



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 17-Feb-2022 | Report No: PIDA31379

**BASIC INFORMATION****A. Basic Project Data**

Country Congo, Democratic Republic of	Project ID P173506	Project Name Access Governance & Reform for the Electricity and Water (Eau) sectors	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 09-Feb-2022	Estimated Board Date 31-Mar-2022	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) DEMOCRATIC REPUBLIC OF CONGO	Implementing Agency Ministère des Ressources Hydrauliques et de l'Electricité (MHRE)	

Proposed Development Objective(s)

The development objective of the project is to (i) expand access to renewable-based electricity and drinking water services in selected urban and peri-urban areas, (ii) improve the commercial performance of the electricity and water utilities, and (iii) strengthen the capacity of selected provincial and national institutions in the electricity and water sectors.

Components

Component 1: Power and Water Utility Governance and Performance
 Component 2: Institutional Strengthening and Investment Development
 Component 3: Private Sector-based Access Expansion
 Component 4: Public Sector-based Access Expansion with Private Sector Involvement
 Component 5: Contingent Emergency Response Component

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

Total Project Cost	944.00
Total Financing	944.00
of which IBRD/IDA	600.00
Financing Gap	0.00

DETAILS



Private Sector Investors/Shareholders

Equity	Amount	Debt	Amount
Government Contribution	610.00	IFI Debt	160.00
Government Resources	10.00	IFC A Loans	51.50
IDA (Credit/Grant)	600.00	Other IFIs	108.50
Non-Government Contributions	134.00	Commercial Debt	40.00
Private Sector Equity	100.00	Guaranteed	40.00
Trust Funds	34.00		
Total	744.00		200.00

Payment/Security Guarantee

Total	0.00
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Environmental and Social Risk Classification

High

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The Democratic Republic of Congo (DRC), the largest and third most populous country in Sub-Saharan Africa, is rich in natural resources.** With a total surface area of about 234 million hectares, DRC’s size is equivalent to that of Western Europe, and is divided into 26 provinces. The population is estimated at 89.6¹ million inhabitants (though estimates go as high as 116 million²), with about 46 percent living in urban areas³. The country has vast natural resources, including the world’s third largest hydropower potential, the world’s second largest tropical forest area, mineral endowments that are the richest and most diverse in the world, and more than half of all freshwater resources in Sub Saharan Africa (SSA)⁴.

¹ World Bank (March 2021): MPO (estimate, the latest census took place in 1984).

² National Deployment and Vaccination Plan, Ministry of Health, 2021.

³ World Bank (2020): www.data.worldbank.org

⁴ Natural Resources Governance Institute (NRGO) 2015. *Country Strategy Note: Democratic Republic of Congo*.



2. **Yet poverty remains widespread and pervasive, with the number of poor increasing.** DRC is one of the world's poorest countries, with a per capita gross domestic product (GDP) of US\$545,⁵ almost a third of the SSA average (US\$1,499). While the poverty rate declined from 94.3 to 77.2 percent between 2005 and 2012 (international poverty rate at \$1.90), projections put poverty at 73.3 percent (2020), an increase of 0.7 percentage points compared to 2019.⁶ Furthermore, due to high population growth and subdued economic growth, the number of poor in DRC is increasing by about 1.5 million people every year. Poverty rates and the number of poor vary significantly across provinces, with the highest poverty rates in the central and northwestern provinces, largely covered by forests, while the highest number of poor are found in Kinshasa, Kwilu, Nord Kivu, Sud Kivu, and Grand Kasai region (Lomami, Sankuru, Kasai Central, Kasai Oriental, Kasai). These areas are also most affected by past or ongoing conflict, or risk of conflict. DRC's Human Development Index (HDI) ranks 175 out of 189 countries and territories (2019), while the 2020 Human Capital Index (HCI) score was 0.37, which is below the average in SSA. Food insecurity and malnutrition are widespread: more than 40 percent, or about 5.6 million children under the age of five, are stunted and 23 percent of children are underweight⁷.

Conflict and violence continue, particularly in DRC's part of the Great Lakes Region of Africa⁸ and lead to persistent fragility. Over the past decade, continuing violence has affected nearly 40 million Congolese.⁹ Women and girls are especially affected as widespread conflict-related sexual violence compounds other forms of Gender Based Violence (GBV). Enduring political instability and cycles of conflict have led to weak governance and institutions, hampering reform implementation, service delivery, and private sector growth. The three main themes driving fragility and conflict identified in the World Bank's Risk and Resilience Assessment (RRA) include (i) elite capture and resource extraction perpetuating a nonresponsive system of governance and a poorly redistributive economy; (ii) an increasingly younger population lacking prospects for social mobility due to trauma and exclusion; and (iii) the interaction between local, regional and international conflict systems based on the competition for access to land, minerals, and other natural resources. Risks for conflict and violence vary considerably between the geographical zones of the country in which the project will be active. Eastern DRC continues to be marked by a volatile security situation and the presence of foreign armed groups, yet it also benefits from economic ties to neighboring countries for enormous growth potential. Even though tensions have abated in the Kasais which experienced an intense phase of conflict half a decade ago, the region has seen only limited development with underlying conflict drivers such as access to land remaining unresolved. Finally, the capital city of Kinshasa is set on a path of rapid urban growth, where job opportunities are not keeping pace with an increasingly younger population in search of social mobility.

3. **Congolese women suffer from significant gender inequalities.** DRC is ranked 149 out of 153 countries on the Global Gender Gap Index¹⁰ and 175 out of 189 countries in the 2020 Gender Inequality Index. Gender gaps exist across all pillars mentioned in the WBG Gender Strategy¹¹: i) human endowments (access to basic services, health outcomes); ii) economic opportunities and jobs; iii) asset control and ownership (business ownership, finance); and iv) voice and agency (decision making bodies). Women have less access to the education system,

⁵ World Bank (2020): www.data.worldbank.org

⁶ World Bank, 2021: *Macro Poverty Outlook, Spring Meetings*, April 2021.

⁷ Demographic and Health Survey (DHS) 2014

⁸ Countries include Burundi, DRC, Rwanda, and Uganda.

⁹ OCHA data (2021)

¹⁰ http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

¹¹ World Bank Group Gender Strategy 2016-2023. World Bank, Washington DC.



graduating four times less frequently than men¹² and 61.5 percent of female-headed households live under the poverty line¹³. As a result, women are less involved in the labor market and are also less likely to have skilled jobs, only accounting for 24 percent of professional and technical workers¹⁴. In addition, women suffer from high rates of GBV. More than half of all women in DRC have experienced physical violence since the age of fifteen (52 percent), and 27 percent of women reported they had been victim to physical violence over the past 12 months¹⁵, most often by family member, but also by teachers, police, soldiers, and/or armed groups.

4. The poor state of infrastructure represents a major constraint to sustainable and inclusive growth and service delivery. Despite some improvements, the country ranks at the bottom in almost all measures of infrastructure coverage, even by SSA standards. Gaps are particularly large in road transport, internet connectivity, electricity supply, and access to water supply and sanitation services (WSS). In a country of 2.345 million km², there are only 58,129 km of national roads, of which 5 percent are paved. The internet penetration rate is only 1.7 users per 100 inhabitants. These major infrastructure gaps, combined with poor governance, have led to geographic isolation and socio-economic inequalities across provinces, as well as between urban and rural areas. They also represent a major barrier to doing business and add significant costs to any large infrastructure project.

5. Climate change poses a serious threat to the country's weak infrastructure and livelihoods. DRC has a high risk of urban floods and wildfires¹⁶. With the continued effects of climate change, long-term forecasts show more intense and more frequent rainfall and an increase in daily mean temperature of 1.5-2.5°C warming by 2050. This would lead to more frequent flooding, increased erosion, and prolonged dry spells. Climate change impacts and vulnerabilities already pose significant challenges and risks in key sectors such as agriculture, water resources, electricity, transport, and human health. This compounds existing risks from conflict and violence. The cost of disruption due to natural shocks to the power sector was estimated at 1.9 percent of GDP in 2019.¹⁷

Sectoral and Institutional Context

6. Despite huge potential, the energy, water supply, and sanitation (WSS) sectors are characterized by low access, weak regulatory and implementing institutions, and limited sector investment and financing.
Electricity Sector Challenges

7. Electricity access in DRC is low with significant disparities across provinces. Only 19 percent of the population has access to electricity services from grid or off-grid providers¹⁸, below the 42 percent SSA average. Government estimates for on-grid access from the vertically integrated state-owned utility (*Société Nationale d'Electricité* - SNEL) is a mere 10 percent. The low overall access rate means DRC has the second largest population in the world without electricity access. Kinshasa stands out with an access rate around 44 percent,

¹² <https://databank.worldbank.org/source/world-development-indicators>

¹³ https://www.jica.go.jp/english/our_work/thematic_issues/gender/background/c8h0vm0000anjqj6-att/drc_2017.pdf

¹⁴ World Economic Forum (WEF). 2020. Global Gender Gap Index.

¹⁵ Government of DRC (2014). Demographic and Health Survey (DHS).

