

# AFRICAN DEVELOPMENT BANK



## INTEGRATED AGRICULTURAL VALUE CHAINS DEVELOPMENT PROJECT (PRODIVAC)

**COUNTRY: REPUBLIC OF CONGO**

### PROJECT APPRAISAL REPORT

*Date: August 2019*

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# AFRICAN DEVELOPMENT BANK



## CONGO

### INTEGRATED AGRICULTURAL VALUE CHAINS DEVELOPMENT PROJECT (PRODIVAC)

RGDC/AHAI

November 2019

*Translated Document*

## ***Currency Equivalents***

Reference date: March 2019

UA 1 = EUR 1.22

EUR 1 = CFA.F 655.96

EUR 1 = CFA.F 803.2

UA 1 = USD 1.40

Sources: <https://www.afdb.org/fr/documents/document/march-2019-exchange-rates-108175/>

## ***Acronyms and Abbreviations***

ACSA	Africa Climate-Smart Agriculture
AfDB	African Development Bank Group
AVC	Agricultural value chain
AWPBs	Annual Work Plan and Budget
CDTA	Agricultural Techniques Demonstration Centre
CEFA	Education, Training and Apprenticeship Centres
CFA.F	Franc of the African Financial Community
CNSA	National Centre for Improved Seeds
CVTA	Agricultural Techniques Dissemination Centre
ESMF	Environmental and Social Management Framework
FAO	Food and Agricultural Organization
GDP	Gross domestic product
IF	financial institutions
IFAD	International Fund for Agricultural Development
ILO	International Labour Office
IRA	Agricultural Research Institute
MAEP	Ministry of Agriculture, Livestock and Fisheries
MSMEs	Micro, small and medium-sized enterprises
MUCODEC	Caisse féminine d'épargne et de crédit (women's credit union)
PACADEC	Investment Climate and Forest Governance Support Project
PACIGOF	Investment Climate and Forest Governance Support Project
PADEC	Economic Diversification Support Project
PADEF	Support Programme for the Development of Agricultural Value Chains
PDAC	Commercial Agricultural Development Project
PND	National Development Plan
PNIASAN	National Agricultural Investment and Food Security Programme
PRODIVAC	Integrated Agricultural Value Chain Development Project in Congo
PSD	Country strategy paper
SARIS	Agricultural Company for the Industrial Refining of Sugar
SME	Small and medium-sized enterprises
TAAT	Technologies for African Agricultural Transformation
UA million	Million units of account

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## Project Information Sheet

### Client Information

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Borrower : Republic of Congo  
 Executing Agency : Ministry of Agriculture, Livestock and Fisheries Rural Development

### Financing Plan

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Source	Amount	Instrument
AfDB	EUR 73.2 million	AfDB loan
Government	EUR 7.3 million	
Beneficiaries	EUR 4.9 million	
<b>TOTAL COST</b>	EUR 85.4 million	

### Key AfDB Financing Information

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ADF Loan currency	Euro
Interest Type	Floating
Interest rate margin	60 pb + financing margin of the Bank
NPV amount:	
ERR (baseline scenario)	20.1%
NPV	EUR 104.4 million

### Timeframe – Main Milestones (projected)

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Project approval	21 November 2019
Signature of the Agreement	21 February 2020 <sup>2</sup>
First disbursement	21 May 2020
Completion	End May 2025
Last disbursement	End December 2025
Final Repayment	Mid-August 2045

## Project Summary

1. The Integrated Agricultural Value Chains Development Project in Congo (PRODIVAC) will primarily focus on the corridors of the major commercial centres of Brazzaville and Pointe Noire, and the farming basins in the departments of Plateaux, Pool, Bouenza, Cuvette and, Niari. PRODIVAC is consistent with the National Development Plan (PND 2018-2022) drawn up by the Government of Congo and which targets agriculture as one of the main pillars of diversification, growth, competitiveness, sustainable job creation and poverty reduction, in response to the poor performance of the oil sector. The general objective of the project is to contribute to the improvement of food and nutrition security as well as diversification of the national economy. Its development objective is to promote competitive and resilient agriculture by developing agrifood value chains in Congo. Project activities will focus on four value chains (cassava, maize, poultry and fish) that have been prioritized by the direct stakeholders concerned, based on market demand, their contribution to the national economy (import substitution) and their potential impact on farming households, youth and women.

2. PRODIVAC activities will benefit 355,000 persons, 40% being women and 40% being young people in various segments of targeted agricultural value chains. The project comprises the following components: (i) skills development and promotion of agricultural entrepreneurship; (ii) improvement of the productivity and resilience of agricultural production systems; (iii) institutional development and public-private dialogue; and (iv) project coordination and management. The total project cost over a six-year period is estimated at EUR 85.4 million (CFAF 56 billion), financed through a loan of EUR 73.2 million from the Bank and contributions of EUR 7.3 million from the Government of Congo and EUR 4.9 million from beneficiaries.

### Needs Assessment.

3. Development of the four agricultural value chains targeted by the project is plagued by several constraints. For cassava, these are: (i) low yields of approximately 8 tonnes per hectare (t/ha), relative to a potential of more than 25 t/ha; (ii) unregulated rudimentary and hygienic conditions for processing cassava into flour and "chikwangue"; and (iii) the lack of transport means, inaccessibility to farming areas and harassment on the highways. For the poultry (chickens and eggs) sector, the constraints are: (i) difficulties in the supply of day-old chicks, livestock feed (mainly maize as well as vitamin and trace element supplements); and (ii) weak veterinary advisory support services. For maize, which is the main raw material in the manufacture of animal feed, the constraints are: (i) the limited (technical and entrepreneurial) capacities of small producers; (ii) difficult access to quality seeds and other technologies; and (iii) insufficient infrastructure and equipment for production and marketing. Finally, for fish, the constraints are: (i) inaccessibility to production basins; (ii) insufficient advisory support; (iii) poor organisation of sector stakeholders; and (iv) supply difficulties for improved fish feed, good quality fry and other plant ingredients. These four value chains are equally hamstrung by significant financing constraints.

4. **Value-Added of the Bank:** The Bank's added value comes from its experience gained through operations in the rural and agricultural sector. The project took into account the lessons learned from assessment of the report from the Bank's Independent Evaluation Department (IDEV) on AfDB support for AVC<sup>1</sup> development, which includes recommendations on the following key principles: (i) analyse the entire value chain; (ii) develop a strategy to ensure

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<sup>1</sup> Independent Development Evaluation (IDEV): The African Development Bank's Support for Agricultural Value Chains Development: Lessons for the Feed Africa Strategy. Summary Report, March 2018

inclusiveness; (iii) maintain adaptability to market changes; (iv) think in terms of profitability with added value; and (v) develop plans to create a sustainable impact. PRODIVAC is consistent with the strategic objectives of inclusive and sustainable growth found in the Bank's 2013-2022 Ten-Year Strategy, Pillar 1 on “Promoting agro-industrial value chains” of the 2018-2022 Country Strategy Paper (CSP). Furthermore, this operation constitutes a major contribution<sup>2</sup> to implementation of the National Agricultural Development Plan (PNDA) 2018-2022, whose operational budget has been estimated at over CFAF 1000 billion, with a financing gap of over CFAF 959 billion, or nearly 84% of needs. PRODIVAC's conceptual approach took the guidelines of the "Feed Africa" strategy into consideration, including the flagship programmes on Technologies for African Agricultural Transformation (TAAT), youth entrepreneurship development in agriculture and agribusiness, risk-sharing mechanisms in agricultural finance, and the Africa Climate-Smart Agriculture (ACSA) flagship programme. The project's design is also consistent with the guidelines of the Subregional Forum on Boosting the Rural Economy in Central Africa, jointly organized by the Bank and the International Labour Office (ILO) in February 2019 in Brazzaville.

5. **Knowledge Development:** PRODIVAC will generate knowledge on themes related to improving the economic environment of the various crop sectors (inclusive sector policies, promotion of local products and development of standards, trade and tariff policy, development of appropriate financial products and trade ties, financing of innovations, incubation of agricultural enterprises and financing of innovations, etc.). The development of financing mechanisms in partnership with financial institutions will produce positive experiences as well as best practices and approaches that could be used in other value chains and countries to support the development of financial products tailored to youth enterprises and the financing needs of small, medium and large enterprises. As part of knowledge management, an electronic library containing all relevant documents from the agricultural sector, an inventory of best practices, local knowledge and innovations will be set up and made accessible to stakeholders and the public. This activity will be developed as part of institutional support to the Directorate for Studies and Planning (DEP) in the Ministry of Agriculture. The project's monitoring and evaluation system and a communication strategy will be developed to produce and disseminate the information developed. The knowledge generated by the Project will improve the interventions of ongoing projects, enhance the design of new projects and boost participation in policy dialogue.

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<sup>2</sup> The Bank's expected contribution to the agro-industrial sector during implementation of the CSP is estimated at UA 290 million, or about CFAF 232 billion, representing 24% of the financing gap.

## Results-based Logical Framework

Country and Project Title: Republic of Congo - Integrated Agricultural Value Chains Development Project (PRODIVAC)						
Project goal : Promoting competitive and resilient agriculture						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATIVE MEASURES
		Indicator (including ISCs)	Baseline Situation	Target		
IMPACT	Food and nutritional security and economic diversification are sustainably improved.	1. Chronic malnutrition rate for under-five children (*) 2. Agricultural sector growth rate 3. Contribution to imports ((a) poultry and eggs; (b) fish)	1. 21% (2015) 2. 7% (2016) 3. (2016) (a) 50% (b) 40 %	1. 18% (2025) 2. 11% (2025) 3. (2025) (a) 35% (b) 23%	MICS <sup>3</sup> Demographic and Health Surveys (DHS); Appraisal Reports of the National Development Plan (NDP) 2018-2022	
	The agrifood value chains are efficient (productivity, value and marketing) and resilient	1.1. Producers' access rate to resilient technologies (*) 1.2. Volumes marketed (*): (a) cassava; (b) maize; (c) poultry; (d) fish 1.3. Post-harvest/capture losses and mortality: (a) cassava; (b) maize; (c) poultry (mortality); (d) fish 1.4. Crop sector yields (kg/ha) (*): (a) cassava; (b) maize 1.5. Percentage of cassava flour fortified with micronutrients 1.7. Percentage of children aged 6-23 months with minimum food diversity	1.1. 0% 1.2. (a) 0; (b) 0; (c) 0; (d) 0 1.3. (a) (52%); (b) (15%); (c) (Mortality: 30%); (d) 50 1.4. (a) 10t/ha; (b) 1.5t/ha 1.5. TBD 1.6. 7 24%	1.1. 40% 1.2. (a) 43%; (b) 56%; (c) 82% of fowls; (d) 60% 1.3. (a) (20%); (b) (10%); Mortality: (c) 15%; (d) 50 1.4. (a) 20t/ha, (b) 3.5t/ha 1.5. TBD 1.6. 30%	Reports of midterm and project completion surveys.  MICS surveys	<b>Risk:</b> Vulnerability to climate change  <b>Mitigative measure:</b> Dissemination of smart agricultural technologies (community agroforestry, short-cycle and attack-resistant seeds, etc.)
OUTCOMES	The business environment is favourable to the promotion of profitable small and medium-sized agricultural enterprises	2.1. Rate of access to finance for agricultural value chain stakeholders (*) 2.2. Rate of supported micro, small and medium agricultural enterprises (MSMAEs) that survive after 3 years of creation (*). 2.3. Rural Women's Empowerment Index (1 = low and 5 = high)	2.1. 2% 2.2. To be determined - benchmark study 2.3. 1	2.1. 6% 2.2. 40% 2.3. 3.5		<b>Risk:</b> Weak capacities of support systems for budding enterprises and value chain stakeholders <b>Mitigative measure:</b> Strengthening of ties between agricultural entrepreneurs and agricultural chambers/trades whose capacities will be strengthened
<b>Component 1: Development and promotion of agricultural entrepreneurship</b>						
OUTPUTS	1.1. Value chain stakeholders are professionalized	1.1.1- Number of new sustainable and equitable business partnerships established and implemented (*) 1.1.2. Number of organisations and platforms of stakeholders supported (created/reactivated) in the various crop sectors (*)	1.1.1. 0 1.1.2. 0	1.1.1. 150 1.1.2. 400	Quarterly and annual progress reports, midterm review reports and project completion reports Monitoring-evaluation reports.	<b>Risk:</b> Limited interest shown by financial institutions in the development of specific financial products  <b>Mitigative measure:</b> Promotion of internal value chain financing mechanisms and financial education of beneficiaries Technical assistance to financial institutions including training and involvement of loan officers in the agricultural entrepreneurship process
	1.2. Youth skills and entrepreneurship are developed	1.2.1. Number of youth innovations and start-ups supported (*) 1.2.2 Number of micro, small and medium-sized enterprises developed in the AVCs (*) 1.2.3. Number of incubation and vocational training centres for young people supported	1.2.1. 0 1.2.2. 0 1.2.3. 0	1.2.1. 400 (including 35% for women) 1.2.2. 200 1.2.3. 7		
	1.3. Women's economic empowerment is stepped up	1.3.1 Number of cassava processing units for women 1.3.2. Number of women trained (nutrition education, literacy, etc.) 1.3.3. Number of women's groups or cooperatives supported	1.3.1. 0 1.3.2. 0 1.3.2. 0	2.3.1. 200 1.3.2. 50,000 1.3.2. 200		
	1.4. Access to agricultural financing is facilitated	1.4.1. Monitoring/evaluation mechanism established and operational 1.4.2. Number of business plans financed by financial institutions (*)	1.4.1. 0 1.4.2. 0	1.4.1. 1 financial mechanism is established and is operational: 1.4.2. 150		

