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IMPLEMENTATION COMPLETION AND RESULTS REPORT

H926-ZR

ON THE

GRANT

IN THE AMOUNT OF SDR 19.6 MILLION

(US$30 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR THE

FINANCIAL INFRASTRUCTURE AND MARKETS PROJECT

June 30, 2021

Finance, Competitiveness And Innovation Global Practice
Eastern and Southern Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2021)

Currency Unit	=	Congolese Franc (CGF)
CGF 1,988.78	=	US$1
US$ 1.44	=	SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACH	Automated Clearing House
AML/CFT	anti-money laundering / combating financing of terrorism
ATS	Automated Transfer System
BCC	*Banque Centrale du Congo*
CAS	Country Assistance Strategy for FY2013-16
CFEF	*Cellule d'exécution des Financements en faveur des Etats Fragiles*
COVID-19	Corona Virus Disease 2019
CSD	Central Securities Depository
DFI	development finance institution
DRC	Democratic Republic of Congo
FPM	Fund for Financial Inclusion in DRC (*Fonds pour l'Inclusion Financière en RDC)*
FSAP	Financial Sector Assessment Program
GDP	gross domestic product
GNI	gross national income
IFC	International Finance Corporation
IT	information technologies
MFI	microfinance institution
MSME	micro, small, and medium enterprise
MTR	Mid-term Review
NPL	Non-performing loans
NPS	National Payments System
PDO	Project Development Objective
PFI	participating financial institution
PFMI	Principles for Financial Market Infrastructure
PIU	Project Implementation Unit
PSDCP	Private Sector Development and Competitiveness Project
RTGS	real time gross settlement
SCD	Democratic Republic of Congo Systematic Country Diagnostic 2018
SMIC	*Société Monétique Interbancaire du Congo*
SOFIDE	*Societé Financière pour le Développement*
USD	US dollars

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P145554	DRC:Financial Infrastructure and Markets
Country	Financing Instrument
Congo, Democratic Republic of	Investment Project Financing
Original EA Category	Revised EA Category
Financial Intermediary Assessment (F)	Financial Intermediary Assessment (F)

Organizations

Borrower	Implementing Agency
Democratic Republic of Congo	Central Bank of Congo, Ministry of Finance

Project Development Objective (PDO)

Original PDO

The project development objective is to modernize payments infrastructure and increase availability of term financing to Micro, Small and Medium Enterprises (MSMEs).

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IDA-H9260	30,000,000	30,000,000	26,722,507
Total	**30,000,000**	**30,000,000**	**26,722,507**
Non-World Bank Financing			
Borrower/Recipient	0	0	0
Total	**0**	**0**	**0**
Total Project Cost	**30,000,000**	**30,000,000**	**26,722,507**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
18-Mar-2014	03-Sep-2014	05-Jun-2017	31-Dec-2020	31-Dec-2020

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
01-Aug-2016	7.89	Change in Results Framework
06-Jun-2018	16.44	Change in Components and Cost Reallocation between Disbursement Categories

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Modest

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	29-Jun-2014	Satisfactory	Satisfactory	0
02	23-Dec-2014	Satisfactory	Satisfactory	2.00

03	30-Jun-2015	Satisfactory	Satisfactory	4.13
04	29-Dec-2015	Moderately Satisfactory	Moderately Satisfactory	5.98
05	07-Jul-2016	Moderately Unsatisfactory	Moderately Unsatisfactory	7.89
06	02-Mar-2017	Moderately Unsatisfactory	Moderately Satisfactory	12.56
07	02-Jan-2018	Moderately Unsatisfactory	Moderately Satisfactory	14.19
08	24-Oct-2018	Moderately Unsatisfactory	Moderately Satisfactory	16.97
09	13-Mar-2019	Moderately Satisfactory	Moderately Satisfactory	19.38
10	30-Oct-2019	Moderately Satisfactory	Moderately Satisfactory	23.46
11	11-Jun-2020	Moderately Satisfactory	Moderately Satisfactory	26.26

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Financial Sector	**88**
Banking Institutions	57
Other Non-bank Financial Institutions	31
Industry, Trade and Services	**12**
Services	12

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**150**
Business Enabling Environment	24
Regulation and Competition Policy	24
Jobs	100
Enterprise Development	26
MSME Development	26

Finance	**50**
Financial Stability	24
Financial Sector oversight and policy/banking regulation & restructuring	24
Financial Infrastructure and Access	26
MSME Finance	26

ADM STAFF

Role	At Approval	At ICR
Regional Vice President:	Makhtar Diop	Hafez M. H. Ghanem
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

1. **At appraisal (in January 2014), the Democratic Republic of Congo (DRC) was still facing the severe negative economic and social impacts of a long period of conflicts that officially ended in 2003.** The country was among the poorest in the world—with a gross national income (GNI) per capita of only US$410 (2013, Atlas Method)—and with a very low score in the Human Development Index.[1] In 2010, DRC had reached the Highly Indebted Poor Country completion point and therefore had benefitted from debt cancelation of US$12.3 billion. DRC was in the Harmonized List of Fragile Situations, with weak governance systems, limited collective initiative, and predatory practices of rent-seeking that fueled corruption in economic and social activity.

2. **High international commodity prices were supporting high growth, but this was not translating into broad-based economic opportunities.** Annual gross domestic product (GDP) growth averaged 7.8 percent during 2010–2014. But poverty and unemployment were still rampant. Young people were particularly affected by underemployment, with more than 70 percent of those between 15 and 24 years without jobs. The economy was largely dependent on primary extractive industries, and DRC was importing almost all manufactured products. Prospects for more jobs and income rested on economic activities that were expected to be dominated by micro, small and medium enterprises (MSMEs), such as agribusiness, food processing, construction, and services.

3. **Overall monetary and financing conditions were tight. The economy and financial system were highly dollarized, compromising the ability to implement monetary policy and constraining financial intermediation.** In 2013, broad money in the DRC was only 11.4 percent of GDP and domestic credit only 7.3 percent of GDP, much lower than peer countries and revealing a financial system with very limited financial intermediation capacity (Table 1). This was partly explained by the exorbitantly high real lending rates applied by lenders—an annual average of 27 percent during 2010–2014—, reflecting high funding costs that priced high uncertainty in inflation.[2] Anecdotal evidence suggests that 90-95 percent of transactions in the DRC were denominated in US dollars (USD). About 90 percent of banks' liabilities were denominated in USD.[3]

4. **The financial sector was very small and dominated by banks, limiting the capacity for financial intermediation.** In 2013, the banking sector was composed of 18 commercial banks with assets of only 13 percent of GDP, of which less than half were loans. Banks had a simple business model that consisted of (a) provision of short-term finance to corporate clients or to businesses that could provide cash collateral or offshore guarantees,[4] and (b) the collection of deposits (mostly demand deposits in US dollars from companies' working capital) as funding. Banks had been recapitalized by their international and domestic private investors following the 2008–2009 global financial crisis. Non-bank financial institutions suffered even higher funding constraints. There were also more than one hundred microfinance institutions and savings and loan cooperatives that were growing fast and serving more than a million customers, of which 38 percent were women (2013). The microfinance sector had governance, financial management, and internal audit weaknesses, and a large share of microfinance institutions were underperforming or insolvent. Two

[1] Source: World Development Indicators; UNDP. Human Development Reports (http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf). The DRC ranked 186th out of 187 countries in the Human Development Report 2014.
[2] Although consumer price inflation was low at 0.9 percent in 2012 and 2013, the country had had periods of high and hyperinflation since the 1990s, with an average of 16 percent per year during the 10 years after the end of the conflict (2004–2013). Hyperinflation in the 1990s had destroyed the confidence of the Congolese in the banking system.
[3] Fischer et al. (2013). *Making Monetary Policy More Effective: The Case of the Democratic Republic of Congo.* IMF Working Paper.
[4] In 2013, the value of collateral needed for a business loan was an average of 153 percent of the loan amount. Source: Enterprise Surveys.

development finance institutions (DFIs) were noteworthy: the insolvent and public-owned *Societé Financière pour le Développement* (SOFIDE) and the donor-sponsored Fund for Financial Inclusion (FPM SA).[5] The lack of long-term saving instruments limited the commercial banks' ability to manage the maturity mismatches between deposits and loans, and therefore to finance large investment (Footnote 3). There was no capital market, and the money market (which accounted for less than 1 percent of GDP) consisted essentially of central bank treasury bills, with only limited interbank lending (Footnote 3). In 2014, only 17 percent of adults had access to a transaction account, while only 11 percent had an account in a financial institution and 9 percent had a mobile money account.[6]

5. **The DRC's national payments system (NPS) was among the least developed of Sub-Saharan African countries, with most of economic transactions settled in cash.** More than 70 percent of business transactions were still made in cash. In 2014, only 15 percent of adults made or receive digital payment. Government payments were predominantly made by check, while salary payments to civil servants were distributed by banks upon receipt of bulk checks from ministries, along with paper instructions and customized payment schedules. Inter-bank domestic transactions (clearance of checks or wire transfers) within the capital city could take up to four weeks in extreme cases and were subject to high operational risks stemming from manual handling. In 2013, the automated teller machines (ATM) network was among the smallest in the world, with only 0.7 ATMs for every 100,000 adults. While all banks provided ATM services, there was no interoperability between financial institutions. Only a few banks supported the use of credit cards issued by international organizations. The few point of sales (POS) services in the country were available in large retail outlets and hotels. This landscape partly reflected the limited number of bank customers, with only 34 depositors per 100,000 adults (albeit growing), but also the limited usage of ATMs.[7] In 2014, only 4 percent of adults had a debit card and only 2 percent of adults had a credit card. The mobile money market was in its infancy, with only 9 percent of adults receiving a remittance through a mobile phone (2014). The legal framework was not supportive of the expansion of digital payments. This situation represented a drag on commerce, particularly electronic commerce, and did not support the DRC's systems for anti-money laundering and combating the financing of terrorism (AML/CFT). Sponsored by the FIRST initiative, the World Bank had been building capacity of the DRC's central bank—*Banque Centrale du Congo* (BCC)—, which in 2013 had established a department to operate and oversee the NPS. Moreover, the World Bank-financed Private Sector Development and Competitiveness Project (PSDCP) had financed the preparation of bidding documents for new payment systems to be procured for modernization of the NPS. The PSDCP was completed in 2014.

