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Report No:

INTERNATIONAL DEVELOPMENT ASSOCIATION

NOTE ON CANCELLED OPERATION

D3580

ON A

GRANT

IN THE AMOUNT OF SDR 139.1 MILLION

(US\$ 200 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF CONGO

FOR A

PRODUCTIVE INCLUSION PROJECT (P163962)

February 21, 2020

Social Protection & Jobs Global Practice  
Africa Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective: Sept 26, 2019)

Currency Unit = US\$

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US\$1 = SDR 0.73

## FISCAL YEAR

January 1 – December 31

Regional Vice President: Hafez M. H. Ghanem

Country Director: Jean-Christophe Carret

Regional Director: Amit Dar

Practice Manager: Jehan Arulpragasam

Task Team Leader(s): Paul G. A. Bance

## ABBREVIATIONS AND ACRONYMS

FSRDC	Social Fund of DRC (“Fonds Social de la République Démocratique du Congo”)
IMF	International Monetary Fund
MINAS	Ministry of Social Affairs (“Ministère des Affaires Sociales”)
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PIU	Project Implementation Unit
PNPS	National Social Protection Program (“Programme National de Protection Sociale”)
STEP	Eastern Recovery Project (“Projet pour la Stabilisation de l’Est de la RDC pour la Paix”)
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees

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**DATA SHEET**

**BASIC INFORMATION**

**Product Information**

Project ID P163962	Project Name Productive Inclusion Project
Country Congo, Democratic Republic of	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Revised EA Category

**Organizations**

Borrower Democratic Republic of Congo	Implementing Agency Social Fund of the Democratic Republic of Congo, Ministry of Social Affairs
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**Project Development Objective (PDO)**

Original PDO

The project development objective is to establish the core building blocks of a safety net system and improve the access of poor households to productive safety nets interventions.

**FINANCING**

	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
<b>World Bank Administered Financing</b>			
IDA-D3580	200,000,000	200,000,000	0
<b>Total Project Cost</b>	<b>200,000,000</b>	<b>200,000,000</b>	<b>0</b>



**KEY DATES**

Project	Approval	Effectiveness	Original Closing	Revised Closing
P163962	28-Jun-2018			31-Dec-2023

**RATING OF BANK PERFORMANCE**

Moderately Satisfactory

**RATINGS OF PROJECT PERFORMANCE IN ISRs**

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	26-Jan-2019	Moderately Satisfactory	Moderately Unsatisfactory	0
02	24-Jun-2019	Moderately Unsatisfactory	Moderately Unsatisfactory	0

**SECTORS AND THEMES**

**Sectors**

Major Sector/Sector (%)

**Health 5**

Health 5

**Social Protection 95**

Social Protection 84

Public Administration - Social Protection 11

**Themes**

Major Theme/ Theme (Level 2)/ Theme (Level 3) (%)

**Private Sector Development 10**

Jobs 10

Job Creation 10

<b>Social Development and Protection</b>	<b>100</b>
Social Protection	100
Social Safety Nets	100
Social protection delivery systems	9
<b>Human Development and Gender</b>	<b>71</b>
Gender	71
Nutrition and Food Security	29
Nutrition	20
<b>Urban and Rural Development</b>	<b>71</b>
Rural Development	71
Rural Infrastructure and service delivery	71
<b>Environment and Natural Resource Management</b>	<b>24</b>
Climate change	24
Mitigation	10
Adaptation	13

#### ADM STAFF

Role	At Approval	At NCO
Regional Vice President:	Makhtar Diop	Hafez M. H. Ghanem
Country Director:	Jean-Christophe Carret	Jean-Christophe Carret
Director:	Michal J. Rutkowski	Amit Dar
Practice Manager:	Jehan Arulpragasam	Jehan Arulpragasam
Task Team Leader(s):	Fanta Toure	Paul G. A. Bance

