constitutional obligation to guarantee the fundamental human rights such as food, clothes, housing, education and health care to all its citizens without discrimination. In addition, under the ‘Social Safely Net’, it is bound to provide financial assistance to the needy people, particularly the elderly, the freedom fighters and the widows as a monthly fixed amount whose needs have arisen out of unemployment, illness and disability etc. Moreover, the government is fundamentally responsible to assist widows, orphans, and elderly people who have lost all means to earn for them. The DLIs and their effects mentioned in the preceding paragraphs will support ROC is attaining its goals.

3.2.3 Environmental and Social Risk Ratings

26. Given the scope of the Program, its types and scale of investment, geographic focus, institutional capacity and previous experience of FD with World Bank projects, the risk is rated ‘low’ from the environmental and social perspectives. At this stage, the main potential environmental risks are related to Occupational Health and Safety (OHS) risks of falls, musculoskeletal trauma, and cuts/injuries.

The mains social risks and impacts include: (i) the risks of exclusion and exacerbating existing inequalities for marginalized and vulnerable social groups within communities (including the indigenous peoples, disabled, poor women and girls, minorities, and displaced persons and/or refugees); Health and safety risks to beneficiaries, and (ii) potential conflicts; those conflicts could contribute to exacerbate risks of GBV), (iii) limited access of all citizens (including marginal and vulnerable groups) to information; weak capacity of the Ministry of Finance to manage grievances and other conflicts; lack of dedicated personnel dealing with social aspects; Gender-based violence (GBV), sexual exploitation and transmission of communicable diseases such as HIV/AIDS on affected staff recruited under the PIU, contractors and communities. These risks will be mitigated through the instruments, such as the Grievance Redress Mechanism, Labor Management Plan (LMP), Stakeholder Engagement Plan (SEP) and GBV action plan, that will be elaborate. A GBV risk assessment should also be prepared to identify existing GBV referral services with which the project can partner, as well as to identify mitigation measures where and when needed.

SECTION IV: POLICY, REGULATORY AND INSTITUTIONAL FRAMEWORK

27. This section describes the existing environmental and social management system of the GOB along with an overview of the policy and legal framework. This includes a profile of the key institutions and their role with respect to management of environmental and social aspects of the Program. An assessment of the country environment and social management system related to PFM Program against PforR principles and elements is provided in the following chapter (Section V)

4.1 Policy and Legal Framework

28. ROC has policies, instruments and laws that support environmental and social management and the environmental and social assessment processes. The ESSA reviewed the existing regulations and policies, their legal and practical applicability at the program level as well as the institutional capacity, and the effectiveness of implementation in practice. The ROC has developed a policy framework that requires environmental issues to be incorporated into economic development planning. The key tenets of the various applicable policies are detailed in the following sub-sections.

4.1.1 Policy and Legal Framework for Environmental Safeguard

29. The GOB's environmental laws and policies are deemed adequate for both protection and conservation of resources, although enforcement capacity needs to be improved significantly.

National Strategy for Sustainable Development (SNDD-Congo) 2016- 2025.

30. The vision of the SNDD-Congo aims to establish the basis for sustainable development through the rational management of natural resources, the improvement of governance, the development and modernization of infrastructure and basic social services.

National Development Plan (NDP) for the period 2022-2026

31. The Congolese government has developed a National Development Plan for the period 2022-2026 which constitutes the roadmap for government action. This plan integrates among its axes the fight against environmental degradation, pollution and global warming.

National law n°003/91 of 23 April 1991 on the protection of the environment

32. The present law has as its object, within the territorial jurisdiction of the air and land spaces and terrestrial spaces and waters under Congolese jurisdiction to:

- The present law has as its object, within the territorial jurisdiction of the air and land spaces and terrestrial spaces and waters under Congolese jurisdiction to:
- to reinforce the existing legislation relating essentially to the protection and preservation of preservation of wild fauna and flora, marine and river resources, the operation of dangerous, unhealthy or inconvenient installations, development and urban planning.