¹⁶ <https://thinkhazard.org/en/report/68-democratic-republic-of-congo>

¹⁷ Hallegatte, S, et al. 2019 Lifelines: The Resilient Infrastructure Opportunity. Sustainable Infrastructure; Washington, DC: World Bank

¹⁸ IEA, IRENA, UNSD, World Bank, WHO. 2021. Tracking SDG 7: The Energy Progress Report. World Bank, Washington DC.



followed by Haut Katanga, Kongo Central, and Sud Kivu province with access rates between 10 and 30 percent. The remaining 22 provinces have an access rate below 5 percent. Electricity service remains unreliable, with daily load shedding in most areas of Kinshasa. Under a business-as-usual scenario, around 84 million people - 80 percent of the population - will still live without access to electricity in 2030.

Table 1: Key Electricity and Water Sector Indicators¹⁹

	Electricity	Water
Access rate	19%	34% ²⁰
Installed production capacity	2,600 MW	1,168,500 m ³ /day
Collection rate (households)	51%	70%
Average tariff to households – National utilities	9 US\$ cents/kWh	41 US\$ cents/m ³
Average prices to households – Private operators	~25 US\$ cents/kWh in Goma; ~33 in Butembo, and ~50 in Tshikapa	~1.1 – 2.0 US\$/m ³
Number of billed customers from national utilities	778,171	~ 600,000
Number of major private network/grid operators	5	2
Legal Framework	2014 Electricity Law	2015 Water Law
Estimated Government’s bills arrears to utilities	US\$ 110 million	US\$ 176 million

8. Due to its poor financial health, operational inefficiencies, and persistent governance issues, SNEL has not been able to provide reliable service and increase access to services. SNEL is operating with tariffs below cost-recovery, disadvantageous power sale agreements with mining industries (its highest revenue customer segment but also source of debt), significant payment arrears from the government estimated at about US\$110 million as of March 2020, low bill collection (51 percent from low voltage (LV) customers), high distribution losses (about 40 percent in 2019), and significant accumulated debt (close to US\$ 2 billion). While SNEL lost its monopoly status, it remains the largest operator, owning 90 percent of the installed power capacity and supplying areas of several large cities through the Western-Southern grid, the Eastern interconnected grid, five hydro-powered decentralized grids and several small thermal-powered grids (< 1 MW on average, many not operational). Vast portions of the distribution network are dilapidated and below technical standards. In Kinshasa, many segments of the grid date back to the 1960s with limited maintenance and expansion. This results in safety issues (about 60 deaths from electrocution/year) and unelectrified peri-urban pockets.

9. Though evolving, private sector involvement in access expansion remains limited and constrained by a context of fragility, high country risk, an incomplete regulatory framework, and limited commercial financing. The gap in financing for Small- and Medium Enterprises (SMEs) in the DRC is estimated at US\$ 9.3 billion (95 percent of the total SME finance market size)²¹. Developers face high credit costs with an interest rate of commercial banks of 26.9 percent on domestic and 17.3 percent on foreign currency loans (2019). There are five major private mini-grid operators, for a total under 30 MW of installed capacity, supplying cities in four provinces: Nord Kivu, Sud Kivu, Kasai, and Maniema. Moreover, there is a thriving off-grid solar (OGS) market with 17 companies operating in the DRC market, both Congolese and international. The OGS segment is a growth market due DRC’s large unserved and dispersed population.

¹⁹ Equivalent information is not available on sanitation services due to weak monitoring and limited access

²⁰ This refers to national improved access through piped services, meaning both yard connections and tapstands (34 percent). National improved piped access available on premises is lower at 25 percent (MICS, 2018) and (UNICEF/WHO Joint Monitoring Program, 2021; www.washdata.org/households)

²¹ www.smefinanceforum.org



10. **The large scale of the DRC’s decentralized electrification sector will drive competition, as market sounding reveal strong private sector interest.** Despite the challenging investment climate, mini-grids and off-grid are emerging as a private sector-led solution to provide reliable access to unserved or underserved populations and cities. There is ample potential for competition from developers and operators in the mini-grid sector, where costs can be driven down through economies of scale. Market sounding has revealed strong private sector appetite driven by the very large scale of the market, relatively high payment capacity, a dynamic entrepreneurial environment, and conducive existing regulations (even if incomplete). On regulatory risk, regulation by contract emerges as the solution that private sector investors, as improvements to the legal and regulatory framework help reduce transaction costs in the medium to long run,

11. **The COVID-19 pandemic has worsened SNEL’s already precarious financial situation and negatively impacts private mini-grid operators and OGS companies.** The GoDR’s decision to exempt payment for SNEL’s LV customers in March-April 2020, represented an estimated revenue shortfall of US\$34 million, without government compensation for the measure. Lock-downs and a global economic recession slowed down commercial and industrial activities, leading to lower revenues from SNEL’s medium voltage (MV) and high voltage (HV) customers (mining enterprises and large businesses present over half of SNEL’s revenues). This cash flow reduction forced SNEL to incur penalties, contract short term debt, and curb needed expenditures. Private mini-grid operators and OGS companies also experienced lower revenues as well as supply chain disruptions resulting in product shortages.

Water and Sanitation Sector challenges

12. **Access to safely managed water supply in urban areas has slightly increased from 35 to 40 percent over the period 2010-2020.** Over the same period, national access to safely managed water services increased from 14 to 19 percent, influenced by the low rates in rural areas²². In urban areas, access to piped water²³ - not necessarily on premises -merely slightly from 63 to 67 percent over 2010-2020. This slow progress is due to the high urban population growth, coupled with deteriorating and obsolete networks and low investments. In 2018, access to a basic water service was 36.2 percent for Nord Kivu province (including the towns of Goma, Butembo, Beni) and 8.5 percent for Kasai Central (including the town of Kananga). For piped water services, access rates are lower at 34.5 and 1.2 percent, respectively. There is a high reliance on water points/tapstands with more than 30 minutes return trip in these provinces explaining these low access figures.²⁴ This reality illustrates the large gap to achieve the government’s ambitious targets of reaching 80 percent access to basic water supply by 2030.²⁵ Moreover, service quality and access are constrained by unreliable electricity services, as well as by affordability constraints of the very poor to pay for household connections.²⁶

²² WHO/UNICEF JMP (2021). Basic water is defined as access to an improved water source (handpump, tube well, standpipe, protected dug well or spring) within 30 minutes return trip distance. Safely managed water supply is a much higher level of services, defined by three criteria: i) access on premises, ii) reliably available when needed, and iii) free of contamination. Access to piped water refers to the facility (often on premises) but does not include dimensions of reliability and water quality. At least basic access thus encompasses safely managed and basic water access. www.washdata.org

²³ This includes piped access on premises (yard connections) and piped tapstands (water kiosks).

²⁴ JMP (2021) Equality file; provincial data include rural and urban areas and are based on MICS (2018).

²⁵ Targets are expressed in the National Program for Water, Sanitation and Hygiene (PNHEA, 2016)

²⁶ Access to basic water supply in the poorest national quintile is 18 percent versus 93 in the richest quintile; in urban areas, access to basic services is three times more likely among the richest (97 percent) as the poorest (34 percent) (JMP, 2021)



13. **REGIDESO, the national public water service provider across DRC is struggling to expand water supply.** Since the 1990s, the operational performance of REGIDESO has declined considerably due to war, continued conflict and insecurity, lack of investments and maintenance. Nearly 40 percent of water produced is not accounted for, including physical and administrative losses. The quality of water service provision suffers from insufficient public financial resources allocated to the sector. Between 2010 and 2015, only around US\$280 million was invested in REGIDESO's activities in the urban sector, with about 1 percent coming from the government. This is far below needed investment levels, which were estimated at over US\$1 billion to reach government targets²⁷. In the urban water sector, limited funding, a focus on a few major cities, and the inaction thus far in the long-awaited restructuring of REGIDESO, are the most pressing institutional problems. REGIDESO's strategy to finance service expansion through income surpluses generated in a few big cities has not worked. Rather, it led to a bias against expansion to marginal peri-urban areas and smaller towns.

14. **REGIDESO operations in Kasai Central and Nord Kivu, target provinces under the project, depict several operational challenges.** In Kasai Central, REGIDESO-Kananga, a branch of the company, operates the water systems, neither with the ability to adequately maintain the assets, nor to expand services. The Kananga water treatment plant is in urgent need of rehabilitation and runs at less than 10 percent of its capacity (design capacity of 40,000 m³/day). Less than 10 percent of Kananga's population has access to water supply service. REGIDESO-Kananga has about 330 customer accounts, a catastrophic decline considering its 17,200 customers in the 1980s. It is now grossly overstaffed (1 staff for every 8 customers) and has an obsolete distribution system. In the absence of a reliable power supply for pumping, the use of fossil fuels weighs heavily on REGIDESO's operating costs. In Nord Kivu province, the provincial government has facilitated the involvement of the private sector in water supply, with support of development and humanitarian partners. There are two private water supply operators in Goma (Congo Maji SA and Yme Jibu) and several local water operators in Butembo, either private sector or not-for-profit water user associations²⁸.