## I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

1. **Despite its rich natural resource base and its potential for economic development, the Democratic Republic of Congo (DRC) is one of the poorest countries in the world.** The DRC ranks fifth to last globally in terms of GDP (PPP) per capita at US\$767 (IMF, 2019). Two-thirds of the population lives below the poverty line and DRC has the second highest number of poor people in Africa and is set to become the biggest reservoir of poor in the world with current trends (WB 2019). 15.6 million people needs humanitarian assistance (OCHA 2019) and about 900,000 are refugees in neighboring countries (UNHCR 2019). The country ranks 146/157 on the Human Capital Index (WB 2018) and 176/189 on the Human Development Index (UNDP 2018). It is also third for both population size and fertility rate in Sub-Saharan Africa (WB 2017).
2. **The fast-growing DRC population is repeatedly exposed to covariate shocks with devastating economic and social consequences.** Traditional coping mechanisms have been stretched to the limit as a result of widespread and extreme poverty, years of conflict, prevalent human rights abuse, and large-scale forced displacement. Although the population faces a wide range of risks, an almost complete lack of formal risk management mechanisms leaves individuals extremely vulnerable to becoming - or remaining - poor.
3. **The World Bank has financed various social protection interventions in DRC since 2000.** These IDA-funded grants primarily supported community-driven development activities to improve access to basic socioeconomic infrastructures for poor populations in a post-conflict context. Since 2014, the Eastern Recovery Project (*Stabilisation de l'Est pour la Paix*, (STEP)), of US\$129 million, (P145196) has made significant investments to offer sustainable livelihoods support and access to livelihoods and socio-economic infrastructures to increase consumption and build the resilience of poor households, but still from a post-conflict perspective.
4. **The Productive Inclusion Project (PIP) was conceived to be the first World Bank-funded operation to attempt to move from isolated donor-financed projects towards creation of a national Social Protection system.** The project had the strategic objective to establish the core building blocks of a safety net system, namely: (i) targeting, payment, and enrollment mechanisms and operation systems; (ii) an integrated management information system; and (iii) Grievance Redress Mechanisms (GRMs). The project was therefore designed to improve the delivery, efficiency and transparency of safety net interventions, while strengthening the capacity of key government actors with the mandate for social protection.

Project components	Project cost	Responsible
<b>C1 - Institutional Capacity and System Building</b> to support government efforts to implement its Social Protection policy and strategy	US\$18 million	MINAS
<b>C2 - Cash for Work (CfW)</b> for poor households with the aim to increase their income, develop sustainable productive activities, and rehabilitate socioeconomic infrastructures for the community at large	US\$142 million	FSRDC
<b>C3 - Cash Transfers</b> to support chronically poor and nutritionally insecure households in an effort to build their resilience and reduce the malnutrition risks of their young children	US\$20 million	MINAS
<b>C4 - Livelihood and Human Development Support</b> for the design and delivery of a basic package of accompanying measures, which will be offered to all safety net beneficiaries	US\$20 million	MINAS





5. **Implementation arrangements for the PIP were tailored by component, being mindful of the considerable technical and organizational constraints of the national institutions involved, their comparative advantages and mandates.** A PIU would be created and anchored at MINAS to have technical and fiduciary responsibilities for the implementation of components 1, 3 and 4. The responsibility for component 2 would be given to FSRDC given its experience managing WB-funded projects (including the STEP project with a CfW subcomponent). A Steering Committee anchored to the National Program for Social Protection (PNPS) would provide overall oversight of the project.

6. **Risk analysis.** The overall risk rating was High. Fiduciary risk was also High and Institutional Capacity for Implementation and Sustainability was rated Substantial: the capacity constraints of the counterpart ministry represented a significant risk to achieving key outcome indicators related to Components 1, 3, and 4. The risk associated with the technical design of the project was Substantial. Cash transfers as designed under Component 3 have never been implemented on this scope and scale in the country. In addition, four out of the six originally targeted provinces were difficult to access. The multiplicity of actors involved in Social Protection in the DRC with different approaches to delivering social assistance, and their often-competing agendas resulted in a substantial stakeholders risk rating. The risk to achieving the PDO was mitigated by splitting the management of different components between two main institutions and subcontracting the implementation of Component 4 to a specialized international entity.

## II. KEY FACTORS LEADING TO CANCELLATION

7. **The government requested to cancel PIP in order to consolidate a social safety net program.** A letter from the Ministry of Finance was received on September 26, 2019, with the request to cancel this operation and re-allocate the funds to an additional financing (AF) to the STEP project, which has a proven track record of building up resilience.