<sup>3</sup> Multiple Indicator Cluster Survey



RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATIVE MEASURES	
		Indicator (including ISCs)	Baseline Situation	Target			
OUTPUTS	COMPONENT 2: Improvement of value chain productivity and resilience						
	2.1. Climate-smart agricultural technologies are disseminated	2.1.1 Number of rural producers reached in the dissemination of new technologies and best practices (*) 2.1.2. Number of producers trained in production practices and/or climate-smart technologies (*) 2.1.3 Number of operational seed companies 2.1.4 Surface area of agricultural land covered by agroforestry	2.1.1- 0 2.1.2- 0 2.1.3- 0 2.1.4- 0	2.1.1- 50,000 of which at least 30% are women 2.1.2- 13000 of which at least 30% are women 2.1.3- 10 2.1.4- 15,000 ha	Quarterly and annual progress reports, midterm review reports and project completion reports Monitoring-evaluation reports.	<b>Risk:</b> <b>Risk:</b> Reluctance of smallholders to innovate  <b>Mitigative measure:</b> Adoption of demonstration farms for farmers to promote peer training  <b>Risk:</b> Limited capacity of service providers  <b>Mitigative Measures:</b> Involvement of beneficiaries and local stakeholders in the monitoring of works	
	2.2. Backbone infrastructure is developed	2.2.1 Number of km of rural roads rehabilitated, maintained and resilient to climate change 2.2.2 Number of sub-projects supporting private initiatives in business plans (drinking water supply, energy supply to processing units, storage facilities, markets, etc.)	2.2.1- 0 2.2.2- 0	2.2.1- 300 2.2.2- 100 units			
	COMPONENT 3: Institutional development and policy dialogue						
	3.1. The capacities of the technical services and communities concerned are strengthened	3.1.1 Feasibility studies for an agro-industrial centre in Bouenza  3.1.2. Development of an electronic library at the Ministry of Agriculture  3.1.3. Farmer registration and Farm digitalization Model developed  3.1.4. Number of local development plans developed 3.1.5. Number of technical services upgraded 3.1.6. Additional climate funds raised	3.1.1- 0 3.1.2- 0 3.1.3- 0 3.1.4- 0 3.1.5- 0 3.1.6- 0	3.1.1- 1 3.1.2- 4 3.1.3- 1 3.1.4- The electronic library of the Ministry is operational 3.1.5 – 10 3.1.6- USD 20 Million	Quarterly and annual progress reports, midterm review reports, project completion reports and monitoring-evaluation system	<b>Risk:</b> Lack of communication between the stakeholders concerned  <b>Mitigative measure:</b> Technical assistance Monitoring of the release of funds by the parties concerned; Development of performance contracts for staff and for service providers and partners	
	3.2. An enabling environment for the development of agricultural entrepreneurship is established	3.2.1. Number of operational multi-stakeholder consultation frameworks 3.2.2. Number of chambers of agriculture and professional agricultural organizations strengthened 3.2.3. Voluntary guidelines or best practices on responsible agricultural investments, agricultural insurance, social protection are disseminated	3.2.1- 0 3.2.2- 0 3.2.3- 0	3.2.1- 4 3.2.2- 5 3.2.3- 3			
	KEY ACTIVITIES	COMPONENTS				RESOURCES (Euros' 000)	
		Component 1: Development and promotion of agricultural entrepreneurship				AfDB: : 73,200.00	
		1.1 - Professionalization of stakeholders and development of commercial partnerships				Government : 7,320.00	
		1.2 - Development of agricultural skills and entrepreneurship for the youth				Beneficiaries : 4,945.00	
1.3 - Access to finance (agricultural and rural)				TOTAL : 85,465.00			
1.4 - Support for the economic empowerment of women				Component 1: 37,486.00			
Component 2: Improvement of agricultural value chain productivity and resilience				Component 2: 31,210.00			
2.1 - Dissemination of innovations and climate-smart technologies							
2.2 - Rehabilitation/Construction of backbone infrastructure							
Component 3: Institutional development and public-private dialogue				Component 3: 8,186.00			
3.1 - Strengthening of training, research and agricultural advisory support systems							
3.2 - Knowledge development and support for land tenure security							
3.4 - Facilitation of a regulatory environment conducive to agricultural entrepreneurship				Component 4: 8,584.00			
Component 4: Coordination, Monitoring and Evaluation							
4.1 - Project management and coordination							
4.2 Monitoring-evaluation and knowledge management							

[1] World Bank (economic situation of the Republic of Congo, Sep.2017;[2] PNIASAN;[3] (PND-Multi-year priority action programme);[4] (Master Plan (FAO)

(\*) gender- and sex-disaggregated

# Project Implementation Schedule

Activities	2019		2020				2021				2022				2023				2024				2025			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>1 Approval of financing</b>																										
<b>2- Project pre-launch activities</b>																										
Signing of loan agreement																										
Loan effectiveness																										
Fulfillment of conditions precedent to first disbursement																										
Establishment of the operational mechanism, preparation and validation of the 1st ABWP 2020 of the project																										
Recruitment of technical assistance for start-up activities																										
Organization of project launch workshop																										
Equipment and materials for national coordination and departmental teams																										
<b>3- Project coordination and management activities</b>																										
Steering Committee meetings (End-June and End-December from 2020 to 2025)																										
Preparation of procedures manuals for project management, monitoring/evaluation and execution																										
Baseline studies, mid-term review and impact studies																										
Coordination, monitoring of the MPP, Monitoring/evaluation including monitoring of the ESMF																										
Validation of the ABWPs by the Steering Committee and the Bank from 2021 to 2025																										
Financial management and submission of audit reports (by the end-June 2021 to 2025 at the latest and																										
Supervision missions from the Bank																										
Drafting of the project completion report																										
<b>Execution of activities</b>																										
<b>4.1. Professionalization of actors and development of commercial partnerships</b>																										
Identification and characterization of value chain and produce market players																										
Structuring and professionalization of the stakeholder from various segments of the value chains																										
Promotion of corporate entrepreneurship																										
Organisation and facilitation of multi-stakeholder consultation platforms, B2B forums and meetings																										
Dissemination of quality standards and norms in support of business partnerships																										
Facilitation of negotiations and establishment of commercial partnerships between stakeholders																										
Establishment and management (or revitalization) of an information system on agricultural markets																										
<b>4.2. Agricultural skills development and entrepreneurship for young people</b>																										
Identification and promotion of agricultural entrepreneurship opportunities																										
Support for the establishment/support of youth MSMEs;																										
Facilitation of a platform for exchange of information/experiences/networking of entrepreneurs																										
Establishment of a competitive innovation and entrepreneurship fund/youth agricultural start-ups																										
<b>4.3. Access to agricultural financing</b>																										
Establishment, management and evaluation of a refinancing fund																										
Assistance in the operationalization of the institutionalized system																										
Development, testing and scale-up of new products including review of the procedures manual																										
Training of credit officers on revised practices, agricultural credit tools and manuals																										
Development of a management manual and training on risk management																										
Development and implementation of a financial education program																										
<b>Procurement of equipment for the operationalization of GIS</b>																										
Feasibility study for the institutionalization of the financial support mechanism																										
Regional experience-sharing trips.																										
<b>4.4. Dissemination of innovations and climate-intelligent technologies</b>																										
Facilitation of access to quality inputs (seeds, fertilizers, plant protection products)																										
Advisory support to farmers																										
<b>Support activities for producers in the sectors concerned</b>																										
Dissemination of climate-smart techniques and technologies and monitoring/supervision of stakeholders																										
<b>4.5. Development of backbone infrastructure</b>																										
Technical studies																										
Rehabilitation of farm-to-market roads in the Plateau Department and in the rugged South Pool and Bueza areas																										
Routine maintenance of rehabilitated road segments																										
<b>Infrastructure to support private investments, storage and marketing</b>																										
Sustainable mechanism for the management and maintenance of community infrastructure																										
<b>Institutional support for departmental technical departments and municipalities (Departmental Councils)</b>																										
<b>4.6. Consolidation of women's economic empowerment</b>																										
Preparation of a diagnostic study and a gender strategy																										
Support for improved village poultry farming																										
Support for processing and packaging units for target products managed by women																										
Capacity building for groups/associations and enterprises managed by women																										
Nutritional education																										
<b>4.7. Strengthening of training, research and agricultural advisory support systems</b>																										
Targeted support for the agricultural research programme																										
Establishment and operationalization of a multidisciplinary action research unit for ACSA																										
Development of a decentralized seed system																										
Capacity-building for extension services and the training system																										
Strengthening of pilot agricultural vocational training centres and Songhai centres																										
Rehabilitation and equipment of the CFAs and the agricultural technical school																										
<b>4.8. Facilitation of an enabling environment for agricultural entrepreneurship</b>																										
Support for the establishment of a framework for public and private multi-stakeholder consultation and																										
Dissemination and promotion of voluntary guidelines for responsible agricultural investment																										
Support for the implementation and acceleration of the necessary reforms																										
<b>Facilitation of the structuring of professional agricultural organizations</b>																										
Strengthening of the Chambers of Agriculture, Commerce and Trades																										
Prepare local development plans																										
<b>Institutional support for departmental councils</b>																										

# **REPORT AND RECOMMENDATION OF BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS CONCERNING A PROPOSAL TO AWARD A LOAN TO THE REPUBLIC OF CONGO TO FINANCE THE INTEGRATED AGRICULTURAL VALUE CHAINS DEVELOPMENT PROJECT IN CONGO (PRODIVAC)**

Management hereby submits this report and its recommendation concerning a proposal to award a loan of **EUR 73,200,000 (seventy-three million two hundred thousand euros)** to the Government of the Republic of Congo to finance the Integrated Agricultural Value Chains Development Project in Congo.

## **I. STRATEGIC GUIDELINES AND OBJECTIVES**

### ***1.1. Project Relation to Country Strategy and Objectives***

1.1.1 PRODIVAC is consistent with the National Development Plan (NDP 2018-2022) prepared by the Government of Congo whose two strategic priorities are: (i) reform of the education system as well as skills development and vocational training; and (ii) diversification of the economy with priority given to the agricultural, tourism and industrial sectors. The government holds the view that agricultural sector diversification would generate supplies for the processing industry, capitalize on attendant opportunities and synergies and reduce dependency on the outside world for food. This operation is a major contribution to implementation of the National Agricultural Development Plan (PNDA) 2018-2022, whose operational budget is estimated to exceed CFAF 1000 billion, with a financing gap of over CFAF 959 billion, or nearly 84% of needs. The project will contribute to the reduction of food imports estimated at approximately CFAF 600 billion per year and mainly consisting of meat products, more than 50% of which is meat and eggs.

1.1.2 PRODIVAC is consistent with the strategic objectives of inclusive and sustainable growth outlined in the Bank's Ten-year strategy 2013-2022, as well as the High-5 priorities. It is also consistent with the Bank's Country Strategy Paper (CSP) 2018-2022, which seeks to diversify and enhance the competitiveness of the Congolese economy, with a view to ensuring inclusive and sustainable growth, mainly through two pillars, namely: (i) promotion of agro-industrial value chains; and (ii) strengthening of human capital and governance. The Bank's expected contribution to the agro-industrial sector during implementation of the CSP is estimated at UA 290 million, or about CFAF 232 billion, representing 24% of the financing gap. The project design is consistent with the guidelines of the Bank's "Feeding Africa" Strategy, which focuses on the value chain approach, productivity improvement and resilience, with the adoption of technologies (Technologies for African Agricultural Transformation (TAAT); Africa Climate-Smart Agriculture (ACSA). The project is aligned with Job for Youth strategies, including the ENABLE YOUTH initiative. Lastly, the project will contribute to the strengthening of women's economic empowerment and the establishment of appropriate financing mechanisms for the agricultural sector. Its design is also consistent with the guidelines of the Subregional Forum on Boosting the Rural Economy in Central Africa, jointly organized by the Bank and the International Labour Office (ILO) in February 2019 in Brazzaville. The forum highlighted the need to develop youth skills and entrepreneurship, innovations and investments to improve the productivity and attractiveness of the agricultural and rural sectors, diversify income sources and ensure social inclusion.