6. **MSMEs had extremely low access to finance, particularly long-term finance.** Formal credit to the private sector was very low (annual average of 4.7 percent of GDP during 2010–2014), even comparing to other low-income economies (average of 43 percent of GDP in 2013). MSMEs had very limited credit from formal sources: only an estimated 38 thousand MSMEs had credit from commercial banks in 2015, or about 12 percent of the estimated number of formal MSMEs in the country.[8] In 2013, the overall MSME financing gap was estimated at 24 percent of GDP (or about US$7.4 billion).[9] About 92 percent of firms investment was financed with internal funds and access to finance was identified as the second largest constraint to growth by small businesses.[10] When available, credit to

[5] FPM had been established in 2010 as a non-profit organization (FPM ASBL) by international development partners (including the World Bank, through the PSDCP), but was in the middle of a spin-off of its lending operations into a licensed financial institution (FPM SA). This lending was playing a key role in the expansion of the microfinance sector.
[6] Global Findex database.
[7] According to the Global Findex database, in 2014, only 26 percent of those with a financial institution account used ATM as the main mode of withdrawal, while 66 percent used the bank teller as the main mode of withdrawal.
[8] Financial Access Survey, The International Monetary Fund. This is aligned with the findings of the 2013 Enterprise Survey, which found out that only 8 percent of small firms and 15 percent of medium firms had access to a bank loan or line of credit, compared with 34 percent of large firms (Enterprise Surveys (http://www.enterprisesurveys.org), The World Bank).
[9] Sources: World bank staff calculations based on data available on MSME Financing Gap (http://www.smefinanceforum.org/data-sites/msme-finance-gap)
[10] Enterprise Surveys (http://www.enterprisesurveys.org), The World Bank.

MSMEs was typically of a short-term nature (for example, 70 percent of banks' loan portfolio was short-term lending, that is, less than one year). Low access to finance by MSMEs reflected (a) poor creditworthiness of MSMEs, reflecting lack of profitability; (b) the very high cost and short-term nature of external finance—that forced many businesses to self-exclude from seeking external finance—, reflecting high macroeconomic risks, funding constraints, and high operating costs of financial institutions; and (c) limited interest of financial institutions in the MSME segment due to its low risk-adjusted returns (and therefore lack of specialized credit appraisal and monitoring processes focused on MSMEs), which was exacerbated by the weak credit infrastructure available in DRC such as credit risk mitigation tools and contract enforcement framework.[11] Overall levels of non-performing loans (NPLs) in the banking system were acceptable (5.4 percent in 2013), but relatively high in the MFI sector (in 2014, the portfolio-at-risk in the MFI sector was 12.4 percent).

Table 1. Financial intermediation in the DRC: Comparison with peer countries (2013)

	GNI per capita	Broad Money	Credit to private sector	MSME financing gap[1]	ATMs
	(US$)	(% GDP)	(% GDP)	(% GDP)	(per 100,000 adults)
DRC	**410**	**11.5**	**5.3**	**26.4**	**0.7**
Ethiopia	470	n.a.	n.a.	7.0	0.5
Madagascar	520	21.2	11.1	26.8	1.8
Mozambique	670	42.4	26.6	9.2	7.8
Tanzania	890	22.1	12.5	12.9	5.7
Uganda	800	18.1	12.3	18.5	4.9
Regional average	1,760	36.4	46.8	21.9	4.9

ATM = automated teller machine; GDP = gross domestic product; GNI = gross national income; US$ = United States Dollar.
[1] As of 2015.
Sources: World Development Indicators (accessed on February 24, 2021); International Monetary Fund, Monetary and Financial Statistics; SME Finance Forum (https://www.smefinanceforum.org/data-sites/msme-finance-gap).

Theory of Change (Results Chain)

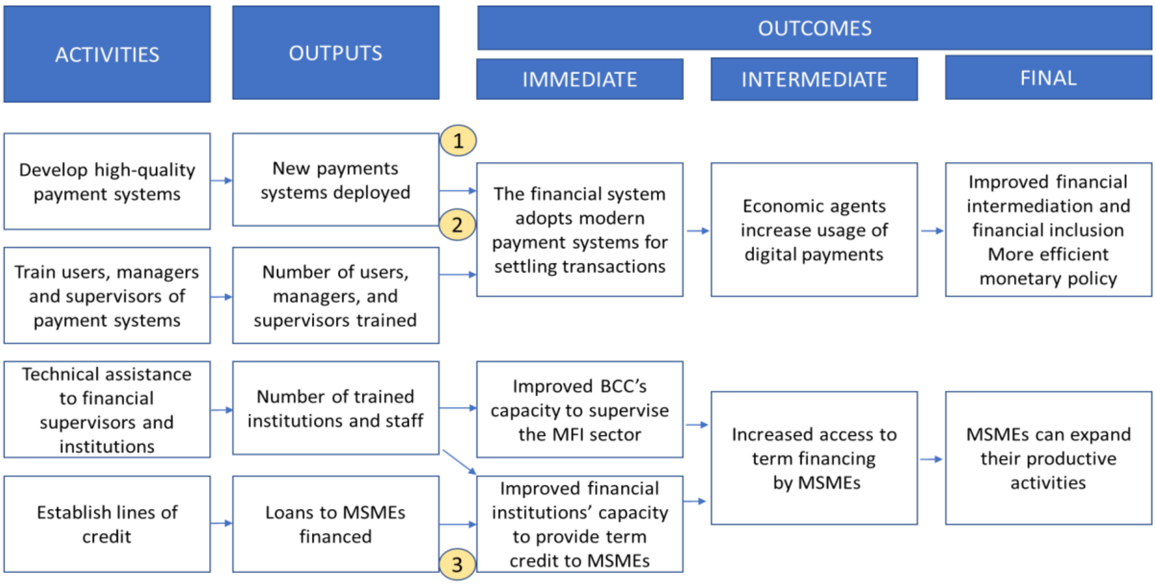
7. **The project envisioned that the deployment of high-quality electronic payment systems, coupled with technical assistance for managers, users, and supervisors, would lead to the adoption by financial institutions of such systems for settling payment transactions.** Ultimately, more economic agents would use digital payment systems and less cash, contributing to better financial intermediation and financial inclusion, and enabling a more efficient monetary policy. The project assumed that financial institutions would be willing to integrate their systems in a coordinated fashion and guided by the BCC. The project also implicitly assumed that settlement of transactions denominated in USD by DRC agents would remain possible, but this assumption did not fully materialize.

8. **The project also envisioned that providing technical assistance to financial supervisors and financial institutions, as well as lines of credit through financial intermediaries, would increase access to term finance by MSMEs.** Ultimately, this would help MSMEs expand productive activities. The project implicitly assumed that (a) creditworthy MSMEs were seeking long-term financing but were not receiving it from the formal financial system, (b) financial institutions were not providing longer-term credit to MSMEs because of lack of term funding and

[11] The problems of adverse selection and moral hazard are prominent in MSME financing. MSMEs usually cannot provide the type of collateral required by financial institutions (that is, real estate assets) and the absence of credit risk mitigation tools (for example, a movable collateral framework or a risk-sharing facility) and of a well-functioning contract enforcement framework reduce the appetite from financial institutions. Moreover, even if financial institutions were more open to cash-flow based lending, MSMEs do not typically prepare standard financial reports which are required to assess their creditworthiness, given the limitation of Congolese credit information systems. Development partners led by KfW and DFID were leading the assistance to DRC for establishment of a credit bureau and a movable collateral framework.

restrictive prudential liquidity rules reflecting high dollarization,[12] and (c) other existing constraints—such as high credit risk and high collateral requirements—were being addressed by other interventions or were not as binding as liquidity constraints.[13]

Figure 1. Theory of change



Assumptions: (1) Financial institutions are willing to integrate their systems in a coordinated fashion and guided by the BCC; (2) settlement of transactions denominated in USD by DRC agents would remain possible; (3) financial institutions were not lending to MSMEs because of lack of term funding and stringent prudential liquidity rules reflecting high dollarization.
Note: this diagram of the theory of change was prepared by the ICR team based on information collected from the original PAD.

Project Development Objectives (PDOs)

9. **The project development objective was to modernize payments infrastructure and increase availability of term financing to MSMEs in the DRC's territory.**

Key Expected Outcomes and Outcome Indicators

10. **The project was expected to help businesses and individuals benefit from the adoption of modern payment services and to help entrepreneurs and business owners access term finance for growing their business**. Financial institutions and the financial supervisor (BCC) were expected to benefit from technical assistance.