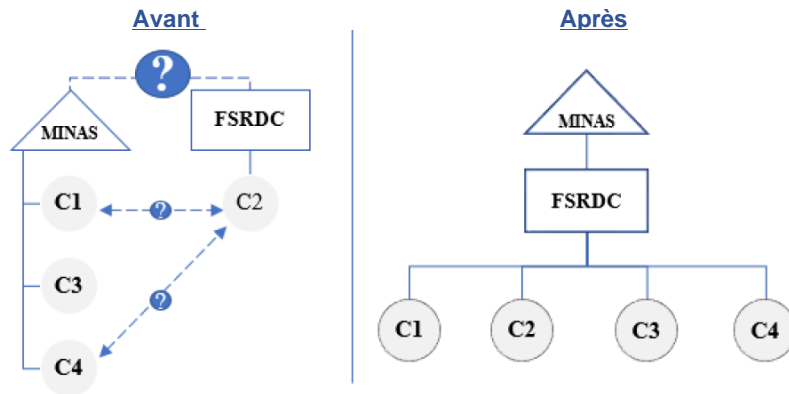
8. **Cancellation of the PIP was recommended given the Client's inability to meet the conditions of effectiveness.** The PIP was approved by the Board on June 28, 2018. The Effectiveness Deadline was set at 120 days from the signature date and was then extended by an additional nine months to September 28, 2019 to cover an extended election period during which many counterparts were absent. A Subsidiary Agreement was signed between the Ministry of Finance and FSRDC on October 15, 2018. Besides this, none of the other four conditions were met by the effectiveness deadline: (1) Legal Opinion; (2) Project Implementation Manual; (3) Contract with a payment agent for cash transfers; and (4) Contract with a third party for the human development component.

9. **The extension of the effectiveness period was conditioned on an attempted redesign of the project in March 2019.** The Bank team worked with MINAS and the FSRDC to revise certain project design features, in favor of a better alignment with the new vision of the partnership between the Government and the World Bank and a more flexible and rapid execution of the project. The reform focused on four areas:

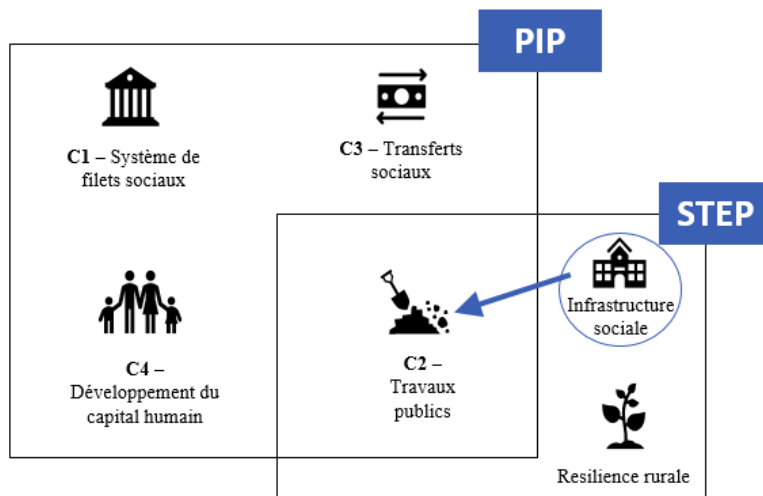
- *Simplification of institutional arrangements:* The redesign of the Project aimed for administrative, fiduciary, leadership and operational unity. MINAS, with the project's tutelage, would be in charge of the development of social assistance policies and strategies and of monitoring and evaluating the



implementation. FSRDC would be in charge of the technical and fiduciary implementation of all the Project components, and implementing the policies and strategies defined by the Project's tutelage.