## **1.2. Rationale for Bank Intervention**

1.2.1 The Bank's intervention, which is a response to the request of Congolese authorities, is justified by the need to support the Congolese economy's diversification strategy by mobilizing major investments for the structural transformation of the agricultural sector. Indeed, the agro-industrial sector presents many opportunities in terms of income generation for small producers, job creation, especially for youths and women, and improved food and nutritional security. Through the constraints identified, the Bank's various missions made it possible to propose priority intervention areas in four value chains namely: cassava, maize, poultry and fish.

1.2.2 With regard to **cassava**, the main constraints identified are: (i) low yields of about 8 tonnes per hectare (t/ha) in rural areas, relative to a potential that exceeds 25 t/ha; (ii) unregulated rudimentary and hygienic conditions for processing cassava into flour and chikwangu; (iii) lack of transport means, limited access to production areas and harassment on the highways. Regarding the poultry sector (**chicken and eggs**) the constraints are: (i) challenges in the supply of day-old chicks, livestock feed (mainly maize as well as vitamin and micro-nutrient supplements); and (ii) weak veterinary advisory and support services. With regard to **maize**, which is the main raw material in the production of animal feed, the constraints are: (i) the limited (technical and entrepreneurial) capacities of small producers; (ii) difficulties in accessing quality seeds and other technologies; and (iii) inadequate production and marketing infrastructure and equipment. Lastly, regarding fish, the constraints are: (i) inaccessibility to production basins; (ii) insufficient advisory support; (iii) no stakeholder organization within the sector; and (iv) challenges in supplying improved feed, good fry and other plant ingredients.

1.2.3 In **rural financing**, the main constraints are: (i) the unsuitability of the products offered (high interest rate, recovery period not concurrent with production cycles, etc.); (ii) the existence of uncontrolled agricultural risks; and (iii) considerable shortage of medium- and long-term lendable resources. In addition, the financial inclusion rate of the rural population, estimated at 6%, remains low. The main reasons for such a low bank penetration rate include high poverty which accounts for insufficient incomes and the sheer size of the informal sector within which most economic actors operate.

1.2.4 The project will help to eliminate the above-mentioned constraints by promoting inclusive agricultural and rural entrepreneurship. PRODIVAC supports competitive market-driven agriculture with strong private sector involvement. In addition, the project will support women's economic empowerment, entrepreneurship and youth skills development and the establishment of an appropriate agricultural financing mechanism. Lastly, the project will sustainably improve agricultural productivity by facilitating access to factors of production (improved and resilient inputs, machinery, labour, capital, land), soil fertility management and the improvement of rural infrastructure. It will achieve this mainly by opening up access to production areas. The project will focus its operations on a limited number of value chains, namely: (i) cassava (Chikwangu, flour and other products); (ii) poultry (broilers and eggs); (iii) maize (for animal feed, direct consumption and breweries); and (iv) aquaculture/fish farming (fresh and salted/smoked fish). The selection of these value chains is informed by certain economic, environmental, social and institutional considerations namely: (i) market demand; (ii) their contribution to the national economy (import substitution and export growth); (iii) their potential impact on agricultural households, the youth and women; (iv) their production and productivity growth potential; (v) their contribution to food security and improved nutrition; and (vi) the opportunity to build on and consolidate past project interventions with a view to maximizing the outcomes of the current project.

### 1.3. Aid Coordination

1.3.1 The Ministry in charge of Planning currently plays a significant role in the coordination of operations. However, aid coordination in the agricultural sector will be further improved over the next years through the establishment of a thematic working group on agriculture and rural development in January 2019. The main donors in Congo's agricultural sector are the World Bank which is financing the Commercial Agricultural Development Project with USD 100 million and the International Fund for Agricultural Development which is financing the Congo Inland Fisheries and Aquaculture Development Project (PDPAC) with USD 7.7 million.

1.3.2 PRODIVAC will develop synergies and complementarities with ongoing investment projects and will mobilize co-financing and establish partnerships with future initiatives and projects. The project will also develop complementarities with an ongoing integrated initiative that connects small producers with an industrial processing plant in Loudima, Bouenza. The plant will have an annual production capacity of 16,000 tonnes of flour (bio-fortified with micro-nutrients) supplied at a social rate (less than 30% of the price of non-fortified flour) to the World Food Programme (for school feeding programmes and refugees as a substitute for rice imports) and to the national market. This approach will be developed through a public-private partnership with the participation of the government and United Nations agencies (WFP, FAO, IFAD). In addition, a request for the mobilization of parallel co-financing of UA 20 million from the Green Climate Funds is being prepared for approval in 2020. Lastly, expected partnership with the next IFAD project currently being designed will maximize the project's expected impact. The following table presents a summary of agricultural sector coordination.

*Table 1.3-Aid Coordination*

Sector or sub-sector*	Share		
	GDP	Exports	Labour
Agriculture, fisheries and livestock	5%	2%	40%
Stakeholders – Annual Public Expenditure (Average) **			
Government	Donors		
USD 241 million or 86%	AFD	8.5 %	
	World Bank	66.1 %	
	EU	20.4%	
	FAO	5.1%	
Aid coordination level			
Existence of thematic working groups			Yes
Existence of a global sectoral programme			Yes
ADB's role in aide coordination***			Member

## II. PROJECT DESCRIPTION

### 2.1. Project Components

2.1.1 The overall objective is to promote competitive and resilient agriculture through integrated development of agri-food value chains in Congo. The project's specific objectives are to: (i) improve the performance of AVCs; and (ii) improve the business environment conducive to the promotion of profitable small- and medium-sized agricultural enterprises. To achieve these objectives, PRODIVAC is structured around four components (see Table 2.1). A detailed description of the project's theory of change, its components, activities and implementation modalities is provided in Volume II on the technical annexes.

Table 2.1. Project Components and Cost (in EUR thousand)

Components	Cost estimate	Description of components
Development of agricultural skills and entrepreneurship.	37,486.00	This component concerns: (i) the structuring and professionalization of 400 organizations and platforms of the cassava, maize, poultry and fish value chains; the facilitation, financing and development of 150 commercial partnerships, the establishment of a market information system based on new technologies; (ii) skills development and agricultural entrepreneurship for 300 youths; the establishment and initial financing of a competitive youth innovation and entrepreneurship fund; support for the creation and development of 400 MPMEA businesses; support for 4 incubation centres, including the two Songhai centres; equipment of vocational training centres; (iii) enhancing the empowerment of 50,000 women, including a reduction of the challenges they face in food processing, marketing and the promotion of essential nutrition actions; and promoting the consumption of locally available iron-rich food for women, adolescent girls and young children (6 to 23 months); and (iv) establishing an appropriate financial mechanism for value chains (refinancing, guarantee).
Improvement of productivity and resilience.	31,240.00	This component will include: (i) disseminating climate-friendly agricultural technologies; (ii) developing agro-forestry to improve soil fertility over 15,000 ha; (iii) rehabilitating and renovating critical points on 300 km of rural roads and supporting the implementation of local business and development plans through the financing of 100 social and economic sub-projects (drinking water, supplemental irrigation, renewable energy, etc.) carried out by local actors.
Institutional development and public-private dialogue.	8,186.00	This component will include the following activities:  (i) building the capacity of research and advisory support public institutions for the development of four seed sectors;  (ii) building the project preparation, management and coordination capacity of the Ministry of Agriculture, Livestock and Fisheries: carrying out a feasibility study on one of the agro-industrial poles, including a quality pole; irrigation, electrification in Bouenza, Developing a Farmer registration and farm digitalization Model in 4 departments, creating an electronic library for the agricultural sector, raising additional resources up to USD 20 million from climate funds;  (iii) providing support for the implementation/updating of 4 local development plans of the departments, taking into account value chains; (iv) facilitating multi-stakeholder policy dialogue for the promotion of an enabling environment for agricultural entrepreneurship (necessary reforms, public-private dialogue, imports, regulations, etc.); and ;  (v) building the operational capacity of the 10 technical services involved.
Project coordination and management	8,584.00	This component will include the following activities: (i) project management and governance; (ii) planning, monitoring and evaluation; (iii) knowledge dissemination and management; and (iv) environmental and social protection.

## 2.2. *Technical Solution Adopted and Alternatives Explored*

2.2.1 *Inclusive value chains and targeting of potential production areas.* The project will focus its operations on a limited number of value chains (cassava, maize, poultry and fish) prioritized by direct stakeholders based on market demand, their contribution to the national economy (import substitution) and their potential impact on agricultural households, youths and women. The project aims at improving the competitiveness of agricultural products, optimizing processing and marketing operations and facilitating business partnerships between small producers and private operators. Its focus will be on improving downstream agricultural production activities (processing, enhancing value-added and marketing), which should serve as a lever for improving production and adopting resilient technical routes.

2.2.2 Promotion of public-private partnership and facilitation of business partnerships among stakeholders. Agricultural sector transformation requires the involvement of the private sector which is the engine of growth, while the State plays the key role of defining strategic guidelines and facilitating the control and monitoring of development policies and actions through incentives and improvement of the business environment. There are opportunities to establish business partnerships between producer groups and private operators such as the Congo Sugar Refining company (*Société agricole de raffinage industriel du sucre* (SARIS)), the agro-pastoral company (ATORA), the Congolese Food Development and Distribution Authority (CODDIPA), Eco-Oil, AgriCongo, supermarkets as well as institutional markets such as the World Food Programme and public institutions (schools, public services). There is also the gradual emergence of a new class of agricultural entrepreneurs capable of investing in private farms and developing business relationships with small producers. PRODIVAC's interventions will help to facilitate negotiations between stakeholders or groups of stakeholders in the drafting of contracts. The simple contract farming model will be promoted for group marketing, and to facilitate financing within the value chains.

2.2.3 Risk hedging and sharing facility: Target sectors will be financed through a technical mechanism linked to financial institutions in order to ensure the promotion of rural financial services and the sustainability of supply within the various segments of targeted value chains. The financing mechanism will make it possible to develop suitable financial products, including "mobile banking". This will involve: (i) the establishment of a direct credit window. PRODIVAC will set up a fund to provide partner financial institutions with stable lendable resources to adequately meet the financing needs of supported MPMEAs. Partner financial institutions (PFIs) will receive loans at an access rate of 3% per year, but will contribute 30% of the amount required to finance MPMEAs. The interest rates applicable to end borrowers will not exceed 9% per year. Beneficiaries' access to the window will be subject to: (i) a cash contribution of about 10%; (ii) the establishment of a mechanism known as a **Guarantee Fund** to support loans to MPMEAs and large companies operating in the sectors of the various PRODIVAC chains. Indeed, this Guarantee Fund is a hedging and risk sharing facility (HRSF). The project will consent to the establishment of a partial guarantee fund that will cover 50% of the risks in the event of default. Beneficiaries will also participate by providing commercial contracts appended to business plans within the context of productive partnerships. The conditions for the use of the HRSF will be discussed and specified with the PFIs concerned before the partnership agreements are formalized. Interest rates will be based on market rates and promoters will contribute 10% of the loan amount requested; and (iii) **the creation of a capacity-building programme for stakeholders in the various sectors.**

2.2.4 This mechanism will be managed by a Financial Operator (FO) who will be selected on the basis of an analysis conducted with the support of an individual consultant. Consideration will be given to the strengths and weaknesses of existing refinancing and guarantee institutions (*Garantie de l'Association Pointe Noire Industrielle*, Support Fund for the Socio-economic Reintegration of Disadvantaged Groups, Agriculture Support Fund, etc.). The FO will be responsible for reviewing funding requests submitted by MPMEAs through partner financial institutions. This activity will make it possible to support the operationalization of the functional financing mechanism, prepare management tools, build the capacities of bank loan officers, promote the development of new financial products and the financial education of beneficiaries.