- managing, maintaining, restoring and protecting or conserving natural resources, cultural, natural cultural, natural and historical heritage.
- to prevent and combat damage to the environment and to the health of persons or to their property

Any economic development project in the People's Republic of the Congo must include an environmental impact assessment. Congo must include an environmental impact study. A decree taken in the Council of Ministers determines the conditions and modalities of implementation of the provisions of the preceding paragraph.

4.1.2 Policy and Legal Framework for Social Safeguard

33. The GOB's social laws and policies are deemed adequate for protection, safety, and social security and inclusiveness of the populace. However, the enforcement capacity needs to be improved significantly.

Republic of Congo's Constitution of 2015

34. The fundamental rights under the Constitution are presented in the following articles

Article 15 stipulates that all Congolese citizens are equal before the law and have right to the protection of the State. None may be favored or disadvantaged by virtue of their family origin, ethnic [origin], of their social condition, of their political, religious, philosophical, or other convictions. Through Article 17 the woman has the same rights as the man. The law guarantees parity and assures the promotion as well as the representativeness of women in all political, elective and administrative functions. Article 30 stipulates that the State recognizes to all citizens the right to work and creates the conditions which render its enjoyment effective. Article 34 Every person has the right to rest and to leisure, notably to a limitation of the duration of work and to periodic vacations [congés] as well as to the remuneration of the holidays within the conditions established by the law. Article 33 No one may be compelled [astreint] to forced labor, except in the case of a penalty deprivative of liberty pronounced by a jurisdiction legally established. No one may be submitted to slavery.

35. Law No. 8 2001 of November 12, 2001, on the freedom of information and communication

In the Congo, the freedom of information and communication, guaranteed by the Constitution, is exercised within the framework of the provisions of the present law, the purpose of which is to establish the rules of the law of information and communication, the rights and duties of the professionals of innovation and communication. The regime of information and communication is that of free enterprise. The exercise of freedom of information and communication can only be limited by considerations of respect for the dignity of the human person, the freedom and property of others, the pluralistic expression of currents of thought and opinion, the safeguarding of public order, the needs of national defense, the requirements of public service, the technical constraints inherent in the means of communication, as well as the need to promote peace and national culture. Access to information sources is free. Censorship is prohibited.

36. The MOUEBARA law n. 19-2022 of May 4, 2022 which aims to fight against violence against women in the Republic of Congo The MOUEBARA law n. 19-2022 of May 4, 2022 aims, among other things, to fight against all forms of violence against women and girls. It aims to provide a multidisciplinary response to violence against women and girls.

Integrated public sector reforms

37. The reform project implemented in the Republic of Congo aims to improve accountability in the management of management of public resources in the Republic of Congo. as part of the reform process, a strategic action plan for PFM reform will be put in place.

National Social Security

38. In the Congo, a social security system is established to protect workers and their families, as well as other categories of the population, against the risks and hazards inherent in work and life. The missions of social security consist, in particular, in to carry out actions of investigation, information, advice and prevention in the field of social risks: to assist and support the beneficiaries in the various acts of life: to ensure the total or partial coverage of the expenses, in particular, those of the disease and the family: to contribute to the blooming and the insertion of the beneficiaries in the society: to provide directly to the beneficiaries the various pecuniary benefits: to ensure the care and to guarantee to the beneficiaries measures of accompaniment adapted to the needs of the person: to guarantee the incomes of the workers.

39. The Congolese social security system is based on a commutative conception of social protection, in that it is based on professional solidarity. The basis of the system for salaried workers and civil servants is the contribution of the individuals concerned to society. Social security, which is based on an insurance logic, is primarily intended to provide a replacement income or a supplementary salary. It is therefore a wage guarantee system. This commutative conception of social security partly explains the weakness of its scope. The congo's social security system aims to protect workers and their families, as well as other categories of the population, against the risks and hazards inherent in work and life.