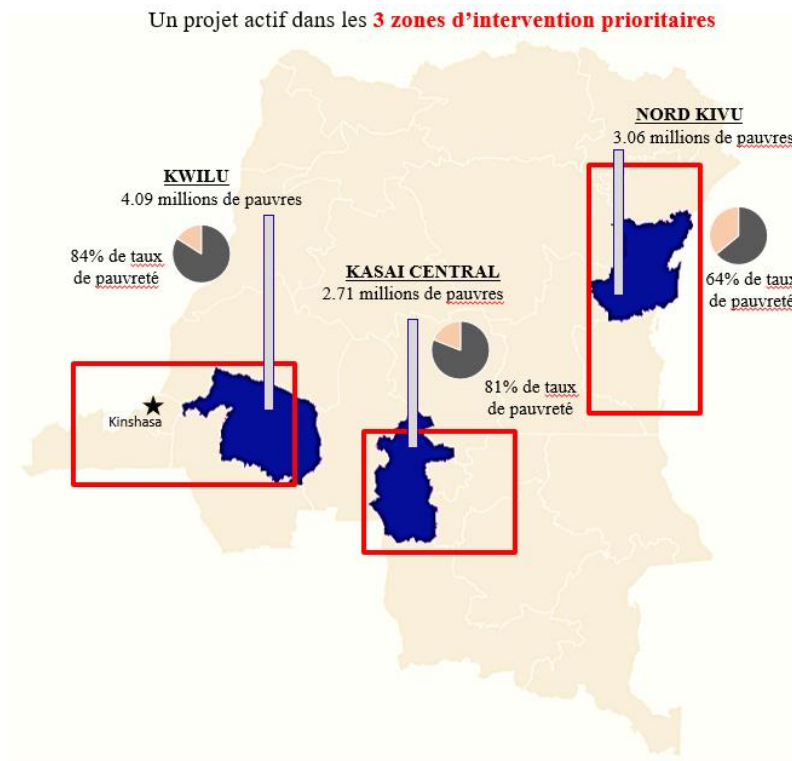
- *Consistency of operational activities:* Leveraging lessons from STEP, it was proposed that PIP continued the delivery of socio economic infrastructures through a Community-Driven Development approach. The cash for work activities under component 2 would be also revised to incorporate a *chantiers-écoles* or “on the job training” for beneficiaries in order to (re)create a local network of skilled workers.



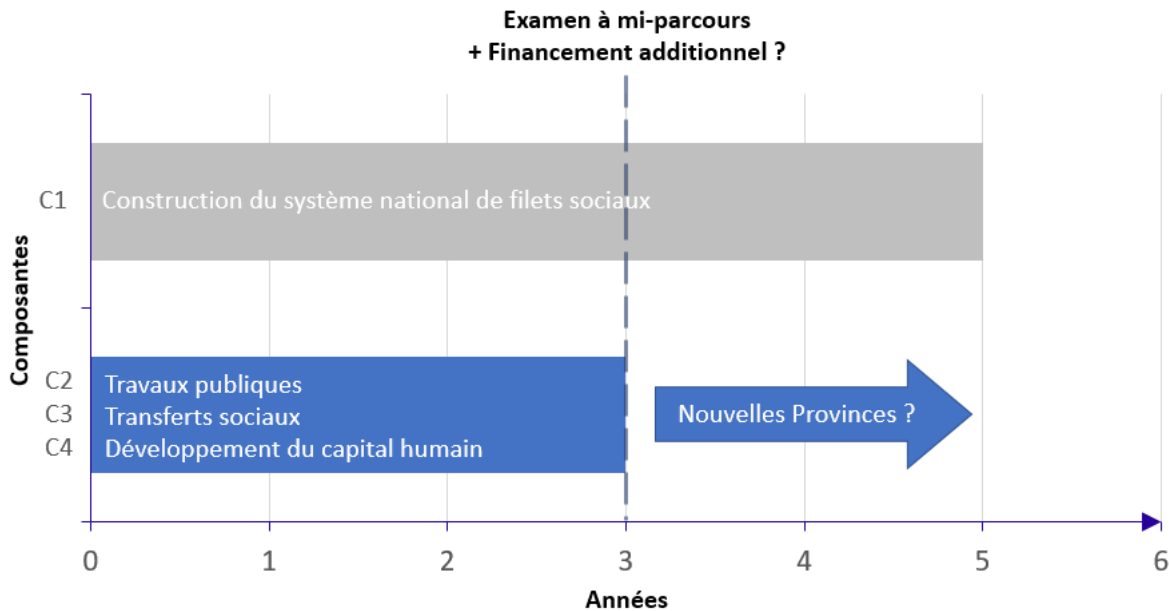
- *Updating of geographic targeting:* Criteria were drawn up to determine transparently which would be the first provinces of intervention guided by: (a) physical access constraints for implementation and



supervision, (b) alignment with the new WB's country partnership strategy on priority provinces, (c) poverty and/or vulnerability maps of provinces, (d) size of funding, and (e) the presence of other complementary programs, e.g. nutrition. The following three provinces were therefore identified: Kwili, Kasai Central and North Kivu (instead of the initial seven provinces).