2.2.5. Skills development and youth entrepreneurship: With regard to technical and vocational training, PRODIVAC will finance: (i) the upgrading of the equipment of the Education, Training and Apprenticeship Centres (CEFA) in Dolisie, Brazzaville and Pointe Noire, financed through a previous Bank project; (ii) the upgrading of the equipment of *Lycée Technique Industriel* and *Lycée d'Enseignement Professionnel Agricole* in Brazzaville; (iii) the development and/or

adaptation of existing curricula to promising economic niches to facilitate youth access to employment; and (iv) the establishment of a platform/mechanism for anticipating skills needs and those of related occupations by building the capacity of teachers, business advisors, chambers of agriculture and all stakeholders in the education sector. With regard to youth entrepreneurship, PRODIVAC will finance the following activities: (i) prospective studies to identify entrepreneurship opportunities for the youth, raise awareness on entrepreneurship among the youth and provide guidance on existing entrepreneurship opportunities. Such awareness-raising will be conducted through workshops, for and media programmes, focusing on the success stories of young people who have prospered in the field of agricultural entrepreneurship; (ii) support for the establishment and assistance of 300 micro-, small- and medium-sized agricultural businesses (MPMEA) for youths through an incubation process of close supervision, coaching and mentoring; (iii) support for incubation centres, including the two Songhai centres in Congo and other public or private structures specializing in the business incubation process; and (iv) facilitation of a platform for young entrepreneurs. This activity will be developed in collaboration with the Ministry of Small and Medium Enterprises and with the support of specialized (international and national) technical assistance.<sup>4</sup>

**2.2.6 *Competitive fund for innovation and promotion of youth entrepreneurship and agricultural start-ups.*** The project will finance an innovation fund to support entrepreneurs, youths and producers' organisations (POs) who present innovative ideas and initiatives for improving value chain quality and performance, including: (i) the development of new products or markets; (ii) equipment and process testing; (iii) the use of alternative energy; (iv) new technologies that are more environmentally-friendly; (v) expertise in food quality and safety; (vi) the use of new information and communication technologies to market and promote products, including fortified cassava flour etc.; and (vi) the certification and labelling of processed products. Annual competitions will be organized at the national level to identify ideas and initiatives with the potential for large-scale impact. This fund will be managed with *Association Pointe Noire Industrielle* (APNI), which is already implementing a small- and medium-sized enterprises development programme, in collaboration with the Pointe Noire Chamber of Commerce, Industry, Agriculture and Crafts (CCIAM). Individual technical assistance will be mobilized for the development of operational procedures based on similar successful experiences (Tony Elumelu Entrepreneurship Program, AgriPitch, the Ivorian Competitive Fund for Agricultural Innovation, etc.). CCIAM will encourage financial institutions and operators in the telecommunications and private sector to co-invest in this fund, including buying shares in youth start-ups.

**2.2.7. *Sustainability of rural infrastructure.*** Actions to improve access will mainly be rehabilitation activities carried out from time to time to maintain critical areas (muddy segments, steep-sided low-lying areas, watercourse crossing points, steep slopes, etc.) to enable a given stretch of a road to be used all year round. The structures will be built of durable materials and designed to ensure proper drainage. Drawing lessons from road maintenance governance, the project will support local authorities and value chain actors to initiate local management by involving and empowering them at all implementation stages. This principle will strengthen local governance and the project's sustainability by enabling local authorities to play their roles in territorial development planning and infrastructure management in an inclusive manner. To this end, all sub-projects to be carried out under the project will be selected through a participatory process that involves the local authorities, economic actors and producer organizations in the relevant production areas.

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<sup>4</sup> Example of an incubator model created by the University of N'Gaoundéré with the Agence Universitaire de la Francophonie in Cameroon



*Table 2.2: Project Alternatives Explored and Reasons for their Rejection*

Alternative	Brief Description	Reasons for Rejection
Matching grant for MPMEA financing.	Financing of sponsors through subventions ranging from 10-90%.	Poor sustainability, ownership and accountability of the stakeholders; poor business relations with financial institutions; limits on non-repayable allocations to generate sustainable capitalization of entrepreneurial activity; no diversification in the range of products and services.
Total resurfacing of the roads.	Resurfacing of the entire road with borrow materials.	Not appropriate due to abundant rainfall and limited resources for the maintenance of dirt roads.
National multi-donor sector programmes	Multi-donor, multi-sector programme throughout the country.	Complex programme difficult to implement effectively; risk of dispersal of investments across multiple value chains and countrywide.
Construction of a quality pole.	Construction of a quality pole, like a one-stop shop for development research, soil fertility control, food, etc.	A preliminary study is required. Such a study will be carried out under the project and will make it possible to better plan this activity.

### 2.3. *Project Type*

This operation is designed as an autonomous investment project under the ADB window. It is a model that is more adapted to Congo's current context and is applied by the other development partners

### 2.4. *Project Cost and Financing Mechanisms*

2.4.1. The total project cost, including physical and financial contingencies, is estimated at EUR 85.46 million or CFAF 56 billion. The project will mainly be financed with an ADB loan of EUR 73.2 million or CFAF 48.0 billion; the Congolese<sup>5</sup> government will contribute EUR 7.3 million or CFAF 4.1 billion corresponding to taxes and import duties for goods and equipment likely to be purchased under the project. Project beneficiaries will contribute EUR 4.9 million to productive activities and the financing of business plans, estimated at CFAF 3.2 billion. A summary of project costs is presented in Tables 2.3 to 2.6.

*Table 2.3: Estimated Costs by Component*

COMPONENT	(In Euro thousand)			(In CFAF million)			% F.E.	% Baseline Cost
	Local Currency	Foreign Exchange	Total	Local Currency	Foreign Exchange	Total		
A. Skills development and promotion of agricultural entrepreneurship	31 069	6 417	37 486	20 380	4 209	24 589	17	45
B. Improvement of AVC productivity and resilience	23 368	5 503	28 871	15 328	3 610	18 938	19	35
C. Institutional support and public-private dialogue	4 302	3 884	8 186	2 822	2 547	5 369	47	10
D. Coordination and management	7 273	1 311	8 584	4 770	861	5 631	15	10
<b>Baseline Cost</b>	<b>66 012</b>	<b>17 115</b>	<b>83 127</b>	<b>43 300</b>	<b>11 227</b>	<b>54 527</b>	<b>21</b>	<b>100</b>
Physical and financial contingencies	1 169	1 170	2 339	768	767	1 535	50	3
<b>TOTAL PROJECT COST</b>	<b>67 181</b>	<b>18 285</b>	<b>85 466</b>	<b>44 068</b>	<b>11 994</b>	<b>56 062</b>	<b>21</b>	<b>103</b>

<sup>5</sup> See B3.I. for the counterpart contribution waiver

Table 2.4: Financing Sources

Financing Sources	(In Euro thousand)			(In CFAF million)			% Total
	Local Currency	Foreign Exchange	Total	Local Currency	Foreign Exchange	Total	
ADB	56 584	16 616	73 200	37 117	10 899	48 016	86
Government	7 320		7 320	4 801	0	4 801	9
Beneficiaries	3 277	1 669	4 946	2 150	1 095	3 245	6
<b>TOTAL</b>	<b>67 181</b>	<b>18 285</b>	<b>85 466</b>	<b>44 068</b>	<b>11 994</b>	<b>56 062</b>	<b>100</b>

Table 2.5: Project Cost by Expenditure Category

Expenditure Category	(In Euro thousand)			(In CFAF million)			% F.E
	Local Currency	Foreign Exchange	Total	Local Currency	Foreign Exchange	Total	
WORKS	15 070	2 985	18 055	9 885	1 958	11 843	17
GOODS	4 984	4 249	9 233	3 269	2 787	6 056	46
SERVICES	30 016	7 762	37 778	19 689	5 092	24 781	21
MISCELLANEOUS (Financing)	9 255	1 870	11 125	6 071	1 227	7 298	17
OPERATING COST	3 048	249	3 297	1 999	163	2 162	8
PERSONNEL	3 639	-	3 639	2 387	0	2 387	-
<b>Baseline Cost</b>	<b>66 012</b>	<b>17 115</b>	<b>83 127</b>	<b>43 300</b>	<b>11 227</b>	<b>54 527</b>	<b>21</b>
Physical and financial contingencies	1 169	1 170	2 339	768	767	1 535	50
<b>TOTAL PROJECT COST</b>	<b>67 181</b>	<b>18 285</b>	<b>85 466</b>	<b>44 068</b>	<b>11 994</b>	<b>56 062</b>	<b>21</b>

Table 2.6: Expenditure Schedule by Component

Components	(In Euro thousand)						
	2020	2021	2022	2023	2024	2025	TOTAL
A. Skills development and promotion of agricultural entrepreneurship.	3,322.30	6,821.80	7,385.60	7,598.60	7,127.30	1,944.60	36,175.70
B. Improvement of AVC productivity and resilience	2,001.60	7,312.10	11,733.10	5,496.90	3,689.60	1,401.90	31,456.00
C. Institutional support and policy dialogue	2,977.70	2,791.20	1,903.50	1,981.00	1,249.60	212.00	8,279.60
D. Coordination and management.	2,456.50	1,153.80	1,238.30	1,202.30	1,260.60	1,203.79	9,554.49
<b>TOTAL</b>	<b>10,758.10</b>	<b>18,078.90</b>	<b>22,260.50</b>	<b>16,278.90</b>	<b>13,327.10</b>	<b>4,762.29</b>	<b>85,465.79</b>

## 2.5. Project Area and Beneficiaries

2.5.1 The project will primarily cover the corridors of major marketing and consumption centres of Brazzaville and Pointe Noire and the production areas in the Plateaux, Pool, and Bouenza Departments. The departments of Cuvette and Niari, in which the Songhai centres are located, will also be covered by the project, in particular with regard to the youth entrepreneurship component. However, the project will be flexible enough to support private investments outside these zones as well as priority sectors depending on market trends. Some project activities (access to financing, youth innovation funds, policy dialogue, etc.) will be more relevant from a thematic (value chains) and geographic perspective given their cross-cutting nature. The three departments selected have enormous potential for the development of agriculture, poultry and fish farming, with huge swathes of fertile land that remain unexploited. Furthermore, the project's intervention in these areas, especially in the Pool Province, will contribute to peacebuilding and social cohesion.

2.5.2. The population of the three departments in the project area (25% of the country's surface area) is 746,024 inhabitants, representing about 15% of the national population.

Agriculture is largely unmechanised and is practiced on very small farms of about 1 to 2 ha which produce 90% of the food yield. In this context, 70% of agricultural workers are women. The sector is characterized by slash-and-burn farming as well as low labour and surface area productivity. The real agricultural land occupancy rate remains low and output is insufficient for all sectors selected. These departments are connected to Brazzaville by national roads RN1 and RN2 and the Brazzaville-Pointe-Noire railway, which should create opportunities for produce marketing and the supply of inputs. Proximity to major urban centres is certainly an asset in terms of marketing and supply, but also a constraint due to the rural exodus of young workers drawn by more attractive conditions and opportunities.

**2.5.3. Beneficiaries:** The project will impact 355,000 persons in the different segments of the selected agri-food value chains. It will primarily target youths, women and vulnerable groups, including indigenous peoples, by increasing employment and income-generating opportunities in production and processing activities. It will do so by enhancing the attractiveness and profitability of such activities, supporting the development of agricultural entrepreneurship, providing adequate advisory support and promoting production-related activities (services, transport, marketing). More specifically, the project will seek to: (i) increase their incomes and enhance their economic independence; (ii) strengthen their decision-making ability and representation; (iii) promote women's rights and financial autonomy; and (iv) reduce their workload. Women and youths will be targeted through the application of quotas and specific actions (Sub-components 1.2 on Youth Entrepreneurship Development and 2.3 on Women's Empowerment) to ensure their economic empowerment. The indirect beneficiaries of the project will be the populations of the departments of Brazzaville, Pointe Noire, Pool, Plateaux, Bouenza, Cuvette and Niari, who will benefit from improved market access for targeted agricultural products and job creation for young people.

## ***2.6. Participatory Approach to Project Identification, Design and Implementation***

**2.6.1** In addition to consultations with government authorities and technical services of the ministries<sup>6</sup> concerned by the project and with technical and financial partners in the agricultural sector, extensive consultations were also held with all stakeholders in the agricultural value chains. The various project formulation missions carried out visits to markets and private companies and held group discussions with young entrepreneurs as well as civil society and private sector organizations in Brazzaville and Pointe Noire. The missions made field visits to the Pool, Plateaux and Bouenza Departments and held consultations with the relevant stakeholders (producer groups, women's cooperatives, youth groups, local authorities and decentralized technical services). They also held consultations with several financial institutions, including the Bank of Central African States, commercial banks (UBA, BCI, BGFI-Bank) and microfinance institutions (CAPPED, MUCODEC and Crédit du Congo). The mission also met with major private operators in the Congolese agri-food sector, including SARIS, ATORA, CODDIPA and the Federation of Congolese Entrepreneurs, UNICONGO.

**2.6.2** These consultations made it possible to determine, among other things: (i) the production areas and priority sectors; (ii) market trends and trade flows; (iii) business opportunities and potential value added in the value chains; (iv) the interventions of previous projects; (v) the regulatory business environment, constraints on effective and adequate private sector involvement and participation; (vi) innovations and technologies to improve production and processing; (vii) the position and aspirations of women and youths in value chains; (viii) experiences and

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<sup>6</sup> The Mission worked closely and with the wide involvement of the technical services of the following ministries: Agriculture, Livestock and Fisheries; Forestry; Planning, Equipment and Major works; Equipment and Road Maintenance; Small and Medium Enterprises, Crafts and Informal Sector, Technical and Vocational Education, Skills Training and Employment; Scientific Research and Technological Innovation; Women's Development and Gender Integration in Development; Youth and Civic Education; Trade, Supply and Consumer Affairs; etc.

constraints in accessing finance, especially for agricultural, agri-business and MSMEA development in the medium and long terms; (ix) lessons learned from previous projects; and (x) specific issues to be explored in different areas. These consultations revealed that all segments of the agricultural value chains were underdeveloped and fragmented, and faced several constraints. Processing and marketing, in particular, have remained weak links in the agricultural value chains. Consultations with stakeholders will continue during project implementation to ensure the effective implementation and sustainability of operations.