[12] Dollar deposits can only be paid off to the extent banks have sufficient dollar liquidity or access to dollar liquidity on-lent by markets or the central bank. However, under stress conditions, banks may lose their ability to swap currencies and access the relevant foreign exchange markets. Moreover, in the case of the DRC, the BCC external reserves are very limited, therefore the need to impose very high reserve requirements. Finally, sudden, adverse exchange rate movements can sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges in place.
[13] The PAD recognized that credit risk was high and that DRC required better frameworks for credit reporting and secured transactions. It also noted that development partners were assisting with investments in credit infrastructure. The PAD (paragraph 62) discussed the alternative of providing risk sharing mechanisms, concluding that stakeholders believed that these instruments had not been effective.

11. **The original outcome indicators were:**
(i) Increased number of transactions through the Real Time Gross Settlement System (RTGS);
(ii) Increased number of transactions through the Automated Clearing House (ACH) in US Dollars;
(iii) Increased number of transactions through the ACH in Congolese Francs;
(iv) Reduction of portfolio at risk in the microfinance sector (as well as the percentage of project-supported institutions reporting on this indicator), and;
(v) Volume of cumulative Bank funding provided to SMEs.

Components

12. **The project had three components:**[14]

(i) Modernization of the NPS infrastructure (US$7 million at appraisal, US$9.3 million actual), which included financing for (a) information technology (IT) systems for the new Automated Transfer System (ATS) and the new Central Securities Depository (CSD), that would provide a single, unified system for the processing of all payment types, following the preparation under PSDCP;[15] (b) equipment for a communications network connecting all systems under the NPS, including the RTGS; (c) IT systems for a new national payments card retail switch to allow inter-operability and interface between all financial institutions ("Switch"), as well as support for the establishment of a new organization that would manage the Switch; and (d) related technical assistance and capacity building to the BCC. The overall objective of this component was to improve the fluidity and safety of transactions, promotion of interoperability, reduction of costs and delays in the execution of transactions, improvement of financial inclusion, and strengthening the transmission channels of monetary policy.

(ii) Technical Support to Financial Market Development (US$7 million at appraisal, US$7.5 million actual) for (a) strengthening BCC's microfinance supervisory and regulatory capacity; (b) building capacity of financial institutions to expand microfinance and to service entrepreneurs and MSMEs; and (c) building capacity for sustainable medium and long term finance, by supporting the restructuring and transformation of SOFIDE into a wholesale DFI and the establishment of a unit at the Ministry of Finance to support financial sector reforms.[16]

(iii) Line of Credit for Medium to Long Term Finance (US$15 million at appraisal, US$9.9 million actual) to eligible participating financial institutions (PFIs)—via a wholesale financial institution—for on-lending to viable projects of creditworthy private MSMEs operating in DRC.[17] The amount of the line of credit (US$15 million) represented only 4 percent of the reported market volume for bank SME lending (and 0.2 percent of the estimated demand for credit by MSMEs).

[14] The project also included US$1 million in contingency funds.
[15] The ATS provides both RTGS and ACH capabilities for the clearing and settlement, within one integrated system, of all interbank electronic payments. It provides a single, unified multi-currency system for the processing of all payment types. The ATS is combined with the CSD to form the backbone of the Congolese's national payment system infrastructure. The ATS also provides the technical platform for the BCC to participate in the Southern African Development Community payment platform, which links the RTGS systems of all Southern African Community member states to facilitate cross-border payments.
[16] In particular, the new unit at the Ministry of Finance was expected to provide support to the implementation of recommendations provided by the International Monetary Fund under the Financial Sector Assessment Program (FSAP).
[17] The operations manual for the line of credit defined MSME loans those under US$150,000 equivalent. Alternatively, MSME loans above US$150,000 equivalent were eligible for MSMEs with annual turnover lower than US$3 million equivalent.

13. **Responsibility for overall project implementation was assigned to the *Cellule d'Exécution des Financements en faveur des Etats Fragiles* (CFEF), a project implementation unit (PIU) of the Ministry of Finance with some experience.** The BCC was responsible for implementation of the modernization of the NPS (Component 1) and the strengthening of supervision of the microfinance sector (Component 2.1). It eventually also played the role of wholesale financial intermediary under Phase 2 of the line of credit, acting as creditor on behalf of the Recipient (Component 3), complementing FPM SA that had been the sole wholesale financial intermediary under the Pilot Phase of the line of credit. FPM ASBL was responsible for implementation of the technical assistance to financial institutions for financial inclusion (Component 2.2). SOFIDE was responsible for implementation of Component 2.3.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION

Revised PDOs and Outcome Targets

14. **The project underwent a Level 2 restructuring in August 2016, consisting of changes to the Results Framework.** This was triggered by the problems with project monitoring observed up to the time of restructuring, which reflected unavailability of data and limited capacity to collect it. Most indicators were revised, and baselines and targets better defined, to establish more clarity on the project intended objectives. The outcome indicator that monitored asset quality in the microfinance sector was converted into an intermediate indicator, since the related activities represented a small part of the overall project financing. A new outcome indicator was added to monitor the share of women owned MSMEs that received a loan under the project. The Project Development Objective was not changed.

Revised PDO Indicators

- Number of annual transactions through the RTGS in CDF
- Number of annual transactions through the RTGS in USD
- Number of annual transactions through the ACH in CDF
- Number of annual transactions through the ACH in USD
- Number of MSMEs that received a loan through the Project
- Share of women owned MSMEs that received a loan through the Project.

Other Changes

15. **In May 2018, the project underwent a second Level 2 restructuring, this time to reallocate funds from Component 3 (Line of Credit for MSMEs) to Component 1 primarily.** The reallocation was due to the larger than expected costs of developing and deploying the new Switch and the limited absorption of the line of credit up to that point. The restructuring reduced the allocation to Component 3 from US$15 million to US$10 million. The restructuring also allocated more funds for project management, for a total of up to US$2.7 million.[18] Finally, the restructuring changed the implementation arrangements for the line of credit, with the addition of BCC as the primary wholesale financial intermediary.

16. **In 2020, after prolonged dialogue with the Ministry of Finance, the project canceled the allocation for establishment of a financial sector reforms unit in the Ministry of Finance**, considering that the Ministry of Finance preferred that such functions be carried out by the *Comité Technique de Reformes* under the Ministry of Finance.

[18] The Financing Agreement and the PAD envisioned that project management would be the responsibility of the Ministry of Finance (CFEF), with specific activities executed by the BCC and FPM SA. While there was no explicit budget allocated to project management, the procurement plan attached to the PAD included the recruitment of consulting services to build capacity for project management and monitoring and evaluation, for about US$1 million, which was the same amount allocated to contingency. The Financing Agreement also envisioned that the project would cover operational costs.

Rationale for Changes and Their Implication on the Original Theory of Change

17. **The changes did not materially affect the original theory of change, nor the project development objective.** The changes reflected the need to improve the results framework to better manage the project and evaluate its outcomes, ensure proper monitoring of gender equality in accessing the line of credit, and to support a more efficient use of funds. The level of ambition, difficulty or scope of the project remained broadly unchanged.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

18. **The PDO's relevance remained *Substantial* throughout implementation.** Following the new sector focused approach of the World Bank's Country Assistance Strategy to the DRC for FY2013-16 (CAS), this was the first World Bank's financial sector-focused investment operation in the DRC after the end of the civil war.[19] Strategic Objective Two of the CAS was "to boost competitiveness to accelerate private sector-led growth and job creation" and the CAS specifically referenced as measures to help re-launch the private sector: (i) the modernization of the DRC's NPS, (ii) the increase in SME's access to finance, and (iii) support to financial sector development. The 2018 Systematic Country Diagnostic (SCD) also highlights the increase in national payment system efficiency as one of the factors that can help reduce the high dollarization of the DRC economy and promote financial sector development.[20] The emergence of the Corona Virus Disease 2019 (COVID-19) pandemic reinforced the importance of electronic payments to support social distancing measures. Improving governance, capacity, and supervision of the microfinance sector was also important, given the challenges it faced. The SCD also agrees on the importance of increasing SME access to finance for expanding private investment, stressing the importance of developing credit infrastructure particularly to support the use of movable assets as collateral.

19. **The challenge of increasing term finance to MSMEs is complex and may require instruments other than lines of credit and technical assistance to financial institutions.** Financial institutions in the DRC provide limited term financing to MSMEs primarily due to (a) tight liquidity, arising from the need to manage liquidity risk in a highly dollarized economy (footnote 12) and from the short-term nature of their liabilities; and (b) a preference to finance businesses that have frequent cash-flows and a short-term nature in order to reduce credit and interest rate risks.[21] While lines of credit can increase the maturity of liabilities, the amount allocated by the project to the line of credit (US$15 million) was very small compared to the MSME financing gap or the size of the financial system (paragraph 6). Moreover, the Results Framework did not include an indicator that directly measured increase in the availability of term financing.[22] Also, the use of lines of credit to systematically increase SME's access to finance has shown poor outcomes when macroeconomic conditions are unstable, and the financial system is weak.[23] On the other hand, the

[19] *Congo, Democratic Republic of - Country Assistance Strategy for the period FY13 - FY16*. Washington, D.C.: World Bank Group. Before the CAS, the World Bank assistance was implemented through multi-sector projects. The CAS remains in effect, with a new country partnership framework under preparation.

[20] World Bank Group. 2018. Democratic Republic of Congo Systematic Country Diagnostic: Policy Priorities for Poverty Reduction and Shared Prosperity in a Post-Conflict Country and Fragile State. World Bank, Washington, DC.