15. **Access to basic sanitation has not kept up with population growth and declined from 20 to 15 percent at national level, and from 23 to 21 percent in urban areas during 2010-2020.** In 2020, safely managed sanitation rates were estimated at 15 percent in urban areas²⁹. While open defecation in urban areas is not common (3 percent), over one third of urban dwellers have a limited sanitation service (shared with other households) and the majority use unimproved sanitation facilities (43 percent). In urban areas, one in five people use septic tanks, of varying quality, and less than 1 percent is connected to a sewage network (2020). In Kasai Central and Nord Kivu provinces, access to improved sanitation was estimated at 10.4 and 18.1 percent respectively, and basic sanitation even lower at 4.0 and 13.9 percent (2018). Due to the absence of treatment facilities in these provinces, pit/tank content is mostly buried *in situ* after emptying, posing great public health risks.³⁰ In this context, the government's target of 70 percent basic sanitation access by 2030 seems overly ambitious, even if below the universal access target of the Sustainable Development Goals (SDGs).

²⁷ Targets and estimates derived from PNHEA, 2016.

²⁸ Since 2019, Yme Jibu supplies drinking water from Lake Kivu to a selected area in Goma through a 25-year service delegation contract with the city of Goma. Congo Maji SA signed a sub-contract with REGIDESO in 2018 to operate and maintain a cluster of standpipes and associated billing services.

²⁹ JMP (2021). Basic sanitation means access to an improved sanitation facility that separates excreta from human contact and is not shared with other households. A limited sanitation service means that improved sanitation is shared among households, and an unimproved service means that the facility is not separating excreta from human contact (e.g., latrines without slab, hanging/bucket latrines). Safely managed sanitation access means an improved sanitation facility, where excreta produced should either be treated and disposed off in situ, stored and then emptied and treated off-site, or transported through a sewer system and treated off-site.

³⁰ See JMP (2021) www.washdata.org. Based on country and inequalities file, using MICS (2018)



16. **The sanitation sub-sector suffers from underinvestment, institutional fragmentation, and poorly assigned mandates across the sanitation service chain (containment, emptying, transport and treatment of wastewater and/or fecal sludge).** IA draft decree linked to the 2015 Water Law attempts to clarify the fragmented responsibilities for urban sanitation. The government intends to develop a Sanitation Law to clearly assign competencies for all aspects of service delivery. At present, municipalities are left responsible for sanitation as well as stormwater drainage. However, treatment infrastructure, most households rely on latrines and/or septic tanks, without safe emptying and treatment. Informal private operators empty septic tanks/pit latrines with unsafe dumping practices. Without oversight, adequate infrastructure and equipment, this practice poses significant health risks for sanitation workers and households. Additionally, private sanitation operators lack access to business development and financing services to invest in professionalization. Institutional reform for urban sanitation, capacity development and learning from fecal sludge management (FSM) pilots will be critical to improve the performance of the sub-sector.

Government Responses and Reform

17. **The Ministry of Water Resources and Electricity (*Ministère des Ressources Hydrauliques et Electricité, MRHE*) is the key government institution for the water supply and energy sectors, whereas the Ministry of Environment and Sustainable Development (*Ministère de l'Environnement et Développement Durable, MoEDD*) oversees the sanitation sector.** The MRHE is responsible for developing energy and water sector policies, planning access scale up, and overseeing program implementation. MRHE's permanent secretariat (*Secretariat Général*) consists of electricity and water departments but suffers from weak capacity. To strengthen project implementation oversight and coordination, in 2015, the MRHE established a Project Implementation Unit (PIU), the UCM (*Unité de Coordination et de Management des Projets du Ministère*), dedicated to managing all donor-financed energy projects, including the IDA-financed Electricity Access and Service Expansion Project (EASE - P156208), the IDA-financed energy component of the Kinshasa Development and Urban Resilience Project (Kin Elenda- P171141), the African Development Bank (AfDB)-financed Governance and Electricity Access Project (PAGASE) and the *Kreditanstalt für Wiederaufbau* (KfW)-financed Mini-Hydro Power Plant Development Project (ProHydro). For the water sector, the PIU *Cellule d'Exécution des Projets* (CEP-O) was transferred on February 15, 2022 from REGIDESO to the MRHE. CEP-O is implementing the IDA-financed Urban Water Supply Project (*Projet d'alimentation en Eau potable en Milieu Urbain* (PEMU-PO91092) and part of the Kin Elenda Project

18. **Water and electricity sector planning improved aiming to mobilize increased investments to the sectors.** Prefeasibility studies to electrify 21 provincial capitals were completed and a national electrification plan with investment prospectuses is in preparation. This plan forms the basis for the National Mini-Grid Electrification Program that includes both top-down and bottom-up private sector investment approaches, and that will be supported through this project. Masterplans to increase water production and supply have been developed for several cities. In 2016, the GoDRC, through several ministries, developed a national framework program for Water Supply, Sanitation and Hygiene (*Programme National Eau-Hygiène-Assainissement*, PNEHA) that outlines strategic investment directions and that was updated in 2021. Sanitation programming falls under the mandate of the MoEDD, specifically the Department of Sanitation (*Département d'Assainissement*, DAS), while the Ministry of Health (*Ministère de la Santé*, MoH) is responsible for hygiene promotion and on-site sanitation in rural areas.

19. **The government has taken initial steps to improve the energy legal framework and enable private sector**



involvement but more needs to be done. In 2014, the GoDRC approved a new Electricity Law to make the power sector an effective driver of economic growth. The law removed SNEL's monopoly status, promotes public-private partnerships (PPP), delegates some authority to provincial governments, and called for the creation of an electricity sector regulator (*Autorité de Régulation de l'Électricité*, ARE) and a rural and peri-urban electrification agency (*Agence Nationale d'Électrification et des Services Énergétiques en milieux Rural et péri-urbain*, ANSER). However, implementation of institutional reforms promoted by the Electricity Law is slow. While Prime Ministry decrees creating ARE and ANSER were issued in April 2016, ARE and ANSER management was only appointed in August 2020. Both agencies still lack critical financial and human resources to fulfill their mandates. Meanwhile provincial governments' understanding of the Electricity Law and its secondary legislation remains limited and PPP development capacity is weak. The development of Provincial Infrastructure Units (*Regies Provinciales d'Infrastructure*) responsible for planning and managing investments and overseeing public service delegation contracts is critical for the reforms to be successful.

20. The implementation of key institutional reforms in the 2015 Water Law remains incomplete. The 2015 Water Law, promulgated in 2016, establishes the legal framework for decentralization by delegating service authority and decision making for water supply services to the provinces. The law determines that - once REGIDESO public water supply assets have been transferred to them - provincial authorities can enter into public service delegation contracts with REGIDESO, future REGIDESO provincial or regional subsidiaries, or private operators. The law called for the creation of: (i) a water supply regulatory agency (*Autorité de Régulation du Service Public de l'Eau*, ARSPE), (ii) a national water resources management agency (*Office Congolais de l'Eau*, OCE); and (iii) water supply offices under the *Regies Provinciales d'Infrastructure* to oversee the delegation contracts³¹. In November 2021, the Council of Ministers approved decrees establishing ARSPE and OCE, which are awaiting Prime Minister approval and publication, followed by the appointment of General Managers. Once ARSPE is operational, several regulations need to be developed (e.g., on tariff setting). Some provinces, supported by development partners, have made initial steps to establish *Regies Provinciales d'Infrastructure*. The envisaged Sanitation Law will strengthen the regulatory framework and assign the roles at the level of provinces and decentralized territorial entities (*Entités Territoriales Décentralisées*, ETD).

21. The Government took recent actions to facilitate commercial financing to SMEs by setting up a guarantee fund. To expand financing for Congolese startups, small, and medium enterprises a 2020 Prime Ministerial decree established the Entrepreneurship Guarantee Fund (*Fonds de Garantie de l'Entrepreneuriat au Congo*, FOGEC). FOGEC is charged with mobilizing financial resources and making them available to an approved fund manager that will manage partial portfolio credit guarantees (PPCG). The IDA-financed SME Development and Growth project³² is expected to establish a PPCG Fund (PPCGF) that will provide guarantees to eligible loans from participating commercial banks on a portfolio basis. The PPCGF is expected, upon validation of demand assessment, to open a dedicated energy and water window, presenting opportunities to mobilize commercial financing for the energy and water markets.

22. The Ministry of Portfolio (*Ministère du Portefeuille* (MP)) oversees the reform of state-owned enterprises (SOEs), including for SNEL and REGIDESO, though with mixed results. In 2002, the MP set up a dedicated technical agency COPIREP (*Comité de Pilotage de la Réforme des Entreprises du Portefeuille*) to design, implement, and monitor SOE reforms. The overall SOE reform consists of several phases: (i) modernizing SOE

³¹ The nature of these contracts can vary, including lease (*Affermage*) or concession contracts, depending on the risk sharing and investment obligation of the operators.

³² A proposed Additional Financing (P178050) is expected to capitalize the PPCGF, including the water and energy window



legal framework, (ii) stabilizing SOEs technical, financial and operational performance, (iii) restructuring SOEs, and (iv) disengaging the state from SOEs. Only the first two phases have been implemented to date, transforming SNEL and REGIDESO into commercial utilities with the state as sole shareholder (2018). The stabilization (or redress) phase of SNEL was marked by the implementation of a performance contract between the state and SNEL, alongside technical assistance via a service contract³³ and the development of a Redress Plan (*plan de redressement*). The performance contract and the implementation of the Redress Plan fell short in reducing government arrears and improving SNEL's financial, commercial, and technical performance.