Laws and Policies on Adibasi/Ethnic Minority

40. Indigenous Peoples are culturally distinct societies and communities. The land on which they live and the natural resources on which they depend are inextricably linked to their identities, cultures, livelihoods, as well as their physical and spiritual well-being. They hold vital ancestral knowledge and expertise on how to adapt, mitigate, and reduce risks from climate change and natural disasters. Indigenous peoples are disproportionately vulnerable to the impacts of climate change since they often live in environmentally sensitive ecosystems and frequently depend on surrounding biodiversity for subsistence as well as cultural survival.²

²<http://www.worldbank.org/en/topic/indigenouspeoples>

41. The constitution states in Article 16 stipulate that the law guarantees and ensures the promotion and protection of the rights of indigenous peoples. of Indigenous Peoples The latest General Population Census (RGPH) conducted in 2007 by the National Center for Statistics and Economic Studies (CNSEE), counted the country's IPs and their distribution by department. However, these data are a source of controversy, as the number of IPs counted seems to be much lower than the real number. However, these data are a source of controversy, as the number of IPs recorded seems to be much lower than the real number. However, on this basis, we can affirm that the 43,378 IPs in the Republic of Congo live mainly in the departments of Likouala (31%) Lékoumou (26%), and Sangha (18%). Thus, 76% of these populations are concentrated in three (3) departments: Likouala (13,476), Lékoumou (11,456) and Sangha (7,885). More scattered groups scattered groups also live in the departments of Plateaux, Niari and Pool. We note that that, increasingly, IPs are beginning to settle on the edges of communication routes, and even in the major urban centers: Brazzaville, Pointe-Noire, Dolisie and Ouesso.
42. In Congo, IPs are divided among different groups: the Bambenga in the north of the country with several strains: Baaka, Bakola, Mbendzele in the Likouala; Bangombé, Mikaya, Mbendzele in the Sangha, the Tswa, Babis in the center, and the Babongo in the south. In the Pool area, the areas of Vinza, Kimba, Mayama, Kindamba are inhabited by the Babis. They are also found in Cameroon around Kribi and Lolodorf, where they are called Bagyeli. The Batéké Plateaux in central Congo are inhabited by the Tswa. This name is close to that of the indigenous people of the central Democratic Republic of Congo (DRC), called the Batchua or the Cwa, terms found in the ancient Kuba kingdom, where the Tswa were the first inhabitants.
43. The distribution of IPs in the Republic of Congo indicates a very young population, with 41% of Indigenous Peoples under 15 years of age, while only 5% are over 60 years of age (see Figure 1 below). The average age is 24 years. IPs in Congo have a high fertility rate, but it is equivalent to the fertility rate among IPs in Congo is high but equivalent to the national average, since the fertility rate is 4.6 for IPs and 4.9 for society in general. On the other hand, the gender imbalance in favor of women for the age range of 15 to 39 (56% women in this age group) is one of the causes of seasonal migration of women in search of employment.
44. In the Republic of Congo the indigenous populations are protected by law Law No. 5-2011 of February 25, 2011 on the promotion and protection of indigenous peoples: This law states that indigenous peoples are distinguished from other groups in the national population by their cultural identity, their way of life and their extreme vulnerability. The use of the term pygmy is prohibited. It is considered an offence of insult as provided for and sanctioned by the Penal Code. Indigenous populations, groups and individuals, are free and equal in rights and dignity like all other citizens of the nation. Any form of discrimination against indigenous peoples based on their social origin or indigenous identity is prohibited in accordance with the laws in force.

4.2 Existing Institutional Setup for Addressing Environmental and Social Issues

45. As for the MESD, it is the guarantor of the implementation of the country's environmental policy. It thus has at the national level, the Directorate General for Environment (DGE), who is the main institution responsible for conducting and coordinating the environmental and social assessment process in the country. However, the DGE is facing challenges in terms of institutional capacity

associated with staffing, finances and regulatory requirements.

The Ministry of of Economy and Finance (MoF)

46. The **Ministry of of Economy and Finance (MoF)** is a ministry of Republic of Congo is in charge of the policy initiated by the President of the Republic in the areas of economy and finance. In the matter of public finance, its mission is to study the resources, expenses and accounts of public authorities, and to draw up precise rules governing the financial and accounting actions of public actors (drawing up budgets and accounts, collecting taxes, executing expenditure, controls). In economic matters: carry out impact studies to guide the government's economic policy and participate in monitoring multilateral convergence and the economic and financial reform program of the Central African Economic and Monetary Community (CEMAC). Its main missions are related to: i) legislation on economic, ii) financial and monetary matters; iii) Finance bills; iv) international financial relations; economic and fiscal reforms; development programs with bilateral and multilateral partners; v) State indebtedness; promotion of national and foreign direct investments; vi) economic forecasting studies.