[21] While businesses with short-term cycles dominate the DRC economy, it is unclear whether the predominance of short-term financing to MSMEs reflects this fact or is instead a contributing cause.

[22] The final outcome indicators measured the number of MSMEs (and share of women-led SMEs) that benefitted from loans financed by the project, which measure overall access to finance by MSMEs. The target (2,500) represents only a very small share of the number of MSMEs in the DRC.

[23] *Independent Evaluation Group. 2006. World Bank Lending for Lines of Credit: An IEG Evaluation.* Washington, DC: World Bank;

restructuring and transformation of SOFIDE into a viable and sound wholesale development finance institution could have helped deploy new funds for long-term lending.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

Objective 1. Modernize payments infrastructure

20. **The project was effective in modernizing payments infrastructure, although the impact of the new Switch is still limited.** In its last annual project report, the BCC informed that (i) the RTGS settled 441 thousand transactions, of which 361 thousand in local currency (250 percent of the target) and 80 thousand in USD (114 percent of target); and (ii) the ACH settled more than 4.6 million transactions, of which 4.5 million in local currency (990 percent of the target) and 105 thousand in USD (2 percent of the target).[24] These results show that the new infrastructure financed by the project is operational and this can be attributed to the project. Only the number of USD transactions settled in the ACH was lower than expected and reflects the limited time period when the ACH processed USD transactions (between April and December 2019), since the BCC stopped settlement in USD following the U.S. Treasury's demand in the aftermath of investigations conducted by non-governmental organizations that found that several banks in DRC are exposed to international schemes of money laundering used to dissimulate revenues generated by corruption in the mining industry (paragraph 45).

21. **Despite the usual challenges in integration of IT systems across organizations—in this case, banks and payment service providers (PSPs)—, the project managed to establish a new ATS and CSD systems, cornerstones of the DRC NPS.** The systems provide an efficient, final, and irrevocable settlement of interbank obligations, and support the BCC in better monitoring and managing systemic risk and implement its monetary policy objectives. Electronic retail payments can now be settled on the same day, while checks are settled on T+1, against an average of one week prior to the project, thereby significantly reducing the overall cost of processing payments.[25] The systems were deployed in September 2017 and are being managed by the BCC. Initially, settlements were done only in local currency (the Congolese Franc). Eventually (in March 2019) the offshore system for settlement of USD transactions became operational, although for only eight months (see previous paragraph).[26]

22. **The project also financed a new Switch that allows for the routing of authorizations and clearing of payment and withdrawal transactions using domestic interbank cards ("Mosolo"), although its operations are still very modest.** The Switch became operational in December 2020, after customization and deployment of the software and hardware. However, the BCC reported that only 11 commercial banks are connected to the system, with five banks in actual operations and six others in the testing stage. The few private banks that own a private payment switch ("Multipay") shown initial reluctance to operate with the new Switch, but are now undergoing system integration

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Independent Evaluation Group. 2014. The Big Business of Small Enterprises: Evaluation of the World Bank Group Experience with Targeted Support to Small and Medium-Size Enterprises 2006-2012. Washington, DC: World Bank.

[24] Quality of targets set for the number of payments are difficult to assess given that they depend on many factors that are inherently uncertain, such as decisions of economic agents. In any case, the targets defined under the project seem acceptable and intended to show that a non-trivial volume of payments was expected to be processed by the new payment systems.

[25] The project results framework did not monitor the average cost and time to process transactions.

[26] An offshore system processes payments denominated in a currency different from that of the jurisdiction. Multi-currency payment systems are relatively rare given the challenges they entail, including foreign currency liquidity management, governance, conflicts of laws, and adherence to AML/CFT regimes. Examples of offshore payment systems are the Hong Kong Clearing House Automated Transfer System, the Lebanese RTGS system, the USD options in the RTGS systems of the central banks of Azerbaijan, Jamaica, Tanzania and the United Arab Emirates, and the renminbi settlement service in Malaysia. See Bech et al. 2020. *Payments without borders.* BIS Quarterly Review.

testing. There is no data yet on the volume of transactions processed through the new Switch. The project supported the development of the statutes and workplan for a new autonomous organization that will manage the Switch—the *Société Monétique Interbancaire du Congo* (SMIC)—, which is yet to be operationalized. As originally envisaged, until SMIC becomes operational, the BCC has setup an interim management team that is operating the Switch. The project also supported the establishment of a payment card personalization center for the issuance of the Mosolo cards.

23. **The project financed the modernization of the communications network between the participants of the NPS—including new communications equipment (for example, fiber optic)—, which was completed in November 2015.** As of March 2021, the BCC, all commercial banks and mobile money operators, the private Switch Multipay, one microfinance institution, and the Directorate of the Treasury, are inter-connected through an inter-bank communication network managed by the BCC.

24. **The project financed technical assistance to the BCC to manage and supervise the payments infrastructure developed and deployed under the project.** In the context of this support, the BCC established the Department for Payment Systems to monitor the payment systems and the project financed some equipment for this new department. More than 1,000 participants among technical staff of the BCC and commercial banks received training on the operations of the inter-bank communications network, the ATS and CSD, and the Switch, as well as on management of payments and liquidity in SWIFT payments and recent trends in electronic payments. The project also financed the development and implementation of standards on the NPS and of a manual for supervision of payments systems.

Objective 2. Increase availability of term financing to MSMEs in the DRC's territory

25. **The activities financed by the project strengthened the BCC's capacity to regulate and supervise microfinance institutions (MFIs) using risk-based principles**, including competencies in internal control, analysis of business plans, and the review of legislation on savings and credit cooperatives.[27] Following a diagnostic that highlighted governance issues and systemic risks in the MFI sub-sector, the BCC revised regulations and developed standard reporting templates to be produced by financial institutions. More than 160 BCC staff were trained on risk-based supervision, reporting models, financial analysis, internal control, and analysis of business plans. The project also supported the preparation of a draft bill on savings and loans cooperatives, which is under the government's consideration. The BCC reported that the portfolio at risk in the MFI sector stood at 8.8 percent in 2020 and that 96 percent of MFIs and savings and loans cooperatives are reporting financial statements and data about asset quality.[28] The MFI sector remains a relevant part of the financial system, with about 0.9 million people served.

26. **The project helped strengthen the capacity of financial institutions to serve MSMEs by financing the FPM ASBL's business plan for 2014-2018 with US$3.3 million.** From 2014 to 2019, FPM ASBL reported 169 projects: (a) 95 direct technical assistance projects to 24 partner financial institutions, and (b) 74 cross-cutting technical assistance projects, including 43 training sessions, 21 forums, and 10 market studies. More than 70 financial institutions directly or indirectly benefited from these activities, including savings and loans cooperatives, MFIs, specialized MSME banks, and universal banks targeting SMEs. Some of the initiatives supported under this financing include at least five new

[27] While there is no recent formal external assessment of BCC's capacity to supervise the MFI sector, external experts interviewed by the ICR team suggest that such capacity has somewhat increased.

[28] The BCC informed that these are provisional figures that need to be verified, but that the substantial improvement in the portfolio-at-risk observed in 2020 in the microfinance sector reflects (a) the reluctance by microfinance institutions to extend credit during the second quarter of 2020, combined with a reversal (and expansion of the portfolio) in the second half of 2020; and (b) the implementation of BCC Instruction #44 to credit and microfinance institutions, which suspended certain prudential requirements and incentivized restructuring of credits. The portfolio at risk of MFIs was an outcome indicator in the original results framework but was reclassified to intermediate indicator during the first restructuring. The original target has been achieved. In 2014, portfolio-at-risk in the MFI sector was 12.4 percent and 82 percent of MFIs and 90 percent of savings and loan cooperatives were reporting financial statements and asset quality data.

branches in underserved areas, the creation of a specialized agriculture lending department in a commercial bank that piloted lending of about US$8 million, and the establishment of agent networks in four financial institutions (for a total of more than 1,000 agents). An assessment by beneficiaries of the impact and quality of the technical assistance was not conducted, reducing the opportunity to learn more lessons from this intervention.

27. **The line of credit for MSMEs provided long-term finance to slightly more firms than targeted.** The project financed US$10.5 million in loans for 2,531 MSMEs (compared to a target of 2,500 MSMEs) via two wholesale financial intermediaries: FPM SA in the Pilot Phase and the BCC in Phase 2.[29] In the Pilot Phase, FPM SA lent US$3 million to four PFIs for on-lending to 778 MSMEs. In Phase 2, the BCC lent US$7 million to nine PFIs for on-lending to 1,753 MSMEs. As per the BCC and CFEF, 68 percent of beneficiaries were women-led businesses (exceeding the target of 50 percent). A large sample of sub-loans financed under the project showed an average maturity of close to two years, which is estimated to be much higher than the average MSME loan maturity in the market.[30] The volume of disbursed loans through the project (US$10.5 million) was lower than the target (US$24 million). The line of credit did not mobilize co-financing from PFIs and therefore did not provide incentives for savings mobilization, although many of the PFIs did not have a deposit-taking license. The PFIs have started repaying the lines of credit and these funds will be recycled into new loans to MSMEs.[31] Some donors have since used the same BCC refinancing window to provide funding for SME lending. Significantly, the BCC refinancing window was also as a model by the BCC to provide emergency funding to financial institutions as part of the economic response to the impacts of COVID-19.