23. **REGIDESO's reform was addressed through a performance contract with disappointing results, paving the way for a comprehensive restructuring strategy in line with the planned decentralization.** In 2012, the state signed a five-year performance contract with REGIDESO to improve its financial and operational performance, supported with a service contract. The contract terms were not fulfilled on both sides and government arrears continued to increase, reaching US\$ 176 million in March 2020. In 2018, COPIREP initiated the preparation of a restructuring strategy, approved by the government in September 2021³⁴ : (i) a regionalization of REGIDESO's activities into Regional Directorates³⁵ with increased autonomy; (ii) creation of a REDIGESO holding company and gradually transforming directorates into autonomous REGIDESO subsidiaries (*filiales*); this is accompanied with transfer of the water supply assets from the REGIDESO holding the *Regies Provinciale d'Infrastrcuture* that will sign service delegation contracts with REGIDESO subsidiaries³⁶; (iii) replication of the decentralization pilots and the opening up of service provision in provincial capitals for various types of PPPs. Beyond the Project's horizon, the REGIDESO holding could ultimately be dissolved and the *filiales* would corporatize in autonomous regional/provincial utilities with mixed share capital. COPIREP is leading, with the support of the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), a workforce optimization plan for REGIDESO in line with the restructuring strategy.

24. **The Government's Action Program (*Programme d'Action du Gouvernement*), approved by the parliament in August 2019, prioritizes expanding access to electricity and water services and the advancement of reforms.** The President of DRC announced ambitious targets for electricity access of 30 percent by 2024 and water supply access of 80 percent by 2030. The administration in place since the spring of 2021 has shown commitment to enhancing governance and implementing critical reforms. In September 2021, the Council of Ministers, chaired by the President, approved a program to complete SOE reform, including the above mentioned REGIDESO restructuring strategy, requesting action plans for each SOE. For SNEL studies are envisioned to identify restructuring options, develop and implement a roadmap, while for REGIDESO, the next step is to develop the Restructuring Action Plan and to carry out due diligence for the proposed pilots.

C. Proposed Development Objective(s)

³³ Financed under the Regional and Domestic Power Market Development Project (PMEDE - P097201)

³⁴ Financed through the DRC Urban Water Project (PEMU-P091092).

³⁵ Regions can cover one or more provinces based on geographical, economic and physical criteria, e.g. in Nord Kivu, the Provincial Directorate covers only Nord Kivu Province, while the Regional Directorate Kasai Oriental covers both Kasai Central and Kasai provinces.

³⁶ The autonomous utilities (REGIDESO subsidiaries) could have a service boundary for one province (Nord Kivu), while a regional utility could cover multiple provinces; provinces can also participate in the share capital of the REGIDESO subsidiaries (operational assets such as buildings, vehicles, water meters, equipment)



Development Objective(s) (From PAD)

25. The development objective of the project is to (i) expand access to renewable-based electricity and drinking water services in selected urban and peri-urban areas, (ii) improve the commercial performance of the electricity and water utilities, and (iii) strengthen the capacity of selected provincial and national institutions in the electricity and water sectors.

Key Results

The proposed PDO level results indicators are the following:

- (a) People provided with new and improved access to renewables-based electricity service (number, disaggregated by gender) (corporate results indicator)
- (b) People provided with access to at least basic drinking water supply services (number, disaggregated by gender)
- (c) SNEL bill collection rate (percentage)
- (d) Operating ratio for REGIDESO subsidiaries in Nord Kivu Kasai Central (number)
- (e) Electricity sector regulator strengthened (text)
- (f) Water sector regulator (ARSPE) capacity strengthened (text)

D. Project Description

26. **The project aims to increase access to electricity and water services through private and public sector approaches in priority areas of DRC, while improving utility performance, strengthening governance and capacities of national and provincial institutions.** Aligned with forthcoming CPF 2022-2026, ten provinces have been selected based on several criteria: i) densely populated with a high number of poor people, ii) poor access and connectivity and iii) conflict and fragility. The cities and their provinces are the following: Bandundu/Kikwit in Kwilu; Bukavu in Sud Kivu; Bunia in Ituri, Goma/Butembo/Beni in Nord Kivu, Kabinda/Mwene Nditu in Lomami; Kananga in Kasai Central, Mbuji-Mayi in Kasai Oriental, Tshikapa in Kasai, Gbadolite in Nord Ubangi, and Kinshasa. The project will implement reforms and operational improvements to enhance performance of SNEL and REGIDESO and strengthen the capacity of national and provincial institutions, targeting Nord Kivu and Kasai Central.

27. **The project follows the Maximizing Finance for Development (MFD) approach, expected to mobilize private capital in the order of US\$ 140 million.** Project components 1 and 2 will address market failures (e.g., tariffs, regulations), support upstream reforms of SNEL and restructuring of REGIDESO, and strengthen regulatory capacity (tier 2). To provide electricity and water services in cities poorly served by state-owned utilities, component 3 will use grants and concessional financing to leverage private sector investments, enhance commercial credits, and set up risk mitigation instruments in close coordination with IFC and MIGA (tier 3). The combined IDA and GCF financing and the use of guarantee instruments outside the project (MIGA) are expected to mobilize private capital through commercial loans and equity financing (see Table 1). The private capital expected to be mobilized under component 3 is estimated at US\$40 million in commercial loans and US\$ 60 million in equity (both MIGA guaranteed) and an additional US\$ 40 million unguaranteed equity.



Table 1: Project Cost and Financing, including Private Capital Mobilized

Components	Project Financing incl. PCM (US\$ M)	Project Cost excl. PCM (US\$ M)	IDA Financing (US\$ M)	Green Climate Fund (US\$ M)	Gov. financing (US\$ M)	IFC and other IFIs (US\$ M)	Private Capital Mobilized (US\$ M)
1: Power and Water Utility Governance and Performance	66.0	66.0	66.0	0.0	0.0	0.0	0.0
2: Institutional Strengthening and Development Support	59.5	59.5	47.0	2.5	10.00	0.0	0.0
3: Private Sector-based Access Expansion	578.5	438.5	247.0	31.5	0.0	160.0	140.0
4: Public Sector-based Access Expansion with Private Sector Involvement	240.0	240.0	240.0	0.0	0.0	0.0	0.0
5: Contingent Emergency Response Component	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (US\$ million)	944.0	804.0	600.0	34.0	10.0	160.0	140.0

28. **The project will finance public network rehabilitation and expansion to improve access to electricity and drinking water services, involving private sector in its operation where possible** (component 4). Given the underdevelopment of the sanitation sector, the project will install small-scale fecal sludge treatment plants, professionalize fecal sludge management (FSM) by private enterprises and improve regulatory oversight in two preliminary identified cities.³⁷ Component 4 also includes the provision of electricity and WASH facilities in social institution, communal WASH facilities and public places (markets, transport hubs) in selected provinces³⁸.

29. **The project will leverage synergies between the energy and water sectors to extend services to households, productive and community users in targeted cities.** In Kinshasa, the distribution network in the Western and Central communes will be rehabilitated and its O&M improved.³⁹ In Kananga, a renewable-based decentralized power grid will be constructed that will power water treatment plants and pumping stations, reservoirs and distribution networks, and facilitate electricity and water connections for households and productive users. In Goma, a new water treatment plant and distribution network will be constructed, possibly under a DBO contract with the private sector and in close coordination with ICRC and other partners. Similarly, existing private electricity and water operators in Goma, Butembo (Nord Kivu), Beni (Nord Kivu), and Tshikapa (Kasai) and upcoming operators in other target cities and peri-urban areas will benefit from result-based subsidies and assistance to expand connections. In Gbadolite, the operation and management of the hydropower plant and associated distribution network, initiated under the EASE project, will be improved. In all targeted cities of the ten provinces, OGS-operators will be incentivized to install solar home systems. All investments and technical assistance will be climate-proofed and include specific measures to mitigate and/or adapt to climate change, based on recommendations from a climate resilience and environmental sustainability study.

³⁷ FSM activities are initially focused in Bukavu and Goma

³⁸ Kananga, Goma, Beni, Butemba, Bukavu and other cities selected in coordination with Ministry of Education and Ministry of Health.

³⁹ There will be no water or sanitation investments in Kinshasa given the investments in both sectors under Kin Elenda (P171141). Sanitation investments under AGREE remain modest given the need to first develop a better institutional and legal framework.



Component 1: Power and Water Utility Governance and Performance (IDA US\$66 million)

30. **This component will support the GoDRC's plan to advance reforms of SNEL and REGIDESO while improving performance, using Performance Based Conditions (PBCs).** The PBCs are designed to reward achievement of key reform and performance improvement actions in both sectors over the course of the project duration, with a focus of results in the first years to move forward with critical steps for the reform. Each PBC is linked to expenditures to incentivize the agencies involved in the results achievement, namely COPIREP, the lead agency mandates to spearhead the reform, as well as the cabinet offices of several ministries (MRHE, MP, MoF, Ministry of Budget (MoB), Ministry of Economy (MoEc)), ARE, SNEL, REGIDESO and its future subsidiaries in selected provinces. PBCs involving specific decrees are verified by COPIREP, while all others will be verified through an Independent Verification Agent.