- *Duration of the project:* Proposing a project in two phases, (i) long term (five years) for the construction of a national social safety net system under component 1, and (ii) medium term (two to three years) for the implementation of the other components, opening the possibility of additional financing for the project's deployment to new provinces at mid-term.



10. **No progress was made towards the realization of the project’s revised redesign.** The MINAS only engaged in project preparation through a handful of agents, but there was no involvement at a higher level. The FSRDC, as main implementing agency, did not put in place a dedicated team in place for this operation. At the end of the June 2019 Implementation Support Mission, the task team rated PIP MU/MU for development objective/implementation progress (ISR, June 2019).

11. **Activities carried out:** A Project Preparation Advance (PPA) managed by the FSRDC, was made available on July 17, 2018, for an amount of USD 4.1 million. As noted in the ISR of June 2019, the execution of the PPA was disappointing with only five percent being disbursed prior to the closing of PIP. US\$3.0 million of the PIP PPA were instead proactively reallocated in June 2019 to pilot the preparation and pilot of a cash-for-work safety nets emergency operation that provided income support to more than 12,000 beneficiaries in Ebola affected areas. The PPA has been remapped to STEP in December 2019 for the preparation of an additional financing with the remaining balance of the PPA and will be refinanced as soon as the STEP AF becomes effective.

### III. BANK PERFORMANCE

12. **The Bank’s attempt to support an ambitious adjustment in social protection in DRC by giving a lead role to the MINAS in the transition from a series of isolated donor-financed projects to the creation of a social safety net system was appropriate in principle,** but perhaps premature or inappropriate for the DRC at that juncture. The Government and World Bank team eventually decided that consolidation and expansion of the existing, successful STEP program with some limited new features would be more appropriate.

13. **Weak institutional capacity and the complexity of the design in a highly fragile setting were discussed during preparation, but with hindsight it is clear that these risks were under-estimated.** The awkward institutional arrangements with no clear reporting line between MINAS and FSRDC contributed to the lack of progress towards effectiveness. The institutional arrangements are clearer in the STEP.



14. **The decision to extend effectiveness by nine months was appropriate in order to ride out a bumpy electoral period and to provide the space for a restructuring/reform of the project under a new TTL.** While the reform proposals were sound, much time and energy had already been expended on the project, so enthusiasm for a new start was limited. The decision to cancel prior to effectiveness was discussed proactively with the Client, as it meant that the funding could be reassigned within the DRC portfolio to STEP AF.

15. **The PPA was put to good use in allowing a rapid response to Ebola hot spots during the crisis** (as part of preparing for a national safety net approach), as well as in designing the STEP AF, which will also cater to refugees. The STEP AF will encompass some of the delivery system and coverage ambitions of the PIP but working from a tried-and-tested project, rather than in a parallel project.

#### IV. LESSONS LEARNED AND RECOMMENDATIONS

16. **In a very low capacity, fragile setting, it is important to keep the design simple and build on successful pilots/models.** While a national, integrated, social protection system is a clear goal, it may take many years to realize. Instead of trying to design and implement a second generation reform, it can be more effective to build out from a successful, existing model of support, gradually adding coverage and layers of complexity.

17. **Financing two parallel social protection projects with different institutional arrangements did not promote consolidation of the social protection sector.** The divergence of the two projects and approaches did not promote cohesion. The signals that the new approach would not work were missed. The STEP AF will consolidate social protection activities into a larger program aligned with the new geographic, operational and thematic priorities of both the CMU and the new Government. The proposed consolidation would deepen our engagement based on a proven model of engagement, while keeping the door open for further enhancements.