Table 2. Participating financial institutions and beneficiaries of the line of credit

#	Participating financial institution	Allocated amount (US$ million)	Number of beneficiaries[a]
	Pilot Phase (FPM SA)		
1	Equity Bank Congo	2.00	64
2	Coopec Cahi	0.50	20
3	IMF Vision Fund	0.50	678
4	SMICO	0.50	16
	Phase II (BCC)		
5	IFOD	0.80	48
6	Camec Inkisi	0.04	535
7	Equity Bank Congo	2.23	26
8	Afriland Bank	0.75	24
9	SMICO	0.34	30
10	Busina	0.08	63
11	IMF TID	0.45	455
12	Paidek	0.43	36
13	Rawbank	1.83	535
	Total	**10.0**	**2,531**

[a] The number of beneficiaries includes those that received sub-loans with funds recycled from original repayments.

[29] The target of US$24 million of sub-loans financed under the Project included US$15 million from project funds and US$9 million from recycling of funds.

[30] The analysis of sample contracts shows that the PFIs were expected to provide sub-loans of a medium- to long-term nature (defined as having a maturity longer than 12 months) but there was no contractual obligation to match the maturity of the sub-loans and the maturity of the loan to the PFIs. There was no contractual requirement to use the reflows in the financing of new medium- to long-term sub-loans to MSMEs.

[31] This has already happened with the initial funds disbursed.

28. **The project financed two reports to advise SOFIDE on how to support sustainable medium and long-term finance.** The project financed an external organizational and financial audit of SOFIDE that was completed in 2016 and confirmed the findings of the latest FSAP, that is, that SOFIDE was not viable. The project also financed a restructuring plan which recommended to transform SOFIDE into a wholesale financial institution that would lend funds to retail commercial banks for on-lending to target segments. In February 2021, the Minister for Portfolio approved SOFIDE's restructuring and development plan, which foresees a combined model of commercial banking and development banking, rather than a wholesale model. The project did not finance the establishment of a financial sector reforms unit in the Ministry of Finance, as originally envisaged.

Justification of Overall Efficacy Rating

29. **The project's effectiveness in modernizing payment systems and increasing availability of term financing to MSMEs was *Substantial,* with five of six outcome indicators achieved.**[32] The project contributed decisively to the modernization of the DRC's NPS, opening the way for the future expansion of digital payments to the population. In 2020, more than 5 million payments were processed through the ACH and RTGS. The project also helped more than 2.5 thousand MSMEs in DRC secure longer-term financing. The project made meaningful impacts in building capacity of financial institutions and had some impact in the capacity of the BCC to supervise the microfinance sector. While the project financed an external audit and a restructuring plan for SOFIDE, the establishment of a financial sector reforms unit at the Ministry of Finance did not take place, but the importance of these activities in the overall project was small, as shown by the absence of outcome indicators related to these components.

C. EFFICIENCY

Assessment of Efficiency and Rating

30. **The project's efficiency was *substantial* and overall aligned with what would be expected for investments in complex IT systems and technical assistance for financial sector development**. Despite delays in some areas such as the implementation of the Switch and the technical assistance to the BCC for improving supervision of MFIs, the project deliverables were largely achieved within the planned period and the project did not require an extension. Moreover, the delays did not create significant additional costs. Advanced preparation of bidding documents for procurement of payments systems and the choice of an existing structure (CFEF) as PIU helped accelerate project implementation, reduce project management costs, and make overall project implementation more efficient.

31. **The cost of modernizing payments systems (US$10 million) was higher than originally estimated but within an acceptable range.** The price for developing and deploying the Switch was higher than estimated (US$4.6 million against an estimated US$1 million) and there were some delays with deploying the IT systems, particularly in the process of integration with PSPs. The reluctance to join the new Switch by the few banks that are members of Multipay have created delays in operationalizing the Switch. The original estimate for the Switch was likely too low, considering the high costs and time required for managing a process of integration across several organizations. The costs for developing, deploying, and maintaining the new systems and infrastructure, as well as for developing the BCC's capacity to supervise them, are comparable to similar projects. See Annex 4 for more details.

32. **Technical assistance for financial market development (US$7 million) was largely efficient.** There were some delays in the technical assistance to the BCC, following the retirement of the first resident advisor recruited under the

[32] Or six out of eight outcome indicators achieved, if we consider the two original outcome indicators that were removed after the first restructuring in 2016.

project. On the other hand, the allocation for building capacity of financial institutions to serve MSMEs (US$3 million) through FPM ASBL efficiently financed many technical assistance projects, with substantial results (see paragraph 26).

33. **Efficiency in the intermediation of funds through the line of credit was modest.** The target for beneficiaries of the line of credit was achieved with less financing than initially envisaged (US$10 million against the original allocation of US$15 million), signaling that smaller loans were financed. Operationalization of the line of credit took a few more months than expected, including to strengthen environmental and social safeguards, but eventually became operational, with a first disbursement in December 2016. A large sample of sub-loans financed under the project showed that PFIs charged market rates to sub-borrowers. However, the financing to PFIs was provided at relatively low rates on average—BCC charged only 3 percent per year for its USD-denominated loans, while FPM SA charged 6–7.5 percent, both with a maturity of five years[33]—without mobilization of co-financing from PFIs, and therefore not contributing to the intermediate target for volume of loans financed under the project. Information about performance in repayment of sub-loans—another measure of efficiency in provision of lines of credit—is very limited and does not allow for sound conclusions.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

34. **The project's overall outcome was *Satisfactory*.** The project remained substantially relevant throughout its implementation, particularly given the importance of modernizing payment systems for economic and financial development and governance, and despite limitations of the instruments chosen to address the complex problem of limited term financing for MSMEs. The project largely achieved the expected results in a satisfactory manner, with new payment systems in operation with almost 5 million transactions processed over the last year (despite the partial implementation of the Switch and the limited use of USD settlements), increased capacity of financial institutions to serve MSMEs, and more than 2,500 MSMEs benefitting from access to longer term credit. The project's efficiency was substantial and aligned with what would be expected for investments in complex IT systems and technical assistance for financial sector development, although efficiency in the line of credit was modest.

Table 3. Overall outcome rating

Relevance	Efficacy	Efficiency	Overall outcome
Substantial	Substantial	Substantial	Satisfactory

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

35. **The project supported the provision of credit to about 1,700 women-led MSMEs.** The project initially had no outcome indicator monitoring gender considerations, but this was later changed in the first restructuring, with the introduction of an indicator monitoring the share of women-led MSMEs among the MSMEs benefiting from loans financed under the project.

Institutional Strengthening

36. **The project strengthened the supervisory capacity of the BCC through technical assistance, training, and coaching to BCC staff.** The project supported the establishment of a new department at the BCC responsible for supervision of payments system, particularly IT systems. The project also strengthened somewhat the capacity of the staff of the Financial Intermediaries Supervision Directorate to supervise the microfinance sector.

[33] The simple average of rates offered by commercial banks in the DRC on time deposits of all maturities in foreign currency was 3.5 percent during 2017-2019.

37. **The project provided support for the establishment of SMIC, a new organization that will manage the Switch but is not yet operational.** The project supported the preparation of SMIC's statutes and business plan.

38. **Building on the technical assistance provided under the project, some financial institutions have made investments that may help them better serve MSMEs.** More than 70 financial institutions directly or indirectly benefited from technical assistance provided by FPM ASBL, including savings and loans cooperatives, MFIs, specialized MSME banks, and universal banks targeting SMEs.

39. **The project had limited impact on the viability and outreach of SOFIDE.** While the project financed an external audit and a restructuring plan, the government has taken limited action on the recommendations of the external audit and has recently approved an action plan to transform SOFIDE into a questionable model that mixes a development finance mandate with commercial banking features.

Mobilizing Private Sector Financing

40. **The project had some impact in mobilizing private sector financing.** The line of credit was provided to PFIs without any requirement for co-financing using the PFIs' own funds, despite its attractive pricing and conditions (see paragraph 33). Some of the initiatives undertaken by private financial institutions following the support provided under the technical assistance (Component 2) have mobilized private resources: for example, one commercial bank established a specialized agriculture lending department that piloted lending of about US$8 million.

Poverty Reduction and Shared Prosperity

41. The project did not have other outcomes and impacts relevant to poverty reduction and shared prosperity other than the ones already mentioned in previous sections.

Other Unintended Outcomes and Impacts

42. The project did not have other known material unintended outcomes and impacts.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

43. **The PSDCP was active during preparation of the project, which helped finance required preparatory activities** such as drafting of bidding documents for the procurement of IT systems for the NPS. Project preparation also benefitted from the preliminary findings of the FSAP missions that had visited the DRC in June and September/October 2013. The prospective wholesale financial intermediary for the line of credit (FPM SA) was in the process of spinning off from a parent organization, which imposed an implementation risk and partly forced the design of the line of credit based on a two-phase approach.

B. KEY FACTORS DURING IMPLEMENTATION

44. **The enactment of the Law No. 18/019, of July 9, 2018, on payment and security settlement systems has strengthened the legal framework for payment systems, thus enhancing the sustainability of the project's outcome.** In particular, the Law strengthens the BCC's powers to supervise the NPS, and promotes the standardization of payment instruments and interoperability of payment systems.