47. The Ministry is composed of 8 General Directions which are the technical bodies that assist the Minister in the exercise of his attributions. These are the following directions:

- Economy,
- Treasury,
- National Financial Institutions,
- Currency and External Financial Relations,
- Control of Public Contracts,
- Taxes and Estates,
- Customs and Indirect Duties,
- Service Revenue and Portfolio.

5 Functional Directions and 3 Cells, directly attached to the Minister's Office, which are in charge of :

The Ministry also has the institutions under its supervision:

- Insurance and Reinsurance of Congo,
- Agency of Regulation and Transfer of Funds,
- Caisse Congolaise d'Amortissement,
- National Center for Economic Information and Management Consulting,
- National Agency for Financial Investigation,
- Congolese Agency for Information Systems.

Ministry of Planning, Statistics and Regional Integration (MPSIR - Republic of Congo)

48. The Minister of Planning, Statistics and Regional Integration, executes the policy of the Nation as defined by the Prime Minister, Head of Government according to the general policy direction declined (expressed / desired) by the President of the Republic in economic and social planning, statistics and regional integration. He is responsible in terms of economic and social planning for:

- undertake prospective studies at the national and sectoral levels for the definition of short, medium and long term development goals;
- prepare project data for inclusion in the state investment budget in accordance with the requirements of development plans or programs;
- identify and determine the location of public investments and development poles;
- negotiate and ensure the implementation and monitoring of development programs with bilateral and multilateral partners;
- monitor the execution of public investment programs and projects, and ensure their control and physical and financial evaluation;
- ensure, jointly with the Minister in charge of Finance, the programming of the disbursements of the investment budget according to the available resources;
- to contribute to the preparation and commitment of capital expenditure of the State budget;
- seek, together with the Minister of Finance, additional resources for the financing of the investment budget;
- strengthen the capacity for studies, research and economic and financial evaluation of public projects;
- to highlight and publicize Congo's investment policy;
- to encourage the participation of donors in the financing of national and community development projects and to ensure their control, monitoring and evaluation;
- develop the national strategy to combat poverty;
- promote training and development of development expertise;
- contribute to the development and implementation of policies aimed at the development of the private economy;
- ensure the inclusion of projects in the investment budget, primarily those that have been the subject of feasibility studies;
- manage the study fund for public investment projects;
- monitor the execution of public investment programs and projects, and ensure their control and physical and financial evaluation;
- design and propose legislation on investment policy;
- participate in the drafting of finance bills, investment component;
- draw up development plans or programs, conduct their implementation and, if necessary, make the necessary adjustments.

The project will be implemented by the Ministry of of Economy and Finance (MoF), Ministry of Budget, Public Accounts and Public Portfolio and Ministry of Economy, Planning, Statistics, and Regional Integration (MEPSRI), However, as each of these ministries do not have an environmental unit/service, the practical experience and expertise in E&S safeguards acquired in the framework of these respective projects have all been lost as they have only benefited the consultants recruited within the PIUs.

As for the MESD, it is the guarantor of the implementation of the country's environmental policy. It thus has, at the national level, the Directorate General for Environment (DGE), who is the main institution responsible for conducting and coordinating the environmental and social assessment process in the country. However, the DGE is facing challenges in terms of institutional capacity associated with staffing, finances and regulatory requirements. DGE has some experience with the implementation of World Bank projects under the environmental and social safeguards.

SECTION V: ASSESSMENT OF COUNTRY ENVIRONMENTAL AND SOCIAL SYSTEM

49. The World Bank’s Policy for PforR Financing requires that all PforR operations to ‘Operate within an adequate legal and regulatory framework to guide environmental and social assessment at the Program level’. Drawing on the information presented in the preceding sections, the analysis presented here assesses the adequacy of the existing policy and regulatory framework against the core principles outlined in the Bank Policy and Procedures for Program for Results Financing (2017).