## **2.7. *Bank Group Experience and Lessons Reflected in Project Design***

2.7.1. Since 1967, the Bank has contributed UA 356 million to financing development operations in the Republic of Congo. Apart from the agricultural sector study conducted in 2012, the Bank's agricultural sector investments in Congo date back more than 20 years. Its portfolio performance in Congo is considered satisfactory overall. The experience gained from cooperation with Congo during implementation of the country strategy and projects highlights the importance of: (i) focusing on selectivity and flexibility in project design and implementation; (ii) paying special attention to both physical investments and governance; (iii) building partnerships with the private sector; (iv) focusing on large, core/transformative, integrated projects; and (v) ensuring better quality at entry and applying a more pragmatic and realistic approach when programming operations. These lessons are reflected in the new Country Strategy Paper (CSP 2018-2022) through which the Bank intends to play the role of catalyst in the agribusiness sector, which is crucial to diversification of the Congolese economy.

2.7.2 The project integrated the lessons learned from the IDEV (currently BDEV) evaluation of the Bank's support for AVC<sup>7</sup> development, whose recommendations focus on the following key principles: (i) analyse the entire value chain; (ii) develop a strategy to ensure inclusiveness; (iii) maintain the capacity to adapt to market trends; (iv) think in terms of profitability with added value; and (v) develop plans to create a sustainable impact.

## **2.8. *Main Performance Indicators***

2.8.1. PRODIVAC's impact indicators are (i) a reduction in the chronic malnutrition rate from 21% to 18%; (ii) an increase in agricultural-sector growth from 7 to 11%; and (iii) a significant reduction in food imports. Over six years, the project's outputs will directly benefit approximately 125,000 people (and indirectly benefit about 355,000 people, of whom 40% are women and 40% are young people) in various segments of the cassava, maize, poultry and fish value chains. The project is expected to produce the following results: (i) an increase of at least 40% in the marketed volumes of the targeted value chains; (ii) a significant reduction in post-harvest losses and animal mortality (at least 60% on average); (iii) at least 400 small- and medium-sized agricultural enterprises promoted through the refinancing and financing risk-hedging mechanism; (iv) an improvement in the Rural Women's Empowerment Index (1 = low and 5 = high) from 1 to 3.5; (v) an increase in the agricultural loan portfolio of at least 7.5 billion outstanding loans at the end of the project; (vi) an average increase of more than 70% in the yield and output of the targeted sectors; and (vii) improved food diversity via greater production and consumption of iron-rich foods.

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<sup>7</sup> Independent Development Evaluation. **IDEV**. The African Development Bank's Support for Agricultural Value Chains Development: Lessons for the Feed Africa Strategy, Summary Report, March 2018

### III. PROJECT FEASIBILITY

#### 3.1. *Economic and Financial Performance*

3.1.1. Financial performance was assessed for ten (10) typical models of farms and enterprises engaged in the production, processing, quality improvement and marketing of cassava, maize, poultry and fish, which reflect the range of activities that the project will support. The financial analysis shows that these investments will contribute to boosting the net profits of these operations/companies substantially, which is evidence that the activities supported by PRODIVAC will be profitable. These results (Table 3.1) show that project support will improve the financial performance of MSMAEs engaged in production, processing, conservation and marketing.

3.1.2. The economic analysis results show that the project benefits are very positive. The project's basic economic rate of return is 20.1%. The net present value is estimated at EUR 104.4 million. However, this amount should increase if project benefits pertaining to the reduction of micro-nutrient deficiencies and chronic malnutrition, access to safe drinking water and sanitation, and the economic empowerment of women are factored into the equation. Indeed, reduction of malnutrition and access to safe drinking water will help to improve the overall health status of households, and lead to, inter alia, increased labour productivity for household members and reduced spending. Supporting young people through business incubation will strengthen their managerial capacity and boost self-employment and employment for other young people.

Table 3.1: Significant Economic and Financial Figures

ERR (baseline scenario): 20.1%	NPV amount: 104.4 (EUR million)
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3.1.3. The sensitivity analysis based on a 30% increase in costs, a 30% decrease in benefits and a three-year delay in generating benefits, a 20% increase in input prices and a 20% decrease in product prices confirms the project's robust positive economic effects and impacts with economic rates of return of 17.9%, 16.2%, 15.3%, 10.2% and 17.6% respectively.

#### 3.2. *Environmental and Social Impacts*

##### **Environment**

3.2.1 The project is classified under Category 2 of the Bank's Integrated Safeguards System (ISS) and the Bank's Climate Safeguards System (CSS), equivalent to Category B at the national level, although many sites and activities have not yet been identified at this stage of project preparation. Activities included in Component 2 of the project are likely to generate negative environmental impacts, such as: (i) pollution and waste generation during infrastructure construction works; (ii) pollution and waste generation during product processing within the various value chains; (iii) risks of land and water pollution and of the endangerment of the health of users by agrochemical products; (iv) degradation of the flora and fauna during the operation of quarries and borrow pits for construction work; (v) risk of accidents on construction sites and at processing unit sites and; (vi) the risk of transmission of communicable diseases on the various sites.

3.2.2 However, the expected negative impacts will be limited in time. Given that the location and environmental and social characteristics of all investments are not known, an Environmental and Social Management Framework (ESMF) has been prepared in accordance with the requirements of the Bank's Integrated Safeguards System. The ESMF indicates the mitigation and management procedures, and measures that will have to be implemented by the project once the sites and sub-projects are known. These measures are outlined in the Environmental and Social Management Framework (ESMF) Plan and include: sub-project analysis and screening procedures; consultation, communication and conflict management procedures; environmental

and social management plans (ESMPs) and environmental and social clauses to be included in bidding documents and sub-project implementation contracts; guidelines on forests and wetlands; and guidelines on pesticide and pest management. The project's activities will yield many positive impacts for both local communities and the environment. Therefore, the participatory approach involving local communities in the rehabilitation of road infrastructure, the promotion of more sustainable and climate-smart agricultural practices and the reduction of post-harvest losses will boost the livelihood resilience of rural households, restore soil fertility and increase tree cover, thereby significantly reducing greenhouse gas emissions.

3.2.3 Functions pertaining to environmental protection measures will include (i) screening of sub-projects and identification of their category using environmental and social selection forms; (ii) recruitment of consultancy firms/consultants to prepare ESMPs after validation of the process by the Directorate-General for the Environment; (iii) inclusion of environmental clauses into the recruitment process for implementing companies; (iv) monitoring/evaluation of the implementation of sub-projects; and (vi) coordination of audits. As a whole, the environmental and social function needs to be strengthened within the institutions involved in project implementation. Moreover, institutional and technical support, training and awareness-raising measures will have to be adopted to build institutional and human capacities. Such measures will seek to: (i) operationalize PRODIVAC's environmental management strategy; (ii) foster the emergence of local expertise and professionals in environmental and social management; (iii) raise the professional awareness and level of responsibility of the staff in production companies; and (iv) protect the urban and rural environment, health and safety of beneficiary communities.

3.2.4 The total cost of the project ESMF is CFAF 374 million with provisions of (i) CFAF 110 million for studies including ESMPs, the Pest and Pesticide Management Plan (PPMP) and the Environmental and Social Management Systems (ESMS) Manual for each value chain; (ii) CFAF 105 million for training and awareness-raising; (iii) CFAF 50 million for compensation for any asset damage and; (iv) CFAF 79 million for monitoring/evaluation.

3.2.5 Consultations were conducted under the ESMF at different periods of project preparation. Participants' comments were integrated into the ESMF that has been validated by the Bank and the summary was published on 26/08/2019<sup>8</sup>.

## **Climate Change**

3.2.6 The impacts of climate change are evident in Congo through, inter alia, rising temperatures and increasingly erratic rainfall that affect the national agricultural sector, thus increasing the vulnerability of local communities to this phenomenon. PRODIVAC is proposed for classification in Category 2 for Climate Change as it will integrate the appropriate adaptation measures for all the selected sectors. These measures will be simple, affordable, already validated and tested in the country or sub-region and accessible to smallholders. They will include the dissemination of short-cycle varieties and the planting of cover crops and leguminous shrubs (agroforestry) on farms. Co-financing is being sought under the Adaptation Window of the Green Climate Fund. The eligible activities are those that fall under Component 2, which seeks to strengthen the resilience of agriculture through : (i) the dissemination of improved seeds, farming best practices and climate-smart technologies; and (ii) the construction of backbone infrastructure to ensure the sustainable development of agricultural value chains.

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<sup>8</sup> <https://www.afdb.org/en/documents/congo-projet-de-developpement-integre-des-chainnes-de-valeurs-agricoles-au-congo-prodivac-resume-du-cadre-de-gestion-environnemental-et-sociale-cges>

## Gender

3.2.7. The project is classified in Gender Category No. 2, according to the Bank's Gender Marker System (GMS)<sup>9</sup>, as it will help to reduce the gender gap in terms of access to production factors and income. Women, who represent about 50% of the population of Congo and 70% of the agricultural workforce and contribute 80% to traditional subsistence agriculture, 22% to commercial agriculture, and nearly 90% to the processing of agricultural products, are more vulnerable to poverty. The project's targeting strategy takes this reality into account and will ensure that women have at least 40% representation in project activities. In addition, the project is investing approximately EUR 5 million to finance specific activities for the economic empowerment of women to (i) process and sell cassava products; (ii) process and sell fish; (iii) promote improved village poultry farming; (iv) organize women's groups and cooperatives, and capacity building; and (v) promote basic actions in nutrition, hygiene and sanitation.

3.2.8. In addition to sex- and age-disaggregated data, gender-specific indicators are included in the results-based logical framework to measure the women's empowerment index in agriculture. This index measures women's increased capacity to make strategic life choices within their households and communities, focusing on five areas of agricultural empowerment, namely: (i) production (women's role in family decision-making on agricultural production); (ii) resources (women's access to productive capital, access to and decision-making power over loans); (iii) control over income use; (iv) women's individual leadership and influence in the community; and (v) time allocation for women. This index will be used as a diagnostic tool and a monitoring indicator to measure how the project affects women's empowerment.

3.2.9. Specific activities for young people have been developed in sub-component 1.2. These activities include: (i) the identification and promotion of agricultural entrepreneurship opportunities; (ii) the establishment and support of micro, small and medium-sized agricultural enterprises run by young people, via, *inter alia*, innovative business incubators and financing; (iii) the establishment of a platform to exchange information, experience and networking among entrepreneurs (competitions will be organized to find a tool developer); (iv) the establishment of a competitive fund to innovate and promote entrepreneurship and agricultural start-ups owned by young people; and (v) the promotion of incubators for young people, especially by boosting existing initiatives such as Songhai Center and CEFAs financed by previous Bank projects.

## Social Aspects

3.2.10. PRODIVAC will have major positive impacts on the living conditions of rural communities by improving the production structure in various agricultural sub-sectors and increasing access to basic infrastructure, such as rural roads, markets, drinking water and sanitation facilities. Project activities will focus on skills development and youth employment in rural areas, gender inclusion, improvement of the living conditions of beneficiaries, cooperative entrepreneurship to improve the distribution of value throughout the various value chains. The project will generate cross-cutting benefits for small family farms, women, young people and small and medium-sized enterprises in terms of improved incomes, greater productivity, and better living conditions for agricultural families. Finally, through the local development participatory approach adopted, PRODIVAC will help strengthen the social inclusion of minority groups, particularly indigenous peoples, and the reduction of inequalities along the value chains.

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<sup>9</sup> According to the Bank's GMP, a project is classified under the Category 2 if it reduces gender inequalities and or, women's economic empowerment is one of the effects of the project, but not the main one.

## **Forced Resettlement**

3.2.11 PRODIVAC activities will not involve the acquisition of land, the forced resettlement of communities and/or restriction of their access to resources or livelihoods. Support for the development of specific value chains will essentially entail guiding cooperative groups and private companies that own land in their production, processing and marketing activities, using technological packages, capacity-building, and better access to finance and partners in the value chains. The improvement of seeds, cuttings, fry and chicks will be conducted by existing research institutions and private investors who will use their own land. Seed and cutting growers and private investors will conduct their activities on their land and in accordance with the applicable national land tenure policies and laws.