18. **National capacity requires further strengthening.** The MINAS, which has the mandate for non-contributory Social Protection, has very limited material and human resources, and lacks familiarity with World Bank fiduciary requirements. A more gradual support to MINAS is recommended to limit operational and fiduciary risks. In the context of STEP AF, a partnership agreement will be signed between FSRDC and MINAS with clear deliverables and budget, allowing MINAS to focus on its mandate and build capacity at the same time.

19. **Institutional reform of FSRDC.** The preliminary findings of an ongoing institutional assessment to FSRDC suggest that the FSRDC's system of multiple Subsidiary Agreements with the Finance Ministry and comingling of projects' resources is not cost-efficient and unsustainable because of fiduciary risks, capacity constraints and limited flexibility in staffing. A performance-based Service Agreement model is recommended instead for STEP AF and future projects, in order to increase accountability, transparency, autonomy and institutional sustainability.

20. **Simplified procurement.** Simplification of procurement processes is needed, as demonstrated by the significant delays observed in setting up the Project Implementation Unit team for PIP. The very long delays in recruiting the project personnel are due to a "recruit to recruit" approach, using external panels to select key positions. A simplified procedure, in compliance with procurement regulations, is available under the New Procurement Guidelines and has been recommended.

21. **Preparedness.** The experience of setting up an emergency operation with the PIP PPA to provide support to the Ebola response, highlighted the importance of incorporating a Contingent Emergency Response Component (CERC) in future Social Protection operations to finance urgent needs in the event of a crisis or emergency. As a lesson learned, the STEP AF will include a CERC.

## ANNEX 1. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

### TASK TEAM MEMBERS

Name	Role
<b>Preparation</b>	
Fanta Toure	Task Team Leader(s)
Lanssina Traore	Procurement Specialist(s)
Bella Diallo	Financial Management Specialist
Claude Lina Lobo	Team Member
Saba Nabeel M Gheshan	Counsel
Aurelie Marie Simone Monique Rossignol	Environmental Specialist
Patricia Komina Dele	Team Member
Issa Thiam	Team Member
Lisette Meno Khonde	Team Member
Lydie Anne Billey	Team Member
Grace Muhimpundu	Social Specialist
Brigitte Louise Bouchet Vergara	Team Member
Franck M. Adoho	Team Member
Ana Maria Oviedo Silva	Team Member
Damien B. C. M. de Walque	Team Member



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Christophe Rockmore	Team Member
Marie Roger Augustin	Team Member
Zoe Kolovou	Team Member
Maurizia Tovo	Team Member
Josiane M. S. Luchmun	Team Member
Jean-Paul Chausse	Team Member
<b>Supervision/NCO</b>	
Paul G. A. Bance	Task Team Leader(s)
Lanssina Traore, Cheick Traore, Clement Tukeba Lessa Kimpuni	Procurement Specialist(s)
Bella Diallo	Financial Management Specialist
Joelle Nkombela Mukungu	Environmental Specialist
Jean-Pierre Lungenyi Ntombolo	Social Specialist
Laura Ximena Bermeo Rojas	Procurement Team
Patricia Komina Dele	Team Member
Christelle Tandundu Epuza	Procurement Team
Alice Museri	Procurement Team
Faly Diallo	Team Member
Lisette Meno Khonde	Procurement Team
Lydie Anne Billey	Team Member
Sophie Christelle Grumelard	Procurement Team
Ingrid Cesarine Meka	Team Member
Siobhan McInerney-Lankford	Counsel
Marie Roger Augustin	Team Member
Jean-Paul Chausse	Team Member

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<b>STAFF TIME AND COST</b>		
<b>Stage of Project Cycle</b>	<b>Staff Time and Cost</b>	
	No. of staff weeks	US\$ (including travel and consultant costs)
<b>Preparation</b>		
FY18	15.974	175,295.54
FY19	2.383	18,371.90
FY20	.050	2,514.12
<b>Total</b>	<b>18.41</b>	<b>196,181.56</b>
<b>Supervision/NCO</b>		
FY18	0	4,069.77
FY19	35.508	198,002.47
FY20	23.525	204,600.12
<b>Total</b>	<b>59.03</b>	<b>406,672.36</b>