45. **Investigations conducted by local and international non-governmental organizations found that several banks in DRC are exposed to international schemes of money laundering used to dissimulate revenues generated by corruption in the mining industry.** These investigations demonstrated that critical weaknesses in the internal control

framework of Congolese financial institutions have also been exploited by individuals and countries to avoid international sanctions. Following these findings, the U.S. Treasury requested the BCC to suspend the clearing of US Dollar transactions through the central bank ACH and RTGS, which are two of the payment systems supported under the project. Since December 2019, the BCC has stopped settling USD and Euro transactions, thereby limiting the usage of the systems financed under the project. The authorities expect that support from the U.S. Treasury in strengthening the AML/CFT regime can help address the identified weaknesses and allow the BCC to resume settlement of foreign currency transactions.

46. **Implementation of the Switch was delayed due to the reluctance to join by the few banks that are members of a private switch ("Multipay").** This reluctance delayed the beginning of operations of the Switch and an agreement on the governance structure for SMIC, although there has been recent progress in connecting the private switch to the national switch.

47. **The COVID-19 pandemic created obstacles to the last stages of implementation of the Switch.** On the other hand, it also raised the convenience of digital payments in the context of limitations on gatherings, which led the authorities to introduce incentives to using digital payments (such as the reduction of underlying fees and increase of the monthly limits for digital payments).

48. **The international commodity prices shock observed in 2014-2015 had strong macroeconomic implications in countries heavily reliant on commodity exports, such as the DRC.** Macroeconomic stability in DRC suffered with inflation reaching levels above 30 percent in 2017-2018 and the Congolese Franc depreciating by 43 percent in 2016-2018 in a highly volatile period. The level of NPLs expanded significantly from an average of 6.7 percent of loans in 2012–2014 to an average of 19 percent in 2015–2017. Financial institutions' appetite for financial intermediation in local currency suffered.[34]

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

49. **The original Results Framework was relatively complex—with six outcome indicators and nine intermediate indicators—and many indicators did not have clear definitions.** In August 2016, a level-2 restructuring was agreed, with some indicators removed from the Results Framework and replaced by new ones (including an indicator to monitor the impact of the project on gender equality in accessing sub-loans under the line of credit), while two outcome indicators were reclassified as intermediate indicators. This brought the number of outcome and intermediate indicators to six and ten respectively. The restructuring paper provided limited guidance on the definition of some indicators. Moreover, the results framework did not have indicators to monitor (a) the cost and time for processing payments in the DRC financial system, (b) functionality of the communications network, and (c) under the line of credit, the maturity of sub-loans—to monitor their alignment with the objective to have medium- to long-term maturities—or the quality of intermediation (loan repayment performance).

M&E Implementation

50. **The PIU took some time to fully setup an M&E system, triggering requests from the World Bank Task Team for changes in the PIU to strengthen the M&E function.** Many indicators did not show results until later in project implementation (components 1 and 3). M&E of the line of credit for MSMEs (Component 3) particularly suffered from

[34] The Ministry of Finance's attempts in 2015 to disburse the line of credit in local currency were faced with resistance from financial institutions. This also contributed to some delay in the roll-out of the pilot phase of the line of credit.

initial difficulties in collecting information from the wholesale financial intermediary, which claimed bank secrecy. Not until Phase 2 (in 2019), did the BCC enforce the requirement for disbursement requests to be supported by a list of projects (and relevant information) to be financed.

51. **Despite original intentions described in the PAD, the project did not finance an evaluation at the end of the project to assess the impact of the line of credit**, especially on beneficiary MSMEs' performance in terms of sales and employment.

M&E Utilization

52. **The PIU took time to fully use the M&E system as a management tool.** During the first part of the project, the PIU was only able to provide annual reports, despite several requests from the World Bank Task Team for more frequent progress reports. The government's completion report provides a good level of detail and a reasonable basis for evaluation and deriving lessons.

Justification of Overall Rating of Quality of M&E

53. **The quality of the project's monitoring and evaluation was *modest*.** The design of the Results Framework required changes early on to provide clarification and better align it with project objectives, but the framework continued to provide limited guidance on the definition of some indicators and did not include indicators to monitor key aspects of the project development objective. Project management did not implement a full M&E framework until the second half of the implementation period.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

54. **The project reportedly did not face any significant environmental and social risks.** These could have emerged mainly from sub-loans financed under the line of credit, although the sub-loan sizes were typically small and could have not financed large projects, and therefore the risks were inherently small. At the beginning of project implementation, the PIU prepared an operations manual that guided E&S risk management throughout project implementation and followed the International Finance Corporation (IFC) Performance Standards. The operations manual for the line of credit included a list of excluded activities. However, only in mid-2018 did the PIU recruit an environmental and social risk management specialist to actively monitor compliance with environmental and social risk management requirements (that is, mainly if PFIs were appropriately implementing their environmental and social management systems in their loans to MSMEs). Up to that point, there was no credible information for the Bank to supervise the effectiveness of the environmental and social screening of sub-projects before their implementation. The project set up a grievance redress mechanism only in 2019. The World Bank Task Team conducted frequent assessments and capacity building exercises that helped wholesale financial intermediaries (BCC and FPM SA) and PFIs improve their environmental and social management systems.

55. **The project did not face significant procurement or financial management compliance issues.**

C. BANK PERFORMANCE

Quality at Entry

56. **Quality at entry was modest, and the project required two restructurings to address some shortcomings.** Quality at entry benefitted from existing institutional and contractual arrangements and preparation of bidding documents from PSDCP. FPM SA's predecessor already complied with financial intermediary financing requirements under World Bank policies (Component 3). But the original allocation for the Switch was too low and the original

monitoring and evaluation framework had limitations (see paragraph 49), which required two restructurings to address.

Quality of Supervision

57. **The World Bank Task Team closely monitored project implementation through regular implementation support missions, including a mid-term review (MTR).** Although there were two changes in Task Team Leaders throughout project implementation, in both situations the incoming Team Leader was given enough time to become familiarized with the project and counterparts. The Task Team recommended project restructuring in a proactive manner. The Task Team also had frequent consultations with development partners. Changes to the Results Framework during the first restructuring were welcome but did not fully address the limitations of its original design.

58. **The World Bank Task Team flagged through the project ratings, in a timely manner, the key issues that emerged throughout project implementation.** This allowed for timely guidance and support to the authorities and to the PIU in addressing implementation challenges. For example, the Task Team requested more frequent meetings and reports as early as mid-2015, when the project implementation rating was downgraded to Moderately Satisfactory (and eventually Moderately Unsatisfactory).

59. **Following the MTR, the World Bank Task Team requested the Ministry of Finance to improve the implementation arrangements,** given that CFEF was not allocating as much resources and priority to the project as to other projects**.** This eventually led, in the second restructuring (2018), to an agreement to increase the allocation of project funds for project management. The Task Team also flagged that the wholesale financial intermediary that managed the line of credit in the Pilot Phase (FMP SA) was not providing the necessary data to measure the line of credit's impact as agreed under the partnership agreement and that it had provided short-term loans (that is, less than one year), rather than the long-term loans intended under the project. This triggered an audit of the pilot phase of the line of credit and eventually the decision to use BCC as the wholesale financial intermediary in Phase Two of the line of credit.[35] The Task Team proactively recommended amendments to the disbursement practices to ensure collection of necessary information on sub-loans and promote more expedient lending.

Justification of Overall Rating of Bank Performance

60. **The Bank's performance was *satisfactory*.** Quality at entry was modest: despite advanced implementation arrangements and preparation of bidding documents, there were shortcomings in the original Results Framework and in the small budget allocation for the Switch. Quality of supervision was good, with the Task Team identifying threats to the project's objective and offering solutions in a timely manner. Performance reporting was candid.

D. RISK TO DEVELOPMENT OUTCOME

61. **Full operationalization of SMIC is important to ensure sound management and funding of the Switch over the long term.** SMIC was originally intended to be a partnership between the BCC and financial institutions. While the BCC is managing the Switch on an interim basis, its primary role should be the supervision of the system, not its operation. Proper separation of duties in a critical system helps prevent errors and fraud. A self-sustainable Switch also requires the generation of revenues for maintenance of the system, which are ultimately linked to the volume of transactions processed through the system.

[35] FMP SA had also shown limited capacity to expand its portfolio after the pilot phase, partly due to prudential limits on single party exposures.

62. **The offshore system for settlement of USD payments developed under the project is at risk of limited usage if the DRC's AML/CFT system is not improved.** While settlement of USD payments is typically not a key feature of national payments systems, it plays an important role in DRC, where the USD is the primary currency used in settling economic transactions.

63. **The DRC's financial system remains small (assets equivalent to 11 percent of GDP) and financial institutions still face many risks when lending to MSMEs.** The volumes mobilized by the project represent only a very small fraction of the overall financing needs of MSMEs and there are still millions of MSMEs that are not able to secure term financing from formal financial institutions.

V. LESSONS AND RECOMMENDATIONS

Lessons

64. **The key lessons learned from the project arise from the challenges in implementing payment systems and lines of credit in the context of highly dollarized economies and financial systems such as the DRC.** High dollarization is unlikely to disappear from the DRC in the near future, since dollarization primarily arises as a protection against inflationary risks and reflects low credibility of institutions.[36] Given the limited capacity of the DRC economy to generate foreign exchange revenues (when compared to the potential demand for credit in the economy) and very limited external reserves, lines of credit denominated in US Dollars are especially attractive for local financial institutions.[37] This provides international financial institutions such as the World Bank with leverage to request local financial institutions to co-finance necessary investments to achieve development objectives (for example, term financing to MSMEs, as was the case in this project); however, the project was not effectively able to leverage private co-financing.