3.2.12 With regard to core infrastructure, the project will adopt an active approach that favours the participation and empowerment of sector stakeholders and local authorities at all stages of implementation (from planning to works completion). Requests for support must come from the Departmental Council or the Rural Community. Infrastructure sites such as markets and other buildings will be owned by local communities or the Departmental Council, which will be responsible for their management and maintenance. Rural access roads will be rehabilitated on an as-needed basis, focusing on critical points (muddy segments, steep-sided low-lying areas, watercourse crossing points, steep slopes etc.) with as much local support as possible. The Project will set up local and departmental complaint management committees that will also be responsible for initiating and supervising the payment of any compensation arising from the destruction of an asset or restriction of access to a resource as a result of project activities. Financial provision for such compensation has been made in the ESMP, in particular for infrastructure construction or rehabilitation sub-projects.

## **IV. EXECUTION**

### ***4.1. Implementation Arrangements***

4.1.1 **National Steering Committee (CNP):** PRODIVAC will have a National Steering Committee chaired by the Minister who serves as AfDB Governor (or his or her representative) with the Minister of Agriculture (or his or her representative) acting as deputy chair. The members of the National Steering Committee will include: (i) representatives of the ministries concerned by the project, in particular the Ministries of Agriculture, Planning, Finance, Forest Economy, Technical Education and Employment, SMEs, Industry, Social Affairs, Health, and those handling youth and women's affairs; (ii) a private-sector representative, UNICONGO; (iii) a representative of Congolese producer organisations, the National Confederation of Congolese Producer Organisations (CNOP) and; (iv) a representative of the local authorities in the project area. This arrangement was adopted due to the selection of PACIGOF/PADEC, under the supervision of the Ministry of Planning, to host the Coordination Unit and given that the project spans several sectors.

The mandate of the National Steering Committee, which will meet at least twice a year, is to: (i) review and approve the annual work plans and budgets prepared by the project; (ii) review the semi-annual progress reports, annual reports, mid-term review reports and project completion reports; (iii) ensure that programme/project activities are consistent with the sector programmes and strategies of the Ministries concerned by the project; (iv) review progress made towards the achievement of project objectives; (v) facilitate the coordination of project activities between the various implementing entities; and (vi) analyse implementation risks and obstacles and provide the necessary guidance to ensure the attainment of expected results.



**4.1.2 Project Coordination Unit (PCU):** The PCU will be hosted within the PACIGOF/PADEC Coordination Unit,<sup>10</sup> which has proven experience in the administrative and fiduciary management and coordination of Bank projects and those of other financial partners. In addition, it is already involved in improving the business climate and supporting small and medium-sized enterprises. Consequently, this arrangement will yield efficiency gains by pooling certain resources and functions, including procurement, financial management, communication and knowledge management, administration, and human resources management. The PCU is expected to: (i) facilitate inter-sector coordination; (ii) monitor implementation of the recommendations from the CNP's deliberations and those of audit reports, portfolio reviews, mid-term reviews; (iii) ensure the fiduciary management of the project; and produce any other document that falls within its remit. PACIGOF/PADEC coordination will be strengthened through a Deputy Coordinator; assistants responsible for fiduciary management, internal and external monitoring and evaluation (monitoring of implementation, outcomes and impact in collaboration with the National Statistics Institution), value-chain development and financing; a private-sector development and entrepreneurship expert, an environmental and social protection expert and support staff. The technical departments of the Ministries involved in implementing the project will be responsible for the technical execution of the components under their purview. Each directorate will designate a focal point to monitor day-to-day activities.

**4.1.3 Departmental Offices:** Three departmental offices of the Project will be established in the departments concerned. They will be located in Kinkala, Djambala and Madingou. Agricultural sector leaders will be the project's focal points at the district level. The two Songhai centres will be directly monitored by the National Coordination Unit. The departmental offices will be responsible for the following tasks: (i) project coordination at the departmental level and establishment of ties with local authorities; (ii) preparation and monitoring/evaluation of AWPB (Annual Work Programme and Budget) at the departmental level and drafting of progress reports; (iii) provision of technical support for implementation of the technical components of the Project; (v) regular and close monitoring/supervision of the project and service providers; (vi) assessment of the agreements and performance contracts of local service providers; (vii) stakeholder mobilization for the implementation of operations; and (viii) development of synergies and partnerships within their respective project areas. Departmental office staff will comprise: (i) the office manager, who is an institutional development and capacity-building expert or a specialist in a similar field of expertise; (ii) an agricultural engineering technician; (iii) an agro-pastoral production systems technician; (iv) an agro-business advisor (processing and marketing); (v) a monitoring/evaluation and knowledge management assistant; (vi) an administrative and financial assistant; and (vii) support staff (one assistant, two drivers and two watchmen).

**4.1.4 Technical Assistance and Launch Support:** In view of PRODIVAC's specific focus on innovative approaches to integrated value-chain development, including the promotion of youth entrepreneurship and the development of financing mechanisms, it is suggested that targeted technical assistance be mobilized to launch the project quickly and implement it efficiently. It will focus on: (i) developing strategic programming and country programme management tools; (ii) building the capacity of implementation stakeholders and launching specific institutional support activities; (iii) refining targeting and implementation approaches; (iv) reconfiguring the monitoring/evaluation system; (v) developing the scale-up strategy; and (vi) launching financial services access activities. To that end, the FAO's technical assistance will be mobilized to develop the seed sector and promote climate-smart technologies. With regard to skills development through technical and vocational training and entrepreneurship, ILO technical assistance will be mobilized to support the relevant technical ministry. PRODIVAC will also support the development of partnerships between the Compacts of the Bank-funded Multinational Programme Technology for

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<sup>10</sup> Investment Climate and Forest Governance Support Project (PACIGOF) /Economic Diversification Support Project (PADEC)

Africa Agricultural Transformation in (TAAT) and national research programmes on cassava, maize, poultry and fish farming.

**4.1.5 Implementation Stakeholders:** Implementation stakeholders comprise specialized private companies, consultancy firms, specialized public entities and any other specialized structures, depending on the most appropriate procurement method. **Technical Assistance and Local Support:** The experience and lessons learned from project implementation in Congo highlight three major limitations: (i) delays at project launch (ii) weak implementation teams and operators; and (iii) onerous procurement procedures. Accordingly, technical assistance in the form of short-term individual consultants will be mobilized to: (i) update the manual and configure the PACIGOF management system; (ii) prepare the implementation and monitoring/evaluation manuals; (iii) prepare the implementation and bidding documents for 300 km of rural roads, in addition to the two TA packages for the financing and innovation fund component. These expenses will be covered as soon as the project is approved by the PACIGOF project.

**4.1.6 Procurement Arrangements:** All goods and works obtained through international competitive bidding and consultancy services financed by the Bank shall be procured in accordance with the Procurement Policy for Bank-Group Funded Operations (dated October 2015) and using the appropriate standard bidding documents of the Bank. Goods and works obtained through national competitive bidding shall be procured in accordance with national public procurement laws, using the country's standard bidding documents, and with the provisions set out in the financing agreement. A procurement plan for the first 18 months was prepared by the Government during the appraisal mission and will be regularly updated during the project implementation phase. The procurement arrangements are outlined in the technical annexes.

### **Financial Management and Disbursement Arrangements**

**4.1.7** The fiduciary risk for PRODIVAC's financial management is assessed as moderate. The financial management arrangements within the PADEC/PACIGOF Project Coordination Unit at the Ministry of Planning, meet the Bank's minimum requirements as defined in the policy on "Financial Management of Projects Financed by the African Development Bank" issued in February 2014. This Unit, which has already implemented the PADE (WB) and PACADEC (ADB) projects, has relevant experience in implementing projects financed jointly by the Bank and the World Bank. Lessons learned from the implementation of completed PADE/PACADEC projects were factored into the assessment of the executing agency's capacity and financial management risk. These lessons will help to improve PRODIVAC's financial management through the risk mitigation measures proposed in the financial management action plan presented in the annex. These measures will make it possible to maintain a moderate level of fiduciary risk and to provide, with reasonable certainty, reliable financial information that is consistent with the Bank's minimum requirements.

**4.1.8** The fiduciary team will carry out its tasks under the supervision of the current administrative and financial officer whose capacities were deemed to be acceptable by the appraisal mission. The team's capacities will be strengthened via a project-funded on-site training programme. PRODIVAC's financial management will be based on the existing system used by the PACIGOF/PADEC Project Coordination Unit (premises, equipment, manual, software, support staff, etc.). The current Coordinator, as well as the Deputy Coordinator to be recruited, will be responsible, in accordance with their respective terms of reference, for the administration of project resources, and shall authorize, together with the project accountant (or administrative and financial assistant) the disbursement of funds allocated to the project. Financial monitoring reports will be prepared in a format to be determined during the negotiation phase, and submitted to the Bank 45 days after the end of each quarter.

4.1.9 The recruitment of the external auditor will be the responsibility of the unit, and may be carried out in consultation with the Court of Auditors and Budgetary Discipline as part of the recourse to national systems as decided during the mid-term review of the Congo Country Strategy Paper. The external auditor's TORs will be adapted to take project specificities into account, and validated during the negotiations for the recruitment of an independent firm with experience in auditing Bank-financed projects. Audits will be carried out in accordance with the ISA/ISSAI international standards. The financial statements audited by the independent firm will be sent (see table for frequency) to the Bank no later than six months after the end of the financial year concerned. Due to the institutional arrangements of each implementing entity, and the arrangements described above, the possibility of recruiting a single auditor for all projects executed by the Ministry of Planning has not been considered. However, to the extent that the capacities of the Court of Auditors and Budgetary Discipline so permit, the Court may include the organization of audit missions to Bank-financed projects in its annual programmes. A provision from loan resources will be allocated to cover the expenses of missions to be conducted under PRODIVAC and other Bank projects.

4.1.10 **Disbursement Arrangements :** Loan resources will be disbursed in accordance with the Bank's Disbursement Manual as soon as the loan agreement enters into force and the conditions precedent to the first disbursement have been fulfilled. In general, three methods are used to disburse funds, namely: (i) the direct payment method; (ii) the working capital or special account method; and (iii) the reimbursement method. A disbursement letter setting out the specific disbursement terms of the project will be the subject of negotiations between the Bank and the Borrower. Counterpart resources will be disbursed in accordance with national procedures that provide for the opening of an account for external financing. Two special accounts will be opened in Brazzaville to receive Loan resources intended to cover operating costs and community activities. Project sub-accounts will be opened in the antennas with the authorization of the Ministry of Finance.

## 4.2. *Monitoring*

4.2.1. Monitoring and evaluation (M&E) will be based on four main pillars, namely: (i) the results-based logical framework that defines the results indicators (impacts, outcomes and outputs); (ii) the Annual Work Programmes and Budgets (AWPBs) that define the programme implementation activities, outputs and priorities; (iii) the monitoring/evaluation manual to be developed at project commencement and that will define the approaches, methods and tools for collecting, analysing data and disseminating the results achieved in terms of outputs, outcomes and impacts; and (iv) an IT platform to develop a consolidated geo-referenced monitoring and evaluation system, integrating the key indicators of the NDP in relation to ongoing projects, private-sector investments and the monitoring and evaluation systems of the NDP. PRODIVAC monitoring and evaluation will include: (i) (*ex ante*) quantitative and qualitative impact studies that will facilitate the design of impact matrices and change trajectories; (ii) continuous internal monitoring of activities using a simple and reliable (digital) data collection system; (iii) participatory self-assessments with the active involvement of direct actors and stakeholders; (iv) supervision missions and ad hoc external assessments as identified by the supervision missions and stakeholders; (v) a mid-term review carried out jointly by the Bank and the Government at the end of the third year; and (vi) a final appraisal and impact study at project completion to facilitate the preparation of the final project report and inform the completion mission.

## 4.3. *Governance*

4.3.1. In terms of global governance, Congo scores 42.8 out of 100 and is ranked 42<sup>nd</sup> out of 54 African countries on the Ibrahim Index of African Governance (IIAG). Under the impetus of the IMF, the Government has undertaken to conduct, with international assistance, an in-depth study on the governance situation in Congo. The Bank and the World Bank are supporting the country

to improve public finances and the business climate through the PADEC and PACIGOF projects. Specifically, governance risks in project implementation will be related to procurement, financial management, and land management. In this context, the Bank conducted detailed risk assessments at Borrower, sector, and project level during project design and, significant measures complete with action plans were prepared. PRODIVAC will also support the digitisation of agricultural land, linked to a geographical information system, to provide the country with an adequate land management tool. In addition, the participatory approach to local development, participation by the private sector, non-governmental organisations and beneficiaries in the steering and implementation of activities will promote citizen control as a guarantee of good governance.