5.1 Applicability of Core Principles

50. The statement of the six core principles and their applicability is stated below in the table below:

Core Principle	Applicability
<p><i>Core Principle 1: General Principle of Environmental and Social Management</i></p> <p>Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in Program design; (b) avoid, minimize or mitigate against adverse impacts; and (c) promote informed decision-making relating to a program’s environmental and social effects.</p> <p>Program procedures will:</p> <ul style="list-style-type: none"> • Operate within an adequate legal and regulatory framework to guide environmental and social impact assessments at the program level. • Incorporate recognized elements of environmental and social assessment good practice, including (a) early screening of potential effects; (b) consideration of strategic, technical, and site alternatives (including the “no action” alternative); (c) explicit assessment of potential induced, cumulative, and trans-boundary impacts; (d) identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized; (e) clear articulation of institutional responsibilities and resources to support implementation of plans; and (f) responsiveness and accountability through stakeholder consultation, timely dissemination of program information, and responsive grievance redress measures. 	<p>Core Principle 1 is applicable for the for the program. DLI2 is aimed at increasing the capacity of BMC to address environmental considerations which is a step towards promoting environmental sustainability in future program design. The program itself will not require any environmental assessment (since there are no physical infrastructures) but it may encourage the recognized elements of environmental assessment good practice in future projects.</p> <p>With regards to social risk mitigation, the program would affect the whole nation including the rural society where women, children, the elderly, VG and the IP/TP communities live. The Bank’s SPFMS will fully comply with Core Principle 1. This along with other measures would benefit the people at large through the effective implementation of the Program.</p>
<p><i>Core Principle 2: Natural Habitats and Physical Cultural Resources</i></p>	<p>The proposed program will not impact on natural habitats of aquatic flora and fauna. Therefore,</p>

Core Principle	Applicability
<p>Environmental and social management procedures and processes are designed to avoid, minimize and mitigate against adverse effects on natural habitats and physical cultural resources resulting from program.</p>	<p>core principle 2 will not be applicable</p>
<p><i>Core Principle 3: Public and Worker Safety</i> Environmental and social management procedures and processes are designed to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program; (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials; and (c) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.</p>	<p>The Program will not adversely affect public and worker safety during the execution of the program. Therefore, core principle 3 will not be applicable.</p>
<p><i>Core Principle 4: Land Acquisition</i> Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards.</p>	<p>The program will not involve any form of land acquisition. Therefore, core principle 4 will not be applicable.</p>
<p><i>Core Principle 5: Indigenous People and Vulnerable Communities</i> Due consideration is given to cultural appropriateness of, and equitable access to, program benefits giving special attention to rights and interests of tribal people and to the needs or concerns of vulnerable groups.</p> <ul style="list-style-type: none"> • Undertakes free, prior, and informed consultation of tribal people those who are potentially affected (positively or negatively) to determine whether there is broad community support for the program. • Ensures that tribal people can participate in devising opportunities to benefit from exploitation of customary resources or tribal knowledge, the latter (tribal knowledge) to include the consent of the small ethnic and vulnerable community (tribal people). <p>Gives attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled, women and children, the elderly, or marginalized ethnic groups. If necessary, special measures are taken to promote equitable access to program benefits.</p>	<p>There is no adverse effect due to the execution of the program on Indigenous Peoples (IP). Rather it would improve their culture and way of life, including present livelihood activities.</p>
<p><i>Core Principle 6: Social Conflict</i></p>	<p>Not applicable as no ‘social Conflict’ is envisaged.</p>

5.2 Assessment of Existing Policy and Legal Framework vis-à-vis PforR Principles

51. The ROC's legal policy framework on environment and social impact management consists of a set of national policies, acts, strategies, directives, guidelines and management frameworks. The existing government policy and legal framework on the management of social and environmental impacts generally reflects, to various extents, the following general principles of PforR Policy and Procedures:

- Avoid, minimize or mitigate against adverse impacts
- Promote environmental and social sustainability in program design
- Promote informed decision-making relating to a program's environmental and social effects;

