



The World Bank

Dem Rep Congo - Western Growth Poles (P124720)

REPORT NO.: RES36071

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DEM REP CONGO - WESTERN GROWTH POLES
APPROVED ON JUNE 11, 2013
TO
DEMOCRATIC REPUBLIC OF CONGO

AGRICULTURE AND FOOD

AFRICA

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I. BASIC DATA

Product Information

Project ID P124720	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 11-Jun-2013	Current Closing Date 30-Aug-2019

Organizations

Borrower Democratic Republic of Congo	Responsible Agency CFEF
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Project Development Objective (PDO)

Original PDO

The proposed Project Development Objective (PDO) is to increase productivity and employment in selected value chains in target zones.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-H8600	11-Jun-2013	22-Jul-2013	16-Oct-2013	30-Aug-2019	110.00	80.92	20.97

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



This Restructuring Paper proposes the following changes to the Western Growth Poles Project (P124720, \$110 million IDA) financed by the IDA Grant H860-ZR: (i) reallocating funds between the categories of eligible expenditures and components to ensure sufficient funding for certain project activities, which are necessary to achieve project development objective, and (ii) an extension of the closing date of the Project by eight months, from August 30, 2019 to April 30, 2020. Specifically, this restructuring requests to increase the resources of components 1 and 2 in order to finalize the physical infrastructures investments in support to the development of the agricultural value chains, for which the expenditures have been underestimated. To cover this shortfall, a reduction of financing for components 3 and 4 is proposed, as well as the reallocation of the unallocated disbursement category. These revisions do not require a change in the PDO or the safeguard category; therefore, the proposed changes constitute a Level II Restructuring. This is the third restructuring of this project as requested by the Government of the Democratic Republic of Congo (DRC) in its letters dated February 22 and May 18, 2019 (attached).

Project status

(a) On June 11, 2013, the World Bank approved an IDA Grant of US\$110 million (SDR 72.9 million) for the DRC Western Growth Poles Project with a closing date of August 30, 2019. The Grant agreement was signed on July 22, 2013 and declared effective on October 16, 2013. The Project Coordination Unit (PCU) is anchored in the Cellule d'exécution des financements en faveur des états fragiles or CFEF, within the Ministry of Finance.

(b) The Project Development Objective (PDO) is "to increase productivity and employment in selected value chains in target zones in the DRC". The project has four components, including - Component 1: Agriculture Value Chains Development in Kongo Central; Component 2: Special Economic Zone of Maluku; Component 3: Proactive Business Development; and Component 4: Coordination, Monitoring, Communication and Impact.

(c) Overall, progress has been made on all project's activities despite the delays, particularly under Component 1. Disbursement has increased slowly but steadily, from 38 percent at MTR in May 2017 to 79.4 percent to date, and is expected to pick up significantly over the next six months with the finalization of large infrastructure works under sub-components 1.2 and 2.3.

(d) Regarding Component 1: The main results achieved under this component are, in particular, to increase the availability of improved cassava cuttings and improved rice seed, as well as the distribution of better performing oil palm seedlings. In addition, the project has also shown significant results with regards to the rehabilitation of rural access roads. A total of 515 km of rural roads along 21 axes have been completed. The impact of these roads on the populations is considerable by the reduction of the travel time (from 129 hours before rehabilitation to 15 hours currently), and concomitant reduction on the price of the transport of people and goods. The related works on the electricity line is expected to be completed by the end of August 2019. The agro-industrial platform of Lukula is under construction and expected to be completed by the end of October. With the deployment of local service providers at the six nodal poles, the strengthening of producer organizations into cooperatives has continued apace, and the project has made it possible to organize and capacitate 301 agricultural cooperatives, including 170 in cassava, 39 in rice and 92 in palm oil.

(e) Regarding Component 2, progress has been made on the selection of the future ZES developer. The selection process has been completed and a Public-Private Partnership (PPP) will be signed before project closing with support from the transaction advisor. On the setting up of the Agency in charge of SEZ regulation (called AZES), the technical personnel were selected by an independent HR firm and approved by IDA. The AZES CEO is expected to be nominated by the Government from the proposed shortlist of four candidates identified by the HR firm and approved by IDA. The project will utilize the extension period to deploy TA to operationalize the new AZES prior to the closing date. On



infrastructure, a local firm has been contracted to construct a fence around the cleared ZES area of 211 ha, with works expected to be completed by the end of July 2019.