65. **A sound AML/CFT national system is an important pre-condition for development of "offshore" payment systems.** Following the U.S. Treasury's demands in the aftermath of the findings of high money laundering risks, the BCC suspended settlement in US Dollars through the new payment systems financed under the project, putting at risk the development outcome of this project component if no progress is made in mitigating money laundering risks. The World Bank is currently assisting the government in improving the AML/CFT framework.

66. **The price of the Switch was far larger than originally estimated suggesting that there is considerable uncertainty in pricing large and complex IT payment system.** The cost of developing and deploying such systems are subject to uncertainty and depend not only on the volume of customization required but also on the number of institutions that need to be integrated in the new system and their capacity and willingness to conduct the integration.

67. **While the PIU was fully staffed at project effectiveness, its attention was focused on other commitments (projects) during the initial part of project implementation.** The increase in budget for project management approved in the second restructuring seems to have helped getting more of the PIU's resources and time to the project.

[36] De Nicoló et al. (2003). *Dollarization of the Banking System: Good or Bad?* IMF Working Paper.
[37] DRC's external reserves have been at very low levels, averaging 0.9 months of imports in 2018-2020.

Recommendations

68. **This report recommends the government to:**

- **Assess the payment systems supported under the project against the Principles for Financial Market Infrastructure (PFMIs) and their capacity against cyber-risks.**[38] The PFMIs contain international standards for payment, clearing, and settlement systems, including central counterparties, and aim to ensure that the infrastructure supporting financial markets is more robust and better placed to withstand financial shocks. The Guidance on Cyber Resilience for Financial Market Infrastructure complements the PFMIs in supporting enhancement of cyber resilience for critical financial market infrastructure.
- **Prepare a roadmap for further NPS development.** This could include activities such as increasing incentives for digitization of B2P payments, and be based on the assessment against the Principles for Financial Market Infrastructure and of the constraints to digitalization of G2P payments.
- **Promote the usage of the new payment systems financed under the project through the digitization of government payments and revenue collection.** By shifting into digital payments, the government would lead by example. Digitizing government payments can significantly reduce costs, increase efficiency and transparency, and help recipients build familiarity with digital payments, potentially increasing financial inclusion.
- **Ensure sufficient budget for maintenance of the payment infrastructure developed under the project.** While, in principle, the BCC can provide sufficient budget for maintenance of the RTGS, ACH and CSD, an efficient maintenance of the Switch requires a sound business and financial model through which the costs of the system are shared between users (payment service providers).
- **Operationalize SMIC to manage the new Switch**. This should include the establishment of a sound governance structure, appointment of an experienced and professional management team, and approval of regulations. Integration between the new Switch and the financial institutions members of Multipay would be highly desirable. The BCC's primary role should be the supervision of the system, not its operation.
- **Reassess the restructuring plan for SOFIDE**, which foresees a combined model of commercial banking and development banking. Global experience shows that poor performance of DFIs is particularly related to the lack of a clear mandate and to weak governance structures which allow political intervention. DFIs with multiple and competing mandates are easy targets of political interference.[39] As a result, DFIs are unable to balance financial sustainability with the delivery of their development mandate, often drifting away from such mandates, competing with the private sector, and distorting the credit culture by failing to enforce loan agreements. SOFIDE could pursue instead a wholesale development financing model based on collaboration (rather than competition) with commercial banks.
- **Develop credit infrastructure to support increase in SME access to finance**, primarily through the use of movable assets as collateral and strengthening credit reporting systems. In this regard, the BCC's intention to cooperate with the IFC to conduct a diagnostic of its credit registry and of the overall credit reporting system in the DRC, is a welcoming step.

[38] Committee on Payment and Settlement Systems and International Organization of Securities Commissions. 2012. *Principles for Financial Market Infrastructure*; Committee on Payment and Settlement Systems and International Organization of Securities Commissions. 2016. *Guidance on Cyber Resilience for Financial Market Infrastructure.*

[39] Rudolph, Heinz P..2009. State financial institutions: mandates, governance, and beyond (English). Policy Research working paper; no. WPS 5141 Washington, D.C.: World Bank Group.

69. **The BCC should periodically evaluate whether its financing window for MSMEs is compromising its role as financial sector supervisor, ensure that access to the window does not entail moral hazard (for example, through appropriate pricing and collateral requirements), and potentially transition management of the window to an independent structure or wholesale financial institution.** Given the difficulties in implementation of the Pilot Phase of the line of credit and the absence of other credible wholesale financial institutions in the DRC, the BCC stepped in and replaced FPM SA as the wholesale financial intermediary in Phase Two. The BCC has also played this role of wholesale financial intermediary for other projects and donors.[40] However, although the agreement between the BCC and CFEF foresees that certain BCC departments (such as the Supervision Department) should not participate in the operation of the refinancing window, there are potential conflicts of interest in BCC's role as a permanent source of long-term funding for financial institutions for MSME financing, considering the BCC's role as supervisor of the same financial institutions. Moreover, central banks typically act as lenders of last resort to financial institutions in situation of crisis—such as during the ongoing COVID-19 pandemic—rather than as permanent sources of funding.

[40] This role is attractive for the BCC, given that it provides access to concessional US Dollars in a context of very low level of external reserves and high dollarization.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Modernize payments Infrastructure

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of annual transactions through the Real Time Gross Settlement System (RTGS) in USD	Number	0.00 31-Dec-2014	70800.00 31-Dec-2020		80,351.00 31-Dec-2019

Comments (achievements against targets):

Target achieved and exceeded. The results reflect the operations of the RTGS between March and December 2019.

Source: Banque Central du Congo.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of annual transactions through the Real Time Gross Settlement	Number	0.00 31-Dec-2014	144216.00 31-Dec-2020		361,021.00 31-Dec-2020

System (RTGS) in CDF					

Comments (achievements against targets):
Target achieved and exceeded.

Source: Banque Centrale du Congo.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of annual transactions through the Automated Clearing House (ACH) made in CDF	Number	0.00 31-Dec-2014	458080.00 31-Dec-2020		4,540,635.00 31-Dec-2020

Comments (achievements against targets):
Target achieved and exceeded.

Source: Banque Centrale du Congo.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of annual transactions through the Automated Clearing House	Number	0.00 31-Dec-2014	6352666.00 31-Dec-2020		105,435.00 31-Dec-2019

(ACH) made in USD					

Comments (achievements against targets):
Target not achieved. The number of USD transactions settled in the ACH was lower than expected and only reflects the eight months in 2019 when the ACH was processing USD transactions, since the BCC stopped settlement in USD in December 2019, following the US Treasury's request.

Source: Banque Centrale du Congo.

Objective/Outcome: Increase availability of term financing to Micro, Small and Medium Enterprises (MSMEs).

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Share of women-owned MSMEs that received a loan through the Project	Percentage	0.00 31-Dec-2014	50.00 31-Dec-2020		68.00 31-Dec-2020

Comments (achievements against targets):
Target achieved and exceeded.

Source: Banque Central du Congo and FPM SA.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of MSMEs that	Number	0.00	2500.00		2,531.00

received a loan through the Project		31-Dec-2014	31-Dec-2020		31-Dec-2020

Comments (achievements against targets):
Target achieved.

Source: Banque Central du Congo and FPM SA.

A.2 Intermediate Results Indicators

Component: Component 1: Modernization of Payments Infrastructure for Inclusive Finance

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of financial institutions and mobile network operators connected to the Switch	Number	0.00 31-Dec-2014	23.00 31-Dec-2020		11.00 31-May-2021

Comments (achievements against targets):
Target partially achieved. The BCC reported that only 11 banks are connected to the system, with five banks in actual operations and six others in the testing stage**.**

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised	Actual Achieved at Completion

				Target	
Number of banks and other financial institutions connected to the ATS/CSD of the National Payment System (NPS)	Number	0.00 31-Dec-2014	22.00 31-Dec-2020		16.00 31-Dec-2020

Comments (achievements against targets):
Target partially achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
A National Payments Card Retail Switch company is established	Yes/No	No 31-Dec-2014	Y 31-Dec-2020		No 30-Apr-2020

Comments (achievements against targets):
Target not achieved. The Project supported the development of the statutes and workplan and financed office equipment for a new autonomous organization that will manage the Switch—the *Société Monétique Interbancaire du Congo* (SMIC)—, which is yet to be operationalized. Until SMIC becomes operational, the BCC has setup an interim management team that is operating the Switch.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

A National Payment System (NPS) Department is operational	Yes/No	No 31-Dec-2014	Y 31-Dec-2020		Yes 30-Apr-2020

Comments (achievements against targets):
Target achieved. The Department has been established, staff trained, and equipment purchased with project support. The Department is managing the payment systems developed under the Project.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
An Automated Transfer System (ATS) is operational	Yes/No	No 31-Dec-2014	Y 31-Dec-2020		Yes 30-Apr-2020

Comments (achievements against targets):
Target achieved. The ATS has been operational since September 2017.

Component: Component 2: Technical Support to Financial Market Development

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Portfolio review of SOFIDE completed	Yes/No	No 31-Dec-2014	Y 31-Dec-2020		Yes 30-Apr-2020

Comments (achievements against targets):
Target achieved. The Project financed an external organizational and financial audit of SOFIDE that was completed in 2016 and confirmed the findings of the latest FSAP, i.e., that SOFIDE was not viable.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Portfolio at Risk - Microfinance and cooperatives (%)	Percentage	12.40 31-Dec-2014	9.00 31-Dec-2020		8.80 31-Dec-2020

Comments (achievements against targets):
Target achieved.

Source: Banque Centrale du Congo.