52. Two of the main objectives of the ROC Environment Policy 1991 are to maintain ecological balance and overall development through protection and improvement of the environment and ensure environmentally sound development in all sectors. This has been done through establishment of dedicated institutions and regulatory framework, framing new laws and amending old laws in order to establish environmental and social management process and procedures to make the environmental assessment transparent and effective for the mitigation of the adverse effects of development on the natural and social resource base. The ECA 1995 and ECR 1997 are the umbrella environmental act and rules respectively in the country for the protection of natural environment. The ECA and ECR encompass most of the key principles defined in OP/BP 9.0. They provide guidance and directions for avoiding, minimizing or mitigating potential adverse impacts on natural resources and important natural habitats. The ECR has provisions for declaring ecologically critical areas to restrict development activities and applying polluter's pay principle to charge compensation to polluting industries – all for the protection of natural environment. Laws related to forest and fisheries protection, wildlife conservation, protection of antiquities are adequate for the preservation of natural habitats of fish species and protection of physical cultural resources. The DoE guidelines for Industries (1997), the sectoral development EA guidelines etc. also address the general principles of PforR Policy and Procedures.

53. ROC has adequate regulatory framework against the principles of PforR to guide social impact assessments at the program level. The constitutional obligations are the primary laws that transcends onto other relevant laws/regulations of different ministries/agencies incorporating social assessment good practices that includes early screening of potential effects, consideration for site alternatives including the 'no action' alternative, identification of measures to mitigate social impacts that cannot be avoided and/or minimized. There exist relevant laws concerning land acquisition, compensation to displaced persons for land, properties, crop damage, loss of business etc. including supplementary livelihood improvement owing to the execution of a program (see section 4.1.2). Relevant execution agency (FD) has basic institutional structure to support and implement the programs though at places paucity of adequate qualified manpower is prevalent owing to number of projects under GoB and assisted by IDA. There is honest effort of responsiveness and accountability through stakeholder consultation from the inception of the program.

5.3 Assessment of the Country Environmental and Social Management System

54. ROC's environmental management systems consist of national legal policies and sector guidelines that are broadly consistent with World Bank Policy and Procedures on Program for Results Financing

(PforR Policy). However, since this is a service delivery program and no physical infrastructure development is involved, it will not trigger the environmental management system of the country.

55. Existing social management systems that apply to the program includes constitutional compulsions, various national policies and specific sector guidelines that are generally consistent with World Bank PforR Policy. It is to be noted that through the proposed program, FD is allotting revenue budget to various ministries/departments for various projects. However, Monitoring and evaluation will be carried out by OC&AG, IMED and the third party of the implemented projects to ensure that these do not adversely affect the environment and the society that include the vulnerable, the poor, disabled, women, the elderly and the indigenous people at large.

5.3.1 Environmental Elements

56. While allocating revenue budget to various ministries/ departments for various projects, DLI2 indicates that the environmental considerations of the projects will be given increased importance. This will be instrumental in promoting environmental sustainability in future project design by giving the departments/ministries a clear message that environmental elements within the project need to be highlighted while submitting proposals.

5.3.2 Social Elements

57. Program planning and implementation for equitable benefits/special measures for vulnerable /disadvantaged groups: As the program involves *Strengthening PFM Program to Enable Service Delivery*, it will benefit all including the vulnerable and disadvantaged groups including women, elderly, disabled and the IP.

SECTION VI: OPERATIONAL PERFORMANCE AND INSTITUTIONAL CAPACITY ASSESSMENT

58. From the discussion in the preceding sections, it is evident that the GoB's policy and legal framework are broadly aligned with the core principles of World Bank Policy and Procedures on Program for Results Financing. The existing institutional capacity in achieving the environmental and social objectives of the program are discussed below. The information obtained below are from review of documents and discussion with department/ministry officials.

6.1 Management of environmental impacts at the operational level

59. FD as an implementing agency is familiar with WB-financed projects including SPEMP, and SPEMP – A. There is no permanent environment management department/unit in the FD with dedicated manpower with specific expertise to conduct environmental mitigation monitoring. Most of these issues can be addressed by adopting either of the recommendations under 'Strengthen institutional capacity for safeguards management' at paragraph 85 below.

6.2 Management of Social Impacts in '*ROC Strengthening PFM Program to Enable Service Delivery (P167491)*' Program

60. Through its sustained involvement with IDA/WB under projects namely SPEMP, and SPEMP – A, FD is familiar with working with IDA/WB and other development partners. It is evident from the discussion in the preceding sections that the operational performance of FD is broadly aligned with the core principles of PforR.