(f) Component 3 has financed studies to support business climate reforms. As of now, all studies have been completed. The Client is expected to implement key recommendations from these studies, particularly on streamlining the process for obtaining construction permits to facilitate investments. To facilitate this, a US\$ 300,000 IFC Trust Fund has been mobilized to support the deployment of the construction permit software in the DRC. The project will finance the deployment of the software at the Ministry of Urban Planning and two urban divisions of Kinshasa, the acquisition of computers, installation of the network infrastructure as well as the adaptation of the software by a local firm.

(g) Progress towards achievement of the Project Development Objective and Implementation Progress are both rated Moderately Satisfactory since May 2017. The Project complies with the following conditions for project restructuring and reallocation of proceeds as outlined in OP / BP 10.00 (paragraphs 23 and 42 respectively) on Investment Project Financing (IPF): (a) a request from the borrower; (b) the Project Development Objectives remain achievable under the proposed restructuring; (c) there are no outstanding audit reports nor audit reports that are not satisfactory to the Bank; and (d) the Bank and the borrower agree on actions that will be undertaken by the borrower to complete the Project.

(h) Fiduciary: The overall project financial management and procurement system has been rated moderately satisfactory. The quarterly Interim Financial Reports have been submitted on time and quality of these reports has been found acceptable to the Bank. The external audit has been conducted in line with International Audit Standards, the report have been submitted on time as indicated in the Financing Agreement. There are no outstanding audit reports nor audit reports that are not satisfactory to the Bank.

Extension of the closing date

A project extension would allow to reach full achievement of project development objectives, as follows:

- To finalize the investment and operationalization of the Lukula Agro-Industrial Center/Platform: To complete construction work on the Lukula agro-industrial platform and development of the site (5.3 hectares) to enable the establishment of significant processing capacity for value addition to the key crops supported by the project (Cassava, rice, palm oil), which will be operated by a private company under a PPP arrangement. This is important to bring to fruition the MFD dimension of the project. The extension period would allow for satisfactory installation of all equipment, the requisite testing period, and finetuning of the installations and avoid the risk of leaving this investment half-finished and an unsatisfactory outcome of this project.
- Operationalizing the agency in charge of ZES regulation (AZES or Agence de Régulation des Zones Economiques Spéciales): The AZES will have a critical role to play in the regulation of ZES activities. The core AZES staff (including 4 Technical experts and a CEO) have been shortlisted following a competitive recruitment carried out by an independent international firm. It is expected that the new President will appoint the AZES CEO from the IDA-approved shortlist of 3 candidates. Once the staff is recruited, a 6 months training program needs to be deployed to operationalize the unit and make it fully effective.
- On ZES development: A well-reputed international consortium (IOS-CPCS) was hired by the project to elaborate implementation regulations of the 2015 ZES law, to update the demand study and to assist the Government in selecting a zone developer and concluding a Public Private Partnership (PPP). The updated demand study predicts a



base case scenario (average) of approximately 180 new companies or/and expanding companies investing in the Maluku area during the period of 2012-2035. It estimates that the ZES will attract a substantial portion of that enterprise creation particularly in the (agro-)industrial sector and to a lesser degree in services. A more conservative scenario in the commissioned study estimates the enterprise creation to 70 new companies and/or expanding ones, which still represents a significant result. An international selection process was launched in 2018 to hire a well-reputed zone developer, with seven international/national companies responding to the Call for Expression of interest. A shortlist was approved, and the final candidate is expected to be invited for PPP negotiations with support from the independent transaction adviser. This extension would allow for sufficient time for these negotiations to take place and be satisfactorily concluded with technical backstopping from the project.

II. DETAILED CHANGES**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H8600	Effective	30-Aug-2019		30-Apr-2020	30-Aug-2020

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/TF	Current Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Disbursement % (Type Total)	
					Current	Proposed
IDA-H8600-001 Currency: XDR	G/W/NCS/CS/T/OC 1,2.1-2,3.2-3,4.1-2	66,272,727.00	56,338,518.60	68,845,173.00	100.00	100.00
	WORKS UNDER PART 2.3	1,988,182.00	208,122.82	2,346,211.00	100.00	100.00
	PDF GRANT GD/WK/NCS/OC /CS PT 3.1	2,650,909.00	0.00	1,365,644.00	100.00	100.00
	PPF REFINANCING	342,972.00	342,971.34	342,972.00		



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UNALLOCATED	1,645,210.00	0.00	0.00
Total	72,900,000.00	56,889,612.76	72,900,000.00