Subcomponent 1.1: SNEL Governance Improvement (IDA: US\$ 11.0 million)

31. **This subcomponent will support the implementation of a new performance contract between SNEL and the government, SNEL's restructuring, revision of SNEL tariffs, while resolving the delayed payments from government agencies and reducing free consumption of government officials for both SNEL and REGIDESO.** This subcomponent is financed through US\$ 6.5 million PBC-linked expenditures (PBC1 and PBC2) and US\$ 4.5 million non-PBC based expenditures. The new performance contract will be aligned with results under the PBCs and include measures such as: (i) enhancing the efficacy of SNEL's board director and performance management of senior management team; (ii) adopting revised cost-reflective tariffs for SNEL's HV and MV customers based on approved method of ARE (PBC1); (iii) sustainable mechanism, through a Permanent Payment order to timely pay government agencies (or official institutions) bills and address free electricity and water consumption by high-level government officials (or right holders), through a ministerial decision (PBC2); and making timely informed decisions on SNEL restructuring. The subcomponent will strengthen ARE, MRHE by providing assistance on PPP, information management (tariff database and project site database). It will fund operational costs (including vehicles and equipment) for ARE, and Cabinet Offices of MRHE, MoEC, MoB to perform associated activities for PBC achievement, as well as training and study tours related to economic regulation and PPPs. The non-PBC parts will finance i) audit energy for government buildings and a pilot for rooftop solar installation, ii) technical assistance for SNEL restructuring, including an implementation roadmap, public asset inventory, human resource optimization, communication campaigns and workshops on the restructuring.

Subcomponent 1.2: SNEL Commercial Performance Improvement (IDA: US\$37 million)

32. **The subcomponent will help improve SNEL commercial and operational performance by implementing the Redress Plan, establishing a network maintenance fund, and piloting private sector involvement in the O&M of selected perimeters of the distribution network.** This subcomponent is financed through US\$ 30 million PBC-linked expenditures (PBC3) and US\$ 7 million non-PBC based expenditures. Under the Redress Plan, the subcomponent will finance the implementation of (i) a revenue protection plan (RPP), (ii) systematic use of management information system (MIS)⁴⁰ to support efficient operations, and (iii) large-scale meter deployment in Kinshasa. The RPP will target HV, MV and LV customers through installing Advanced Metering Infrastructure (AMI), setting up a metering control center, training a dedicated inspection team to correct fraud. The usages of the MIS/ERP will involve: (a) improving procedures and reorganization to streamline commercial/billing, customer service, finance/accounting, procurement, power distribution, and human resources management (b) installation and training for the information management software (PBC 3); and (c) operationalizing

⁴⁰ This is also referred to as an Enterprise Resources Planning system (ERP)



electronic/digital platforms for bill payment (PBC3). Meter deployment (300,000) will aim to reach 70 percent of currently unmetered LV customers. The subcomponent will study and pilot the involvement of the private sector in the O&M of a selected rehabilitated perimeter in the Kinshasa distribution network along with the establishment of a distribution network maintenance fund (PBC3). The subcomponent will finance verification costs for PBC1,2,3 and operational costs (including equipment and vehicles) for COPIREP. The non-PBC parts will finance a Performance Improvement Plan (PIP) for SNEL, debt restructuring, meters for MV and HV customers, equipment to improve call center operations and to mobilize the fraud inspection team. The metering program will lead to more efficient use of electricity by customers, optimize generation and thus mitigate climate change.

Subcomponent 1.3: REGIDESO Restructuring and Performance Improvement (IDA: US\$18 million)

33. **This subcomponent will support REGIDESO's restructuring, the establishment of two utilities under public service delegation contracts with the relevant provinces, performance improvement measures and tariff adjustments to ensure sustainable operations.** This subcomponent is financed through US\$ 18 million PBC-linked expenditures (PBC4,5) and will incentivize government adoption of REGIDESO's Restructuring Action Plan. As part of this plan, in at least two pilot provinces (Nord Kivu and Kasai Central), asset inventories/valuation will be done and the state will transfer ownership of public water supply assets from REGIDESO to the provincial governments. REGIDESO will transform into a holding, with legally autonomous subsidiaries, created for Nord Kivu and Kasai Central/Kasai (PBC4)⁴¹. Debt restructuring will ensure that newly created provincial/regional utilities will start with a clean slate. The public service delegation contracts will include measures for bill payment by centrally-funded government agencies and reduction of free water consumption (see PBC1), and bill payment by provincial government agencies (required for PBC5), accompanied with consumer audits, communication programs and metering programs. Utilities will formulate Performance Improvement Plans (PIPs) and will ensure satisfactory implementation of the service delegation contract (PBC4). The subcomponent finances PIP implementation, including consulting services and equipment, minor works for customer registries, billing, accounting, and asset management system and NRW programs, possibly contracted through third part performance-based NRW contracts, energy efficiency programs and climate resilience measures, contributing to climate change mitigation and adaptation. Citizen feedback will be integrated in the annual review of the public service delegation contracts and remedial actions identified. Tariff revisions, based on ARSPE approved methodology, using cost reflective principles, will be approved before the end of the project to ensure sustainable operations (PBC5). The subcomponent will also finance verification costs (PBC4, 5), and operational costs of COPIREP for this subcomponent, as well as workshops and communication campaigns by COPIREP for the Restructuring Plan.

Component 2: Institutional Strengthening and Development Support (IDA: US\$47 million; GCF grant: US\$ 2 million)

34. **This component bolsters the capacities of key public institutions at national and provincial level to play an effectively role in accordance with the 2014 Electricity and 2015 Water Law.** It will strengthen the capacity of provincial governments (subcomponent 2.1), sectoral ministries and recently established agencies (subcomponent 2.2), and support national policy, planning, and portfolio development, and build capacity of private operators and commercial banks (subcomponent 2.3), and support project management and coordination (subcomponent 2.4).

⁴¹ The proposed subsidiary is envisioned to cover Kasai Central and Kasai, formerly the Kasai Occidental province.



Subcomponent 2.1: Provincial Governments (IDA: US\$ 8.25 million; GCF grant: US\$2 million)

35. **The subcomponent will strengthen the operational, PPP, and planning capacity of selected provincial governments.** The subcomponent will finance the operationalization of infrastructure units in selected provinces (*Regie Provinciale d'Infrastructure*), starting with two provinces (Nord Kivu and Kasai Central) and later replicating to other two provinces (Ituri and Sud Kivu) based on local government commitment and funding availability. Within the framework of the collaboration agreements that will be signed with each province, this involves i) technical assistance to develop human resource (HR) plan and conduct staff hiring (taking into account gender equality, and operational manual), ii) training officials and hands-on consultancy support (e.g. on legal and regulatory framework), iii) office equipment and construction of an office building in Kasai Central/ office rent in Nord Kivu), and iv) MIS systems for power and water infrastructure, and management systems for the sanitation sector. The subcomponent will prepare water supply plans for selected provinces. Both IDA and GCF grant funding (US\$ 2 million) is used for electrification plans other than Nord Kivu and Kasai Central and just-in-time assistance (US\$0.5 million) to provinces to address issues in the operation phase of the decentralized grids.

Subcomponent 2.2: National Sectoral Agencies (IDA: US\$ 8.75 million)

36. **The subcomponent will support agencies, directorates, and cabinet offices within the MRHE, MEDD, and the Ministry of Gender, Family and Children (MGFE).** The assistance targets (i) ARSPE and OCE (recently created but not operational) (ii) ARE and ANSER recently operational (iii) MRHE's General secretariat and Cabinet Office. For ARSPE and OCE, the subcomponent will help develop HR plan, recruit and train core staff, prepare operational manuals, provide limited office equipment, and develop several regulatory tools and systems (tariff method, standard PPP contracts, water fund, MIS for abstraction permits, and river basin management plans). For ARE, it will fund several activities: a) development and dissemination of the Electricity Law implementing decrees, standard PPP contracts, tariff procedures; b) publish all approved PPP contracts in the DRC; and c) complaint and conflict resolution. For ANSER, the subcomponent funds among others the development of an investment portfolio for dissemination to the private sector. For the General Secretariat of MRHE, it will support operational improvements (reorganization to enhance efficiency), train staff and assist in developing new programs, and other technical assistance. The MEDD will be supported (i) to prepare the National Sanitation Law and a priority investment plan and (ii) to monitor the implementation of environmental and social (E&S) instruments in the targeted cities. The MGFE and its technical agency, Maison de la Femme, will be assisted to carry out GBV prevention, sensitization and training, monitor GBV and assist victims of sexual violence and exploitation.

Subcomponent 2.3: Planning and Investment Development Support (IDA: US\$12 million)

37. **The subcomponent supports national electrification and WSS planning, policy development, preparing follow-on projects, and build capacity of private operators and commercial banks to leverage financing.** It will fund the update of sector policies (as needed), refine central planning taking into consideration climate change adaptation and resilience, and develop prefeasibility/feasibility studies for follow-on projects. In addition, assistance to private operators includes sanitation service providers, and low-capacity power and water operators. Private entrepreneurs and user associations operating small power and/or water production and distribution infrastructure will be assisted in developing proposals and business plans to access results-based subsidies or commercial loans⁴² and will be trained on the environmental and social framework (ESF),

⁴² Under the forthcoming DRC SME project (P178176) a PPCGF will be established, possibly including a dedicated window for



performance standards, SEA/SH, and assist them in mainstreaming risk mitigation instruments and relevant requirements into their procedures and practices. Demand assessments for the scope/scale of commercial lending in the water and energy sector will be conducted and selected commercial banks will receive technical assistance to do carry out due diligence. Sanitation operators will be supported with business development, services, and equipment support (vacuum trucks, sludge gulpers, etc.). Behavior change communication will be funded to promote amongst others, sanitation behavior change and efficient electricity and water use.