Note: The BCC informed that 2020 data are provisional figures that need to be verified, but that the substantial improvement in the portfolio-at-risk observed in 2020 in the microfinance sector reflects (a) the reluctance by microfinance institutions to extend credit during the second quarter of 2020, combined with a reversal (and expansion of the portfolio) in the second half of 2020; and (b) the implementation of BCC Instruction #44 to credit and microfinance institutions, which suspended certain prudential requirements and incentivized restructuring of credits.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of MFIs and	Percentage	87.80	95.00		96.00

cooperatives having provided information on Portfolio at Risk		31-Dec-2014	31-Dec-2020		31-Dec-2020

Comments (achievements against targets):
Target achieved.

Source: Banque Central du Congo.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of MFIs and cooperatives providing quarterly regulatory financial statements (Balance Sheets and Profit/Loss Accounts)	Percentage	82.40 31-Dec-2014	90.00 31-Dec-2020		96.00 31-Dec-2020

Comments (achievements against targets):
Target achieved.

Source: Banque Centrale du Congo.

Component: Component 3: Line of Credit for Medium to Long Term Finance

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised	Actual Achieved at

				Target	Completion
Volume of disbursed loans through the Project	Amount(USD)	0.00 31-Dec-2014	24000000.00 31-Dec-2020		10,500,000.00 31-Dec-2020

Comments (achievements against targets):
Partially achieved.

The target assumed that the funds repaid would be recycled into new subloans. However, recycling of funds is still limited, as only part of the loans have been repaid. Moreover, as PFI loans are repaid, it is more difficult to collect information about the second and following rounds of sub-loans.

B. KEY OUTPUTS BY COMPONENT

Objective/Outcome 1: Modernize payments infrastructure	
Outcome Indicators	1. Number of annual transactions through the Real Time Gross Settlement System (RTGS) in USD 2. Number of annual transactions through the RTGS in CDF. 3. Number of annual transactions through the Automated Clearing House (ACH) made in CDF 4. Number of annual transactions through the Automated Clearing House (ACH) made in USD
Intermediate Results Indicators	1. Number of financial institutions and mobile network operators connected to the Switch 2. Number of banks and other financial institutions connected to the ATS/CSD of the National Payment System 3. A National Payments Card Retail Switch company is established 4. A National Payment System Department is operational 5. An Automated Transfer System (ATS) is operational
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	*Component 1: Modernization of Payments Infrastructure for Inclusive Finance* 1. Establishment of new ATS and CSD systems 2. New national payments Switch for card retail transactions 3. Modernization of the communications network between the participants of the NPS, including new communications equipment (for example, fiber optic) 4. Technical assistance to the BCC to manage and supervise the national payments system
Objective/Outcome 2: Increase availability of term financing to Micro, Small and Medium Enterprises (MSMEs)	
Outcome Indicators	1. Number of MSMEs that received a loan through the project 2. Share of women owned MSMEs that received a loan through the project
Intermediate Results Indicators	1. Portfolio review of SOFIDE completed 2. Portfolio at Risk – Microfinance and cooperatives (%) 3. Percentage of MFIs and cooperatives having provided information on Portfolio at Risk 4. Percentage of MFIs and cooperatives providing quarterly regulatory financial statements (Balance Sheets and Profit/Loss Accounts) 5. Volume of disbursed loans through the Project

Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	*Component 2: Technical Support to Financial Market Development* 1. Technical assistance to the BCC to the strengthen its capacity to regulate and supervise microfinance institutions using risk-based principles 2. Technical assistance to financial institutions to strengthen their capacity to serve MSMEs 3. External organizational and financial audit of SOFIDE *Component 3: Line of Credit for Medium to Long Term Finance* 4. Financing of $10.5 million in sub-loans to 2,531 MSMEs

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Steven R. Dimitriyev	Task Team Leader
Abdoulaye Gadiere	Social Specialist
Abibou Gaye	Payment Systems
Aissatou Diallo	Senior Finance Officer
Alice Zanza	Payment Systems
Angelo Donou	Financial Management Specialist
Antoine Mounmemi	Junior Professional Associate
Antoine V. Lema	Senior Social Development Specialist
Bourama Diaite	Senior Procurement Specialist
Cedric Mousset	Lead Financial Sector Specialist
Dileep Wagle	Team Member
Ibrahima Dione	Team Member
Isabella Drossos	Senior Counsel
Jacqueline Lockward	Program Assistant
Juliana Victor-Ahuchogu	Senior Monitoring and Evaluation Specialist
Lisa Stahl	Junior Professional Officer
Louise Engulu	Senior Communications Officer
Maximilien Nana	Team Member
Milaine Rossanaly	Finance and Private Sector Development Analyst
Nicole Kazadi	Team Assistant
Philippe Liwoke	Senior Procurement Specialist
Philippe Marie Aguera	Co-Team Leader(s)
Tazeen Hasan	Gender
Supervision/ICR	
Alphonsus Nji T Achomuma	Task Team Leader
Clement Tukeba Lessa Kimpuni, Cheick Traore, Lanssina Traore	Procurement Specialists
Bertille Gerardine Ngameni Wepanjue	Financial Management Specialist
Andrea Vasquez-Sanchez	Team Member
Tanangachi Ngwira	Team Member
Lucienne M. M'Baipor	Social Specialist
Bella Diallo	Team Member
Ekaterina Grigoryeva	Environmental Specialist
Lucie Lufiauluisu Bobola	Procurement Team

Abdoulaye Gadiere	Environmental Specialist
Koho Francine Takoy	Procurement Team
Philippe Marie Aguera	Team Member
Faly Diallo	Team Member
Alice Museri	Procurement Team
Christelle Tandundu Epuza	Procurement Team
Cyrille Valence Ngouana Kengne	Environmental Specialist
Tresor Angela Ikobo	Team Member
Christophe Ngongo Muzyumba	Environmental Specialist
Ruben Jorge de Lemos Botelho Barreto	Team Member

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY14	22.589	181,001.75
FY15	13.547	69,180.95
Total	**36.14**	**250,182.70**
Supervision/ICR		
FY14	7.812	53,132.76
FY15	20.334	137,175.61
FY16	25.356	151,791.79
FY17	21.056	149,626.12
FY18	12.788	86,390.53
FY19	10.977	63,386.03
FY20	26.432	160,026.80
Total	**124.76**	**801,529.64**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$M)	Actual at Project Closing (US$M)	Percentage of Approval (US$M)
Component 1: Modernization of Payments Infrastructure for Inclusive Finance	7	9.3	133%
Component 2: Technical Support to Financial Market Development	7	7.5	107%
Component 3: Line of Credit for Medium to Long Term Finance	15	9.9	75%
Contingency	1		
Total	**30.00**	**26.7**	**89%**

ANNEX 4. EFFICIENCY ANALYSIS

1. **The Efficiency Analysis of the project is based on** a comparison of similar investments in modernization of payment systems financed under World Bank projects and on the estimation of the expected rate of return for Component 3.

2. **The efficiency of the project in modernizing payment systems is difficult to precisely estimate, given that there are no easily comparable benchmarks.** The table below provides information about the costs of similar investments in modernization of payment systems under World Bank projects. However, there is no easily accessible information about the level of functionalities of each system, nor about the volume of customization required or the number of institutions that needed to be integrated in the new systems. While the cost of modernizing payment systems in the DRC project was higher than other World Bank-financed payment projects, it seems that the DRC project had a larger scope.

Project	Key outputs related to payment systems	Cost ($ million)
DRC Financial Infrastructure and Markets Project	- Establishment of new ATS and CSD systems - New national payments Switch for card retail transactions - Modernization of the communications network between the participants of the NPS, including new communications equipment (for example, fiber optic)	9.3
Azerbaijan Capital Markets Modernization Project	- Support to consolidation and modernization of the CSD for government and corporate securities and its integration with the RTGS systems - Automation of the broking, trading, registry-keeping, central depository, clearing and settlement	7.7
Kyrgyz Republic Payments and Banking System Modernization Project	- Supply and implementation of Bulk Clearing System of Low value Retail and Recurring Payments - Supply and implementation of a card processing center - Supply and implementation of an RTGS	4.5
Sierra Leone Financial Inclusion Project	- National switch system	3.9

Source: World Bank project documents.

3. **Economic benefits arising from the line of credit are difficult to quantify given the limited information about the impact of the sub-projects financed by the line of credit.** Moreover, some benefits are not prone to simple monetization. For example, the project contributed to the reduction in inequality in access to finance by paying particular attention to the financing needs of women-led MSMEs. And the line of credit also helped build the capacity of financial institutions to identify and manage environmental and social risks. Still, the sub-projects are likely to have had sizeable economic benefits by giving firms access to longer term financing to support growth and profits and create more jobs. The economic rate of return originally estimated in the Project Appraisal Document was 15.8 percent. The financial return of the line of credit is estimated at 4.1 percent, consisting of the weighted average interest rate charged by the wholesale financial intermediaries (FPM SA and BCC) in their loans to participating financial institutions (PFIs), and assumes that the PFIs will fully repay the loans to the wholesale financial intermediaries as they have done so far.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

ANNEX 6. SUPPORTING DOCUMENTS

- Democratic Republic of Congo - Financial Infrastructure and Markets Project, Project Appraisal Document, February 25, 2014. *https://imagebank2.worldbank.org/Search/19184249*
- Democratic Republic of Congo - Financial Infrastructure and Markets Project, Financing Agreement, April 3, 2014. *https://imagebank2.worldbank.org/Search/19408103*