#### **4.4. *Sustainability***

4.4.1. The possibility of sustainability and scale-up of the Project's achievements over the long term is high. Economic and financial analysis sensitivity tests show that the project remains profitable despite a reduction in profits, an increase in input prices and a decrease in product prices. The sustainability of investments and expected benefits is based on participatory and entrepreneurial approaches to capacity building, including (i) the structuring and professionalization of value chain organisations and actors on the basis of expressed demand, (ii) partnership with financial institutions to ease access to finance; (iii) the business and entrepreneurial dimension and the development of youth skills; (iv) the choice of proven and locally manageable techniques and technologies; and the participation and empowerment of value chain and local government actors for management of the infrastructure built; and (v) women's economic empowerment. The Project, in collaboration with local authorities, will support the establishment of a sustainable management and maintenance mechanism for each infrastructure project, based on the organisation of beneficiaries into user associations, establishment of a management committee and maintenance fund.

#### **4.5. *Risk Management***

4.5.1. The main risks that the project could face: (i) vulnerability to climate change; (ii) low capacity of youth support systems and value chain actors; (iii) low interest of financial institutions in developing specific financial products; (iv) reluctance of smallholders to innovate; (v) low capacity of service providers and (vi) inadequacies in rural infrastructure sustainability mechanisms. To mitigate these risks, the following actions will be taken: (i) the dissemination of smart agricultural technologies (community agroforestry, short-cycle and attack-resistant seeds, etc.); (ii) strengthening of links between agricultural promoters and chambers of agriculture/trades whose capacities will be built; (iii) promotion of internal value chain financing mechanisms and financial education for beneficiaries; (iv) technical assistance to financial institutions including the training and involvement of credit officers in the agricultural entrepreneurship process; (v) the adoption of demonstration farms that promote peer training of farmers; and the involvement of beneficiaries and local actors in the monitoring of works, the mobilisation of specialised technical assistance and the signing of performance contracts with service providers and project implementation unit staff. Residual management risks will be minimised through the competitive recruitment of staff and partners; the development of annual performance contracts, renewable based on good performance; and capacity-building for project management teams at different levels.

#### **4.6. *Knowledge Management***

4.6.1. As part of knowledge management, an electronic library will be established to store all relevant documents from the agricultural sector, an inventory of best practices and identified local knowledge and innovations. The library will be accessible to stakeholders and the public. This activity will be developed as part of institutional support to the Directorate of Studies and Planning (DEP) of the Ministry of Agriculture. The tools and means of communication will be shared with

other projects in the agricultural sector, in particular PADEC and PDAC. A flexible knowledge management system, incorporating data, studies and documentation on the agricultural sector held by TFPs will be developed to ensure: (i) continuous information to improve programme performance; identification, analysis, documentation and dissemination of best practices; (ii) interactive and inclusive communication with project managers and all stakeholders; and (iii) visibility for policy dialogue and advocacy. Mechanisms of communication with beneficiaries upstream, during and downstream of the interventions will be developed. Project-generated knowledge will thus help to improve the interventions of ongoing projects, inform the design of new projects and boost participation in policy dialogues on themes that may affect improvement of the economic environment of sectors (inclusive sector policies, promotion of local products and development of standards, trade and tariff policy, etc.). The development of financing mechanisms in partnership with financial institutions will generate experiences, best practices and approaches that could be used in other value chains and countries to support the development of financial products tailored to youth enterprises and the financing needs of small, medium and large enterprises.

## **V. LEGAL FRAMEWORK**

### **5.1 *Legal Instrument***

The financing instrument proposed is an ADB loan to the Republic of Congo.

### **5.2 *Conditions Associated with the Bank's Involvement***

The ADB loan will be subject to the following conditions:

**5.2.1. Conditions precedent to effectiveness.** The effectiveness of the Loan Agreement shall be subject to the fulfilment by the Borrower, to the Bank's satisfaction, the conditions set out in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the African Development Bank (Sovereign Entities).

**5.2.2. Conditions precedent to first disbursement of the Loan.** In addition to the provisions of §5.2.1 above, the first disbursement of the loan resources shall be subject to the fulfilment by the Borrower, to the satisfaction of African development Bank, of the following conditions:

Submission to the Bank, evidence of the:

- (i) decision establishing the Project Coordination Unit (PCU) within the PADEC/PACIGOF Implementation Unit;
- (ii) strengthening of the PCU with a Deputy Coordinator; Assistants for Fiduciary Management, Internal and External Monitoring and Evaluation, Value Chain Development and Finance; Private Sector Development and Entrepreneurship Expert; Environmental and Safeguards Expert; and Support staff; and
- (iii) establishment of a National Steering Committee and designation of its members for the Project.

**5.2.3 Other conditions.** The Borrower ought to provide:

- (i) no later than three (3) months after the first disbursement, evidence of having updated the management procedures manual and a computerised accounting system, allowing for adequate monitoring and financial information; and

- (ii) no later than six (6) months after the first disbursement, the recruitment of an external audit firm on a competitive basis and in accordance with the Bank's standard Terms of Reference (TORs).

5Undertakings. The Borrower undertakes, to the satisfaction of the Bank, to : (i) implement the Project and have it implemented by its contractors in accordance with the recommendations, requirements and procedures contained in the Project's Environmental and Social Management Framework (ESMF); (ii) conduct environmental and social impact assessments (ESIAs), prepare specific sub-project ESMPs and secure their approval in accordance with national legislation and Bank requirements; and (iii) provide half-yearly reports on the implementation of the ESMPs, including, where applicable, inadequacies and corrective actions undertaken or to be undertaken.

### **5.3      *Compliance with Bank Policies***

The project complies with all relevant Bank policies.

## **VI.      RECOMMENDATION**

The Bank's Management recommends that the Board of Directors approve the proposal to grant an ADB loan not exceeding *seventy-three million two hundred thousand (73,200,000) Euros* to the Republic of Congo for the purpose and under the conditions set out in this report.

## Appendix I: Country's Comparative Socioeconomic Indicators

Baseline indicators	Year	Congo	Africa	Developing countries	Developed countries
Area ('000 Km²)	2017	342	30,067	80,386	53,939
Total population (in millions)	2017	4.9	1,184.5	5,945.0	1,401.5
Urban population (% of total)	2017	66.7	39.7	47.0	80.7
Population density (per Km²)	2017	14.2	40.3	78.5	25.4
Gross national income (GNI) per capita (US\$)	2016	1,710	2,045	4,226	38,317
Labour force participation* - Total (%)	2017	70.5	66.3	67.7	72.0
Labour Force Participation**-Female (%)	2017	67.7	56.5	53.0	64.5
Sex ratio (men per 100 women)	2017	100.109	0.801	0.506	0.79
Human development index (position out of 187 countries)	2015	135	...	...	...
Demographic indicators					
Total population growth rate (%)	2017	2.6	2.6	1.3	0.6
Urban population growth rate (%)	2017	3.1	3.6	2.6	0.8
Population aged below 15 (%)	2017	42.5	41.0	28.3	17.3
Population aged 15 -24 years	2017	18.7	3.5	6.2	16.0
Population aged 65 and above (%)	2017	3.7	80.1	54.6	50.5
Dependency rate (%)	2017	85.8	100.1	102.8	97.4
Female population aged 15-49 (%)	2017	23.3	24.0	25.8	23.0
Life expectancy at birth – total (years)	2017	63.8	61.2	68.9	79.1
Life expectancy at birth – women (years)	2017	65.4	62.6	70.8	82.1
Crude birth rate (per 1000)	2017	35.0	34.8	21.0	11.6
Crude mortality rate (per 1000)	2017	7.9	9.3	7.7	8.8
Infant mortality rate (per 1000)	2016	38.5	52.2	35.2	5.8
Under-5 mortality rate (per 1000)	2016	54.1	75.5	47.3	6.8
Total fertility rate (per woman)	2017	4.7	4.6	2.6	1.7
Maternal mortality rate (per 100000)	2015	442.0	411.3	230.0	22.0
Health and nutrition indicators					
Number of physicians (per 100,000 inhabitants)	2007	10.8	46.9	118.1	308.0
Number of nurses and midwives (per 100,000 inhabitants)	2007	94.0	133.4	202.9	857.4
Births attended by skilled health staff (%)	2014	80.1	50.6	67.7	...
Access to drinking water (% of population)	2015	76.5	71.6	89.1	99.0
Access to healthcare facilities (% of population)*	2015	15.0	51.3	57	69
Percentage of adults aged 15-49 living with HIV/AIDS	2016	3.1	39.4	60.8	96.3
Incidence of tuberculosis (per 100000)	2016	378.0	3.8	1.2	...
Children vaccinated against tuberculosis (%)	2016	85.0	245.9	149.0	22.0
Children vaccinated against measles (%)	2016	80.0	84.1	90.0	...
Underweight children aged under 5 (%)	2015	12.3	76.0	82.7	93.9
Prevalence of stunting	2015	21.2	20.8	17.0	0.9
Prevalence of malnutrition (% of pop.)	2015	28	2,621	2,335	3,416
Environmental indicators					
Arable land (as % of total surface area)	2015	1.6	8.6	11.9	9.4
Agricultural land (% of land surface area)	2015	31.1	43.2	43.4	30.0
Forests (as % of the total surface area)	2015	65.4	23.3	28.0	34.5
CO2 emissions per capita (metric tons)	2014	0.6	1.1	3.0	11.6
Education indicators					
Gross enrolment ratio (%) in					
Primary schools - Total	2012	104.2	106.4	109.4	101.3
Primary schools - girls	2012	107.8	102.6	107.6	101.1
Secondary schools -. Total	2012	52.1	54.6	69.0	100.2
Secondary schools - girls	2012	48.4	51.4	67.7	99.9
Female teachers in primary schools (% of total)	2012	53.5	45.1	58.1	81.6
Adult literacy - Total (%)	2011	79.3	61.8	80.4	99.2
Adult literacy - Men (%)	2011	86.4	70.7	85.9	99.3
Adult literacy - Women (%)	2011	72.9	53.4	75.2	99.0

Source: Country Strategy Paper 2018

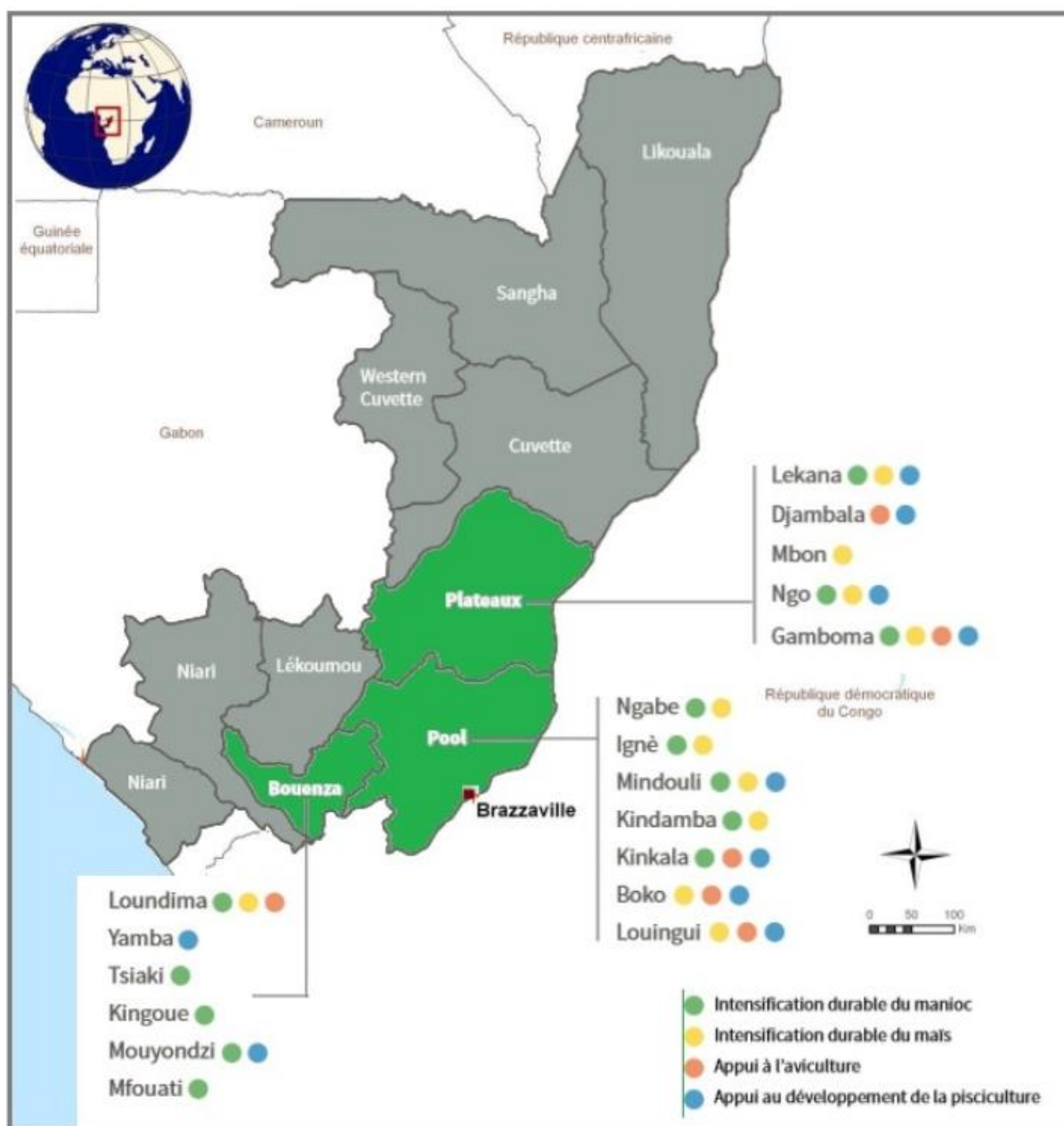
Notes: n.a. Non Applicable: Data not available. Labour force participation, total (% of total population aged 15+) \*\* Labour force participation, women (% of female population aged 15+)