Subcomponent 2.4: Project Management (IDA US\$ 18.5 million; GCF grant: US\$0.5 million)

38. **The subcomponent will fund the strengthening and operation of the two project fiduciary agencies (UCM and CEP-O) as well as supporting implementation agencies ARE, ANSER, and OCE to ensure satisfactory project management.** UCM will be the overall project coordinating entity, while CEP-O will be responsible for the public water access expansion (subcomponent 4.2). UCM and CEP-O offices are currently established in Kinshasa, and additional staff (procurement, private sector support, engineering, GBV, communication) will be hired. In addition, two regional offices will be established in Goma and Kananga, each staffed with a power engineer, a water supply engineer, an environmental specialist, a community engagement/social development specialist, an M&E assistant, and a driver. ARE, ANSER, and OCE will be supported with procurement specialists and training on financial management. The subcomponent includes a dedicated ESS implementation & monitoring budget, including sensitization/training on GBV and assistance to GBV survivors. The subcomponent will enable GRM committees (at the community, commune, provincial and central levels), and implement citizen engagement activities (e.g. beneficiary feedback surveys with focus on women). Expenditures will also include (i) external auditing; (ii) office space, equipment, and supplies; (iii) incremental operational costs, and (iv) training. GCF funding will contribute (US\$0.5 million) to UCM operating cost as fiduciary agency for the grant.

Component 3: Private Sector-based Access Expansion (IDA: US\$247 million; IFC loan: US\$ 51.5 million; GCF grant: US\$ 31.5 million, of which US\$ 30 million reimbursable grant)

39. **The component will support the implementation of a national DRC mini-grid program that will leverage private sector investments to accelerate access in cities underserved by SNEL.** The program will provide a platform for other donors to support DRC electrification, through mini-grids or OGS products, with the World Bank taking the leading role in supporting its operationalization. The program will promote two approaches. The first approach (top-down) will competitively select mini-grid developers that will bring complementary financing to construct and run decentralized renewable-based grids (large mini-grids) in selected provincial capitals (subcomponent 3.1). Based on agreed criteria (such as access rate, Provincial Government commitment, private sector attractiveness, synergies with other World Bank-financed projects, and security & accessibility), two provincial capitals (Kananga in the Kasai Central and possibly Mbuji-Mayi in Kasai Oriental) are being considered for. The top-down approach will include a reimbursable GCF grant under the Sustainable Renewables Risk Mitigation Initiative (SRMI) program. The second approach (bottom-up) will help expand mini/off grids/networks for increased electricity and water services by providing private electricity and water operators with results-based subsidies (subcomponent 3.2 on electricity and subcomponent 3.3 on water)⁴³.

water and energy operators.

⁴³ Private capital mobilized through this component is estimated at US\$ 140 million (US\$ 100 million equity and US\$ 40 million loans) this does not include IFC other IFI loans.



Subcomponent 3.1: Top-down Electrification of Provincial Capitals (IDA: US\$160 million; IFC: US\$51.5 million, and GCF: US\$ 31.5 million grant, of which US\$ 30 reimbursable grant)

40. **The subcomponent will significantly increase electricity access rate in Kananga and Mbuji-Mayi by competitively leveraging private investments to build and operate decentralized grids⁴⁴.** The subcomponent will mainly fund capital subsidies to buy down the cost of equity and debt raised by private developers and improve affordability of electricity for customers. Developers will be competitively selected based on the lowest required capital subsidy to build and operate two large mini-grids (decentralized) for at least 25 years through public service delegation contracts. The GCF grant (US\$1.5 million) will provide transaction advisory services (complemented by IDA), and the remaining IDA financing will fund owner engineering services, online mini-grid procurement, a project monitoring platform (Odyssey), and other required technical assistance. The services will help GoDRC consult potential developers/operators, prepare comprehensive tender packages, evaluate bids, negotiate contracts and agreements, facilitate financial closure, and oversee the construction phase until electricity service delivery to households, productive and administrative users. Under ARE leadership, the transaction advisor will help prepare the tender package, which will explicitly establish the opening average electricity tariff and include a draft public service delegation contract and potentially IFC lending term sheet and MIGA guarantee coverage term sheet based on industry feedback. The purpose is to complement private developers' financing with IFC lending and MIGA guarantee coverage. To help mitigate revenue risks associated with lower-than-expected energy consumption during the initial years of mini-grid operation⁴⁴, the subcomponent includes a demand risk mitigation instrument to cover Viability Gap Financing (VGF) through the GCF reimbursable grant (US\$30 million). In the event of a revenue shortfall vis-a-vis pre-agreed business plan projections, the private developer will submit a claim to ARE for the difference in revenues. Upon validation by a verification agent, the funds will be disbursed. The private developer will be required to reimburse the funds to the World Bank unless a certain viability level is not achieved.

Subcomponent 3.2: Financing Support for bottom-up electrification by Private Operators (IDA: US\$72.0 million)

41. **The subcomponent will support a bottom-up electrification of cities by providing private sector operators with streamlined financial facilities for access scale up.** The subcomponent employs a bottom-up subsidy fund, known as the *Mwinda* Fund, that is managed by ANSER, with support of UCM, and with project-funded technical assistance from an international fund manager with a proven track record in mini/off grid businesses and markets. The subcomponent will provide results-based subsidies and help leverage commercial lending for private mini-grid/off-grid operators (due to capacity building under subcomponent 2.3). The results-based subsidies will be channeled through ANSER's *Mwinda* Fund, The *Mwinda* fund will be a vehicle for crowding in additional donor funding to support electrification in peri-urban and rural areas not targeted in the AGREE project. A Result-Based Grant Manual will be developed to this end.

Subcomponent 3.3: Financing Support to Private Water Operators (IDA: US\$15 million)

42. **The subcomponent will extend results-based subsidies and help mobilize commercial lending to private water operators to expand water access and improve services.** This subcomponent will mainly fund result-based subsidies for water operators, including private water operators and not-for-profit operations (water user associations) based on eligibility criteria and a viable business plan. The result-based subsidies will be managed by OCE with technical assistance from an international fund manager, funded through the project (expected to

⁴⁴ Pending fund availability, a third city would be included



be the same manager as for the *Mwinda* Fund). It will finance an online processing and monitoring platform to support verification. The result-based subsidies will fund rehabilitation/expansion of water distribution networks, augment water production capacity, household connections and water points in poor neighborhood and install more energy efficient pumps household water connection costs, upgrade and expand water points in poor neighborhoods, reduce water losses, augment water treatment and storage facilities. The subcomponent will initially target existing water operators in Nord Kivu province and will be expanded to other provinces, depending on fund availability. A Result-Based Grant Manual will be developed to this end.

Component 4: Public Sector-based Access Expansion with Private Sector Involvement (IDA: US\$240 million)

43. **The component will increase access to and improve the quality of electricity and WSS services in selected cities managed by SNEL and provincial/regional water utilities.** It will finance the rehabilitation and expansion of power, water, and sanitation infrastructure, including service connections for households, businesses, and public facilities in selected areas in Kinshasa, Gbadolite (energy sector), Kananga (water/energy sector), Goma (water and sanitation), Bukavu (sanitation), Butembo (water), and Beni (water). Where feasible private sector involvement in the O&M of assets will be sought to improve performance (subcomponents 4.1 and 4.2). The component will contribute to human capital development by electrification and provision of basic WASH facilities in health care centers, schools⁴⁵ and public places and by increasing job opportunities, specifically for women, in the water and energy sectors (subcomponent 4.3).

Subcomponent 4.1: Rehabilitation of selected SNEL distribution Perimeters (IDA: US\$106.5 million)

44. **The subcomponent will rehabilitate and expand segments of the Kinshasa distribution network, investments in energy infrastructure in Gbadolite, and promote private sector involvement in the O&M of Kinshasa and Gbadolite distribution networks.** This includes strengthening the generation capacity and dam safety of the Mobayi-Mbongo distribution network and rehabilitating and expanding the Kinshasa's Western and Central distribution network. The latter will entail works, goods, and consultant services to rehabilitate new power substations and associated medium and low voltage distribution lines, upgrade and balance overloaded low-voltage transformer cabins, install pre-paid meters, connect households, and in-house wiring for vulnerable households. This is estimated to reduce technical electricity losses in the targeted perimeter by approximately 50 percent. The new and rehabilitated substations, the low-voltage transformer cabins, the electric poles, and other critical electric installations will be protected against flooding and erosion, strengthening the resilience of the power infrastructure to climate vulnerabilities. The distribution network maintenance fund (set-up under subcomponent 1.2) will help ensure sustainability of the investments.