61. **Grievance resolution.** The project will develop a GRM that will capitalize on the GRMs developed at the level of the projects under the Ministry of Planning.

SECTION VII: RECOMMENDED MEASURES TO STRENGTHEN SYSTEMS PERFORMANCE

7.1 Strengthen Environmental and Social System Performance

62. The environmental and social systems assessment presented in preceding sections confirmed the compatibility of the systems underpinning the FD program with respect to the Core principles of environmental and social management for PforR investment. In order to strengthening the E&S sustainability of the program, the ESSA recommends recruiting dedicated environmental and social expert (s) for the duration of the program to oversee activities/projects of the implementing ministries that have potential to adversely affect environmental and social adverse implications in the context of the implementation of the program .
63. The recommendation is incorporated in the Program Action Plan (PAP) and has been agreed with the borrower.
64. Recommended measures to strengthen system performance for environmental and social management

Objectives and issues	Measures for strengthening systems performance
Environment and Social Management Instruments	MoF/MoB/MoP is involved with the allotment of Revenue Fund to recipient ministries and do not implement projects in the field. As such MoF/MoB/MoP need not develop any ‘Environment and Social Management Framework (ESMF)’ for the proposed project to address the social and environmental risks.
Strengthen institutional capacity for safeguards management	<p>FD does not need a separate environmental and social unit for overseeing the implementation of recipient ministries programs affecting social and environmental issues.</p> <p>For the current program,it is necessary for FD or IMED to recruit dedicated environmental and social expert (s) for the program tenure to oversee activities/projects of the implementing ministries that has potential to adversely affect environment and the society at large. The borrower agreed with the suggestion and will allocate appropriate fund in the project for this purpose.</p>
Capacity building and training	<p>The project will be implemented by the Ministry of of Economy and Finance (MoF), Ministry of Budget, Public Accounts and Public Portfolio and Ministry of Economy, Planning, Statistics, and Regional Integration (MEPSRI), However, as each of these ministries do not have an environmental unit/service, the practical experience and expertise in E&S safeguards acquired in the framework of these respective projects have all been lost as they have only benefited the consultants recruited within the PIUs.</p> <p>As for the MESD, it is the guarantor of the implementation of the country's environmental policy. It thus has, at the national level, the Directorate General for Environment (DGE), who is the main institution responsible for</p>

	<p>conducting and coordinating the environmental and social assessment process in the country. However, the DGE is facing challenges in terms of institutional capacity associated with staffing, finances and regulatory requirements. DGE has some experience with the implementation of World Bank projects under the environmental and social safeguards.</p> <p>FD will incorporate specific training for the deputed staffs from the recipient ministries on environmental and social management at the SPFMS implementation level.</p>
Inter-ministerial liaison and cooperation	<p>FD should maintain an effective working relationship with IMED under ministry of Planning that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the appropriate tool/ ESMF to address the adverse effects, if any.</p> <p>Effective GRM is another very important issue that the implementing ministries must put in place.</p>

7.2 Program Action Plans

65. The following are the social actions identified for the Program Action Plan:

- FD will recruit required Social Safeguard Consultants suiting its needs. This could be planned for the program tenure only.
- FD will maintain an effective working relationship with IMED that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the right tools to address the adverse effects, if any. Effective GRM is another very important issue that the implementing ministries must put in place.
- FD will allocate resources for capacity building/training of its staff for implementing the program.

7.3 The Grievance Redress Mechanism (GRM)

ROC encourages free flow of and people right to information. The right to information shall ensure that transparency and accountability in all public, autonomous and statutory organizations and in private organizations run on government or foreign funding shall increase, corruption shall decrease, and good governance shall be established. The project will establish and implement a Grievance Redress Mechanism (GRM) (including a channel to receive SH/SEA complaints following a survivor centric approach), which shall be detailed, to receive Project related concerns and grievances, with socio-culturally appropriate and accessible mechanisms for rural communities. Complaint management committees will be established to manage complaints.

66. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR Program, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank’s independent

Inspection Panel, which determines whether harm occurred, or could occur, as a result of the World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.