## Appendix II: Bank Portfolio in Congo

N°	Secteur	Projet	Statut	N° de Prêt/Don	Date Approbation	Date de clôture	Montant Prêt/Don (UC)	Décaissement cumulé au 31/12/18
<b>Projets nationaux</b>								
1	Energy	Rural Electrification Project	OnGo	P-CG-FA0-001	6/12/12	31/12/21	10,00	23,3
2	Telecommunications	Central Africa Backbone Project (CAB) –Congo component	OnGo	P-CG-GB0-002	18/5/16	30/6/21	41,8	8,35
3	Social	Skills and Human Resources Development Project	OnGo	P-CG-IAE-001	18/12/14	31/12/20	7,30	6,44
4	Governance	Investment Climate and Forest Governance Support Project	OnGo	P-CG-KZ0-001	1/7/15	31/12/23	15,3	12,45
<b>PROJETS MULTINATIONAUX</b>								
5	Transport	Ndende-Dolisie Road and Transport Facilitation Project	OnGo	P-Z1-DB0-088	18/12/13	30/6/21	30,49	31,74
7	Transport	Construction of the Ketta-Djoum road phase 2 –Congo	OnGo	P-Z1-DB0-167	21/10/15	31/12/20	98,25	73,88



### Appendix III: Map of the Project Area



Les appellations figurant sur cette carte et sa représentation graphique ne constituent en aucun cas une prise de position de la FAO quant au tracé des frontières ou limites, ou aux autorités de tutelle des territoires considérés

## Appendix IV: Explanatory Note on the National Counterpart Contribution

### Introduction

1. Owing to the heavy dependence of the Congolese economy on oil, the fall in the price of this commodity has led to a deterioration in the country's fiscal position, thus negatively affecting its ability to co-finance projects as required by the Bank's policies for ADB countries. The sharp decline in oil revenue, which accounted for more than 80% of government income until 2014, is reflected in Government's inability to contribute at least 50% of the cost of projects co-financed with the Bank as required by the policy on expenditures eligible for Bank Group financing. It has also led to significant delays in the disbursement of national counterpart funds. This situation is a generic problem common to all the portfolios of the key technical and financial partners (TFPs) present in Congo.

2. To address this situation in the short run, the Bank had to grant waivers on the national counterpart amount for its new projects in accordance with the relevant provisions of the abovementioned policies, and to cover part of the national counterpart contribution for ongoing projects following the Government's requests. Given that low oil prices seem to be enduring, the Bank could review the financing model for its projects in Congo to adequately address the counterpart issue that particularly affects portfolio performance.

### Current Context

3. Congo's counterpart contribution required to finance ongoing projects is CFAF 123 billion. As a simple average, this amount exceeds more than 33% of the total portfolio cost. For some projects, the Government's counterpart amount exceeds 50% or even 68% of the total cost.





Congo – Counterpart Funds due by the Government (CFAF million)				
Project name	Total project cost	CP funds due	CP funds due 2	Approval date
	Value	Value	%	
Investment Climate and Forest Governance Support Project (PACIGOV)	25,000	12,445	50%	01/07/2015
Congo Rural Electrification Project	12,388	4,505	36%	06/12/2012
Ndende-Dolisie Road Development Project	71,492	48,500	68%	18/12/2013
KEITA-DJOUM Phase 1	108,600	16,500	15%	25/09/2009
KEITA-DJOUM Phase 2	101,493	22,000	22%	21/10/2015
Skills and Human Resources Development Project	15,900	10,500	66%	18/12/2014
Optic Fibre Project (CAB)	43,658	9,520	22%	18/05/2016
Total	378,531	123,970	0.33	

4. In its information note to the Boards on Counterpart Funding and Recurring Costs (ADF/BD/WP/2016/29), the Bank stresses that *"ADF countries newly eligible for ADB financing are particularly negatively impacted by the abrupt increase in their cost share in ADB-financed public sector investment operations"*. This situation has been particularly true for countries such

*as Cameroon. This country lacked tax space* to finance 50% of the cost of ADB-financed projects, since it is not used to financing more than 10% of the project cost. For a country such as Cameroon, no counterpart funds have yet been paid for the year 2018. In 2017, USD 3 billion of counterpart funds were paid out of a current amount of USD 17 billion. For all operations approved after Cameroon's graduation in July 2014, Management systematically requested the Boards to reduce the CPF to 15%.

5. For Congo Brazzaville, as shown in the table above, out of 7 ongoing projects, half did not entail a CPF. *Delays in the disbursement of government counterpart funds lead to slippages in project implementation and sometimes to the restructuring of ongoing limited-impact operations.*

6. Clearly, the level of Government's contribution is below the minimum rate of 50% of the total project cost for ADB countries, required by the Policy on Expenditure Eligible for Bank Group Financing under paragraph 4.2.2. Thus, in accordance with Section 4.2.2 of the aforementioned Policy (revised version of 19 March 2008) and the FVP/COO Directive of December 2014 on application of the said Policy regarding counterpart funds, this note presents the analysis that justifies the request for a waiver on the national counterpart amount, based on the following four criteria required by the abovementioned Bank's policy and directive:

-  *The country's commitment to implement its overall development programme;*
-  *The financing allocated by the country to the sector targeted by Bank assistance;*
-  *The country's fiscal situation and debt level.*
-  *Upper cost-sharing limit and guidelines laid down in the country financing parameters.*

This waiver could be extended to other "ADB or Blend" countries in the Centre Region; these include the Republic of Equatorial Guinea (ADB) and Cameroon (Blend).

### **Country's Commitment to Implement its Overall Development Programme**

7. After three years of severe economic crisis, Congo has just adopted a National Development Plan (NDP) 2018-2022. This Plan, which derives from the social project "The March towards Development", takes into account the Sustainable Development Goals (SDGs) and those of Agenda 2063 for Africa's development. The NDP identifies two strategic priorities: (i) reform of the education system and skills development and vocational training and (ii) diversification of the economy with priority to the agricultural, tourism and industrialisation sectors. This Plan aims to lay the foundation for sustainable and inclusive economic and social development, including through economic diversification, further construction of competitive infrastructure, improved governance, strengthening of human resources and promotion of regional integration.

## **Financing Allocated by the Country to the Sector Targeted by Bank Assistance**

8. Mindful of the key role of the various target sectors of the Bank's operations in the Congolese economy, the Government in recent years sought to allocate significant resources to these sectors to improve their performance. It is worth recalling that Congo is one of the few RMCs that has mobilised an average of more than 50% of counterpart funds. It should be noted that, unlike most African countries, most transport infrastructure expenditure has been financed from domestic resources, with public sector financing through oil revenue averaging 75%. The authorities' financial effort was particularly significant for the road sub-sector, which saw its budget allocations increase by nearly 72.0% over the period. It reflects the authorities' awareness that road transport is one of the sub-sectors with the most significant rehabilitation and investment needs.

9. Additionally, the Bank has a pipeline of projects for its re-engagement in Congo. This re-engagement includes projects for the development of agro-industrial value chains, energy, regional infrastructure for economic diversification and sustainable and inclusive economic growth, and support for the strengthening of capital and governance for a total amount of UA 806 million. It should be noted that Congo has allocated significant resources to the financing of regional integration infrastructure. In particular, the country has significantly increased its participation in investments in regional road projects, particularly those of the Bank, which are increasingly co-financed by the Government. Congo's average contribution to Bank-financed regional integration projects is over 60%. However, despite the significant efforts made by the State over the past four years, the needs remain huge.

## **The Country's Fiscal Situation and Debt Level**

10. The country's fiscal situation has significantly weakened in recent years with the fall in oil prices leading to a deterioration in its fiscal position. The sharp decline in oil sector revenue, which accounted for more than 80% of government revenue until 2014, combined with an expansionary fiscal policy despite the sharp decline in oil prices, led to an average deficit of more than 19.9% between 2015 and 2017, after a decade of budget surpluses. In response to the persistently low oil prices, the Government adopted measures aimed at restoring fiscal balance. From a level of CFAF 4,000 billion in revenue and CFAF 2,818 billion in expenditure in 2013, the State budget was significantly adjusted and stood at CFAF 1,415 billion in revenue and CFAF 1,828 billion in expenditure at the end of 2017, representing a deficit of 5.1% of GDP, due mainly to the contraction of public expenditure and suspension of certain investment projects. However, this was an improvement compared to the 2016 budget that stood at 12.9% of GDP.

11. Regarding the country's debt level, external debt has been rising steadily since it reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative, rising from 20% of GDP to 118.7% of GDP in 2017. Congo presents the profile of a country with high risk of over-indebtedness, according to the Debt Sustainability Analysis (DSA) conducted jointly by the IMF and the World Bank in 2017. Missing a payment due on 30 June 2016 on the country's only

Eurobond issued in 2007 resulted in the downgrading of its credit rating<sup>11</sup>, highlighting the pressure exerted by the oil counter-shock on the country's fiscal and external positions and the need for Government to undertake a major structural reforms programme with the IMF. An agreement is being concluded with the establishment of a debt restructuring strategy. These measures are necessary to preserve the country's solvency and its ability to repay its debt in the medium term, including to the Bank and other international creditors.

### **Upper Cost-sharing Limit and Guidelines Laid down in the Country Financing Parameters**

12 For countries such as Congo whose financing parameters (CFP) are not available, the World Bank Operational Guidelines specify that the share of total costs financed by the Bank in the overall lending programme is determined according to the country's ranking and per capita income. Specifically, these Guidelines set out the cost-sharing limits as follows: (i) 90% for IDA countries with per capita income below USD 1,235; (ii) 75% for IBRD and Blend countries in the same per capita income group; (iii) 60% for countries with per capita income between USD 1,236 and 4,465; and (iv) 50% for countries with per capita income above USD 4465. These limits apply to the Bank's overall in-country lending programme<sup>12</sup> and not to individual projects. For individual projects, a minimum contribution of 10% is generally expected from the Borrower. Finally, in exceptional cases, the Guidelines offer the possibility of financing all project costs from external resources.

13. In the specific case of Congo, whose per capita income is USD 2,540, the Bank's share in the overall lending programme for the period 2013-2017 is 46.8% compared to a limit of 60%. On the other hand, the national counterpart for the project concerned (10.76%) is higher than the minimum contribution of 10% expected for individual projects. In addition, it is worth noting that Congo's contribution to the Project's financing is higher than that requested for its new projects by the World Bank, which has revised the financing model for its operations in light of the decline in public revenue resulting from the fall in oil prices.

14. **In conclusion, based on the foregoing, and at the Government's request, it is proposed that the national counterpart be set at 15% of the total project cost net of taxes.** This level of counterpart takes into account the country's particularly difficult fiscal situation. The reality at present is that Congo is facing a severe economic crisis following the negative shock in the prices of oil sector products, the main source of the country's economic growth. This macroeconomic

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<sup>11</sup> In August 2016, the rating agencies Fitch, S&P and Moody's downgraded Congo's credit rating, the first two rating agencies placing it in the "Partial Default" category. This decision was taken after the country missed a payment on its single Eurobond issued in 2007, as part of the restructuring of its commercial debt to London Club creditors. The Government explained that this failure was due to a technical problem and not to cash flow constraints and has since made the outstanding payment. As a result of this regularization, Fitch upgraded Congo's rating to "CCC" while S&P restored it to "B-".

<sup>12</sup> A three-year rolling lending programme covering two previous years and the current year.

shock has led to a significant fiscal imbalance. Since the drop in oil prices, Congo has experienced revenue losses that have negatively impacted the State's finances, the financial sector and the real sector, and the country's inability to meet the payment of counterpart contributions to development projects and programmes, which stood at a cumulative amount of CFAF 123.214 billion at the end of 2017. The Congolese Government's contribution will be used to finance part of the works, and all the expropriation costs and operating costs of the executing agency as well as the fiscal expenditure associated with the programme resulting from exemptions from customs duties and other taxes.