Subcomponent 4.2: Water Supply and Sanitation Investments in selected cities (US\$105.50 million)

45. **The subcomponent will improve access to water services in Kananga, Goma, Butembo, and Beni, as well as access to sanitation services by installing fecal sludge treatment capacity in Bukavu and potentially in Goma.** In Kananga the subcomponent will finance (i) rehabilitation a of the Tshibatshi water intake station and water treatment plant; (ii) the construction of the Lubi water intake and water treatment plant (iii) rehabilitation and new construction of water storage and pumping facilities, (iv) replacement and rehabilitation of transmission and distribution mains (specifically asbestos pipes), (iv) expansion of the distribution network in new neighborhoods; (v) electromechanical-equipment and SCADA systems; (vi) water connections for households and public water

⁴⁵ In synergy with other World Bank financed health and education projects.



points; and (vii) related technical supervision costs of the civil works contracts.). In Butembo and Beni, the project will finance installation of two water treatment stations, expansion of networks, house connections and water points in disadvantaged neighborhoods with water shortages and security risks (such as Mutiri in Butembo). In Goma-West, the project will, in close collaboration with ICRC, finance a water treatment plant, distribution network and water connections, while exploring a DBO-contract with the private sector. In Bukavu and potentially Goma, the project supports Fecal Sludge Management (FSM) by financing the design and construction of small-scale fecal sludge treatment plants including sludge transfer stations and sludge disposal/re-use measures. The water and sanitation infrastructure will be powered by renewable-based grids and their design, construction, and operation will incorporate climate resilience features to protect from flooding and erosion.

Subcomponent 4.3: Promoting Human Capital Development in selected cities (IDA: US\$28 million)

46. **The subcomponent will invest in electrification and WASH facilities of health centers, schools and public places and increase job opportunities through vocational and entrepreneurship training in selected cities.** It will finance the installation and maintenance of solar home systems, solar public lighting, and WASH facilities at selected health centers, schools, communal facilities, public places, and street segments (for public lighting) in selected cities. To sustain O&M, the subcomponent will study and establish mechanisms such as subcontracting private entrepreneurs, encouraging female-run businesses. Education interventions will be implemented on correct usage, hand washing and hygiene. In addition, the subcomponent will fund vocational training, support job placement and micro business development for women (and men to a lesser extent) on WASH facility and water kiosk management, electricity wiring, plumbing, and other related jobs in Kananga, Goma and other cities. This will provide private and public operators with qualified labor and personnel reducing gender gaps and result in more female-led entrepreneurs in the management of WASH facilities and other water and energy micro-businesses. The subcomponent will also provide assistance to SNEL and REGIDESO subsidiaries to develop and implement women empowerment activities including (i) Training on leadership and management, and other relevant Training; (ii) carrying out of mentoring/coaching activities; (iii) sensitization activities for female students and pupils on STEM; (iv) human resource development activities to attract trained women and female students in new job openings; and (vi) the implementation of an internship program specifically targeting women.

Component 5: Contingent Emergency Response Component

47. **A Contingent Emergency Response Component (CERC) with zero allocation may be used to contribute to an emergency response through the timely implementation of activities in response to an eligible national emergency.**

A CERC is included in the project in accordance with Investment Project Financing (IPF) Policy, paragraphs 12 and 13, for Situations of Urgent Need of Assistance and Capacity Constraints. This will allow for rapid reallocation of credit/grant uncommitted funds in the event of an eligible emergency as defined in OP 8.00. **An Emergency Response Manual will be prepared as an annex to the Project Operations Manual ('CERC Annex')**. The E&S instruments required for the CERC are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP. For the CERC to be activated, and financing to be provided, the Government will need (i) to submit a request letter for CERC activation and the evidence required to determine eligibility of the emergency, as defined in the CERC Annex; and (ii) an Emergency Action Plan, including the emergency expenditures to be financed; and (iii) to meet the environmental and social requirements as agreed in the Emergency Action Plan and ESCP.



Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The project carries high environmental and social risk and will apply both the Performance Standards (PSs) and the ESF.

Environmental Risk Rating: High

The overall environmental and social Categorization under OP 4.03 World Bank Group Performance Standards for Private Sector Activities is Category A, as the private sector operators’ activities may present significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented due to scope and complexity of works in numerous locations. The environmental risk rating for public sector project elements covered under the ESF is Substantial at this stage. The combined Categorization and environmental risk classification is High, based on (i) magnitude and size of planned physical works (over 1,062 km of secondary and tertiary water lines; 18,265 off-grid solar panels and 35,630 lanterns ; number and length of electricity distribution networks to be constructed/ upgraded/ rehabilitated, abstraction of 12,000 m3/day from the Lake Kivu (international waterways), construction of two intake stations with a total water production capacity of 30,000 m3/day; sanitation treatment facilities to be constructed with 60,000 m3 annual volume of sludge treated and disposed; size of Solar/Hydro mini grids to be constructed/expanded, aiming at connecting up to 350,000 households, (ii) potential downstream environmental implications that may arise if technical assistance leads to future investments, (iii) private sector operators and borrower’s capacity to implement mitigation measures and (iv) key environmental risks and impacts. Key environmental risks and impacts are anticipated to result mainly from Components 3 and 4. Activities planned under these components involve civil works that will entail risks related to labor and working conditions including traffic safety, occupational health and safety (e.g., Unexploded/Abandoned Ordnance risk, working at heights, trenching and ditching, etc.); resource efficiency and pollution, mainly due to disposal and management of hazardous waste, including asbestos and used batteries; nuisances related to air and noise emissions; etc.; cumulative impacts on water use upon communities. Additionally, maintenance of the distribution line Right of Way (ROW) might result in terrestrial (including avian) and aquatic habitat alteration. During rehabilitation and operation, disposal of hazardous chemicals used in transformers and substations, such as mineral insulating oils, polychlorinated biphenyl (PCBs), sulphur hexafluoride (SF6) and disposal of faulty meters might also pose environmental risks. Where wood poles are used for distribution network, use of chemicals for wood preservation and disposal of chemically processed poles might pose environmental, health and safety risks. Operation of water facilities will entail other direct, indirect environmental risks (risk of disposal of final effluent/sludge management; impacts on drainage and hydrology at intake sites; pollution from grey water due to increased water use and back wash water disposal at the treatment plants; handling of chemicals used for water treatment and management of incidents affecting drinking water and water treatment systems). If technical studies (electricity/water access and sanitation expansion plans, develop policies and investments) lead to future investments, the scale of environmental issues from investments may be an order of magnitude and size greater than risks associated with this project. However, they will not have large scale impacts beyond their direct footprint, will not change the nature of project activities and will not lead to



complex and/or unproven mitigation, compensatory measures or technology. This classification takes also into account the capacity of the designated PIU, as well as all stakeholders involved in project preparation and implementation.

Social Risk Rating : High

The social risk classification for the project under ESF is considered High. As the project will take place in an urban or peri-urban environment, and due to the high population density in the project towns and the poverty level of this population, the implementation of the project is expected to have potential negative impacts on people and their environment. Key social risks are those related to: (i) land acquisition needs, (ii) loss of property or assets, (iii) restricted access to sources of income due to economic displacement, (iv) sexual exploitation and abuse or sexual harassment (SEA/SH), (v) lack of social inclusion for vulnerable groups in terms of project-related employment and other benefits of the project (including equitable access to energy, water and sanitation services), (vi) the potential for conflict if project benefits are not seen as being equitably provided to all key stakeholder groups, or due to other community tensions or conflicts exacerbated by project activities, (vii) exposure to communicable diseases such as Ebola and COVID-19, and (viii) exposure to hazardous materials (asbestos). The project will finance civil works mainly in Component 3: Private Sector-based Access Expansion and Component 4: Public Sector-based Access Expansion. These works could lead to significant impacts cited above. These risks and impacts will be site-specific and will be managed systematically throughout the project cycle with robust mitigation measures commensurate with the nature and magnitude of the impact. Many development projects in the region do not always pay special attention to disadvantaged groups in their implementation. Thus, the project will need to ensure that it protects vulnerable people such as women living in extreme poverty and without assistance, people living with disabilities and without any assistance, people of advanced age, girl mothers and victims of GBV, children (of working age, according to ESS 2), migrant workers, as well as contract, community, internally displaced people, people with albinism, and key vendor workers. In addition, the project shall introduce measures to ensure that poor and vulnerable households, including female headed households, will receive additional support to overcome connection barriers to water systems and electric grids. The classification for the project also took into account the capacity of the Project Management Unit and project stakeholders to manage potential social risks and complaints related to project implementation. An internal security Due Diligence Assessment (SDA) outlining risks inherent to some of the provinces project activities was prepared. This assessment will guide the client during the preparation of its own site specific and more up to date Security Risk Assessment (SRA)/Security Management Plan (SMP) prior to contractors contract bidding to ensure that costing of the proposed mitigation measures are reflected in relevant Bills of Quantities.

SEA/SH Risk Rating Substantial

A initial SEA/SH risk assessment rated the risk of SEA/SH as substantial based upon the country context in which nearly the 51% of women have experienced physical or sexual violence for their husbands or partners and more than a quarter of women (27%) have ever experienced sexual violence, higher than the regional average. In addition, the project-specific risks are related to: (i) location of project activities, including humanitarian areas, (ii) the contracting of security forces, and (iii) the limited supervision of female workers in close proximity with male workers. The project will be implemented in 10 provinces, with a focus on Nord Kivu, Kinshasa, Nord-Ubangi and the Kasais. The implementing units will be decentralized facilitating the monitoring of the activities, including the implementation of SEA/SH mitigation measures. In this sense, several risk mitigation measures will be put in place to adequately prevent, mitigate and respond to SEA/SH risks, through an Action Plan that has been drafted and included within the ESMF. Among these activities a code of conduct outlining prohibited SEA/SH behaviors and applicable sanctions will be developed, and an accountability and response framework will also be established with specific procedures to manage SEA/SH complaints safely and confidentially, including a response protocol to



ensure the timely referral of survivors to a holistic package of support services. In addition, the project will establish regular trainings for workers, and awareness raising community activities in order to inform them on GBV risks, prohibited behaviors and reporting procedures for SEA/SH incidents.

PSs will apply to private sector-financed activities, including relevant WBG Environment, Health, and Safety (EHS) Guidelines, under subcomponent 3.1 (Top-down Electrification of two Provincial Capitals) in lieu of the World Bank Environmental and Social Standards. Given that sub-projects under subcomponent 3.1 will be developed by private companies, they will be in charge of sub-projects' design, construction / installation, and operation / maintenance, including the environmental and social assessments, assurance of legal compliance and risk management. World Bank's Environmental and Social Framework (ESF) will apply to activities components 1, 2, 4,5, and subcomponent 3.2 and 3.3, which will be implemented by UCM, and CEP-O supported by OCE, ANSER, ARE and COPIREP. All technical decisions related to sub-projects under subcomponent 3.2 and 3.3 as well as the environmental and social screening, assessment and monitoring will be undertaken by private operators. However, under subcomponent 2.3 technical assistance to private operators is provided in support of technical design and preparation of ESS required instruments. The high risk derives from the geographic spread and the multi-faceted aspects of the project, as well as the capacity of the key stakeholders. The following Environmental and social standards (ESSs) and performance standards (PSs) are relevant to the proposed investments: ESS1/PS1, ESS2/ PS2, ESS3/PS3, ESS4/PS4, ESS5/PS5, ESS6/PS6, ESS8/PS8, ESS9/PS9 and ESS10.

Key anticipated direct, indirect, and cumulative environmental risks and impacts associated with electricity, water and sanitation investments including associated facilities will entail traffic safety, occupational health and safety (e.g., Unexploded/Abandoned Ordinance risk, trenching and ditching, etc.), resource efficiency and pollution (mainly due to disposal and management of hazardous waste such as asbestos and used batteries), cumulative impacts on water use upon communities. During rehabilitation and operation, disposal of hazardous chemicals used in transformers within substations [such as mineral insulating oils, polychlorinated biphenyl (PCBs), Sulphur Hexafluoride (SF6)], use of chemicals to preserve wood poles and disposal of chemically processed poles might also pose environmental, health and safety risks. Construction and operation of water supply production, fecal sludge treatment facilities, water supply transmission and distribution networks and WASH facilities in schools and health care facilities will entail other direct, indirect environmental risks (risk of disposal of final effluent/sludge management; impacts on drainage and hydrology at intake sites; pollution from grey water and back wash water; handling of chemicals used for water treatment and management of incidents affecting drinking water and water treatment systems).

The implementation of the project is expected to have potential negative social impacts on the population. Project components 3 and 4 will finance civil works that will take place in urban and peri-urban areas, characterized by high population density and high level of poverty. The main social risks are those related to: (i) land acquisition needs, (ii) loss of property or assets, (iii) restricted access to sources of income due to economic displacement, (iv) sexual exploitation and abuse or sexual harassment (SEA/SH), (v) lack of social inclusion of vulnerable groups in terms of project-related employment and other project benefits (including equitable access to electricity and water supply services), (vi) the potential for conflict if project benefits are not perceived to be distributed equitably to all key stakeholder groups, or due to other community tensions or conflicts exacerbated by project activities, (vii) exposure to communicable diseases, and (viii) exposure to hazardous materials (asbestos). These risks and impacts will be site-specific and will be managed systematically throughout the project cycle, with mitigation measures commensurate with the nature and magnitude of the impact. As per the ESSs, the project will need to ensure that it protects vulnerable people such as women-headed households living in extreme poverty and without assistance, people living with disabilities and without any assistance, people of advanced age, survivors of GBV, migrant workers.



E. Implementation

Institutional and Implementation Arrangements

48. The project will be anchored within MRHE and thus chair a project steering committee (PSC) that includes supporting ministries and selected provincial governments. As MRHE as line ministry for both the water and energy sectors will oversee project implementation. MRHE will set up and chair the PSC that will provide strategic guidance, approve annual workplans, and facilitate collaboration, meeting at least annually to assess implementation progress. The PSC will comprise of representatives from all involved ministries, agencies, provinces, and civil society organizations and its composition and responsibilities will be detailed in the PIM.

49. UCM (electricity sector) and CEP-O (water sector), both under MRHE and both with significant experience in the implementation of Bank-funded activities, will act as fiduciary agents, with UCM taking the overall project coordination role. UCM's performance in project monitoring, financial management (FM), procurement, and environmental and social standards (ESS) has been assessed in all aspects as moderately satisfactory⁴⁶. Similarly, CEP-O's performance⁴⁷ on project monitoring, FM, procurement, procurement, and ESS has been assessed for all aspects as moderately satisfactory. UCM will be responsible for the overall project coordination and reporting, given the larger scope of the project in the energy sector. Table 4 indicates the fiduciary agents, and the four supporting implementation agencies that will be holding sub-accounts and carry out procurement under UCM's oversight. In this way, the project will build the capacity of newly established institutions under MHRE - ARE, ANSER, OCE - and will re-assess their fiduciary capacity to take over the role of fiduciary agent after the Mid-Term Review. The implementation arrangements will be modified through a restructuring based on the outcome of that assessment. COPIREP, already with some experience in Bank-funded activities, will manage a sub-account for the PBC-eligible expenditure to facilitate expenditure monitoring. Other entities will be involved in technical roles for the project implementation as described further below.

Table 4: Fiduciary Agencies and Supporting Implementing Agencies (Sub-Account holders)

Project Component / Subcomponent		Fiduciary Agency	Sub-account holders
Overall Project Coordination		UCM	
Component 1	Subcomponent 1.1	UCM	COPIREP
	Subcomponent 1.2		
	Subcomponent 1.3		
Component 2	Subcomponent 2.1	UCM	none
	Subcomponent 2.2		
	Subcomponent 2.3		
	Subcomponent 2.4		
Component 3	Subcomponent 3.1	UCM	ARE
	Subcomponent 3.2		ANSER
	Subcomponent 3.3		OCE
Component 4	Subcomponent 4.1	UCM	none
	Subcomponent 4.2	CEP-O	
	Subcomponent 4.3	UCM	

⁴⁶ EASE project (P156208) and Kin Elenda project (P171141).

⁴⁷ Urban Water Supply Project (PEMU, P091092) and Kin Elenda project (P171141)



50. **While UCM, CEP-O, COPIREP, ARE, ANSER and OCE will be responsible for implementing subcomponents, other entities, such as MRHE Cabinet Office and General Secretariat, SNEL, REGIDESO, ARSPE and other ministries will provide technical inputs.** COPIREP will lead component 1, engaging effectively with the President and Prime Minister Offices, MP, MoF, MoB, MoEc, MRHE, SNEL, REGIDESO, ARE, ARSPE and provincial governments to improve utility governance and performance. UCM, besides its project coordination and fiduciary oversight of subaccount holders, will implement component 2, with technical inputs of ANSER, ARE, OCE, MEDD, MGFC, private operators and selected provincial governments. UCM will also implement subcomponents 4.1 working closely with SNEL and provincial governments. SNEL will participate in the procurement, from bidding document preparation up to contractors/owners' engineer selection and will support the supervision of works on its distribution network. Under subcomponent 4.3 UCM will coordinate with MoE, MoH, REGIDESO, SNEL, provincial and local governments. CEP-O will lead the implementation of subcomponent 4.2, closely collaborating with provincial governments, REGIDESO and its subsidiaries, and municipal governments for the sludge treatment facilities. ARE will lead the implementation of subcomponent 3.1 and will spearhead the competitive tendering and selection of private developers with technical assistance from transaction advisory firms and under oversight of UCM. MRHE and/or provincial governments will sign 25-year concession contracts with selected private developers, while ARE will sign the sub-financing agreement for the capital subsidies, respective the VGF financing agreements under the GCF grant with private developers. Under subcomponent 3.2 ANSER will manage the *Mwinda* Fund and lead the result-based subsidy scheme for mini-grid/off-grid electricity operators in peri-urban areas (for urban areas in coordination with UCM). Under subcomponent 3.3 OCE will lead the result-based subsidy scheme for water operators. Sub-financing agreements with the eligible energy operators will be signed by ANSER (rural/peri-urban), UCM (urban) and for eligible water operators with OCE respectively. The roles and responsibilities of each entity are described in Annex 1 and will be detailed in the Project Implementation Manual (PIM) and other relevant manuals. A Memorandum of Understanding (MoU) between UCM, CEP-O, COPIREP, ARE, ANSER, OCE, SNEL and REGIDESO and other entities will be signed by project effectiveness. Provincial collaboration agreements will be prepared and signed within 90 days after effectiveness that detail the roles and responsibilities of the selected provinces.

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