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# PROJECT PERFORMANCE ASSESSMENT REPORT

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REPUBLIC OF CONGO

## Support for Economic Diversification Project

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**Report No. 166460**

DECEMBER 1, 2021



**IEG**  
INDEPENDENT  
EVALUATION GROUP

**WORLD BANK GROUP**  
World Bank • IFC • MIGA

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1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
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World Bank. 2022. Republic of Congo—Support for Economic Diversification Project. Independent Evaluation Group, Project Performance Assessment Report 166460. Washington, DC: World Bank.

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**Report No.: 166460**

**PROJECT PERFORMANCE ASSESSMENT REPORT**

**Republic of Congo**

**Support for Economic Diversification Project  
(IDA-48460)**

December 1, 2021

Financial, Private Sector, and Sustainable Development

*Independent Evaluation Group*

# Abbreviations

FCV	fragility, conflict, and violence
GDP	gross domestic product
HCDPP	High-Level Council for Public-Private Dialogue
IEG	Independent Evaluation Group
MSME	micro, small, and medium enterprise
PAD	Project Appraisal Document
PIU	project implementation unit
PPAR	Project Performance Assessment Report
PPP	public-private partnership
SEZ	Special Economic Zone
SME	small and medium enterprise

*All dollar amounts are US dollars unless otherwise indicated.*

## IEG Management and PPAR Team

Director-General, Independent Evaluation	Ms. Alison Evans
Acting Director, Financial, Private Sector, and Sustainable Development	Mr. Oscar Calvo-Gonzalez
Manager, Sustainable Development	Mr. Christopher Nelson
Task Manager	Mr. Melvin P. Vaz
This report was prepared by Melvin P. Vaz, who assessed the project in February 2020. The report was peer reviewed by Khalid Mirza and panel reviewed by Fernando Manibog. Emelda Cudilla and Viktoriya Yevsyeyeva provided administrative support.	

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# Data

This is a Project Performance Assessment Report (PPAR) by the Independent Evaluation Group (IEG) of the World Bank Group on the Republic of Congo Support for Economic Diversification (P118561). This instrument and the methodology for this evaluation are discussed in appendix C. Following standard IEG procedure, copies of the draft PPAR were shared with relevant government officials for their review and comment; no comments were received.

## Republic of Congo: Support for Economic Diversification Project (P118561)

### Basic Data

Country	Republic of Congo	World Bank financing commitment	\$10 million
Global Practice	Finance, Competitiveness, and Innovation	Actual project cost	\$12.47 million
Project name	Support for Economic Diversification	Expected project total cost	\$20 million
Project ID	P118561	Actual amount disbursed	\$7.64 million
Financing instrument	Specific investment loan	Government contribution	\$4.85
Financing source	International Development Association Credit and Borrower	Environmental assessment category	B

### Dates

Event	Original Date	Actual Date
Approval	05/27/2010	12/16/2010
Effectiveness	09/13/2011	09/13/2011
Restructuring	02/24/2014	02/24/2014
	10/24/2016	10/24/2016
	06/13/2017	06/13/2017
Mid-Term Review	06/17/2013	06/17/2013
Closing	02/28/2016	12/31/2017

### Key Staff Responsible

Management	Appraisal	Completion
Project Team Leader	Amadou Dem	Lorenzo Bertolini
Practice Manager	Paul Numba Un	Dahlia Khalifa
Sector Director or Senior Global Practice Director	Marilou J. Uy	Ceyla Pazarbasioglu-Dutz
Country Director	Marie Francoise Marie Nelly	Jean-Christophe Carret

# Summary

## Background and Description

The Republic of Congo is a lower-middle-income country that is one of the most urbanized countries in Africa, with 70 percent of its population living in Brazzaville and Pointe-Noire, where most economic activities are concentrated. The country was affected by a civil conflict that started in the early 1990s and culminated in 1997. A cease-fire agreement was reached in March 2003, but tensions and sporadic fighting persisted until 2007. Key infrastructure and businesses were destroyed during the conflict, and investor confidence was negatively impacted. At the time of the appraisal of this project in 2010, the Republic of Congo's economy was not diversified and was highly reliant on oil revenues. This made the country vulnerable because of the volatility of global oil prices. The role of the private sector in supporting the Republic of Congo's growth was limited as a result of the impact of the 1990s conflict and extensive interventions and controls by the government on economic activity.

The Support for Economic Diversification Project (P118561) was approved on December 16, 2010. It was restructured three times (February 24, 2014; October 24, 2016; and June 13, 2017) and closed on December 31, 2017. The project was financed by a credit from the International Development Association for \$10 million and counterpart funding from the Republic of Congo government for \$10 million. The original objective of this project as stated at appraisal stage was "to promote private sector growth and investment in the non-oil sectors in the Republic of Congo." The revised objective of the project after the 2014 restructuring was "to promote private investment in select non-oil value chains and to support SME [small and medium enterprise] development."

## Results

The implementation of investment climate reforms in the Republic of Congo was not successful, as a result of a lack of political will and the absence of a key champion to lead the reforms. During its field mission, the Independent Evaluation Group (IEG) found that the High-Level Council for Public-Private Dialogue (HCDPP) was inactive during the life of the project, and not a single meeting on public-private dialogue was held by the president of the Republic of Congo, who was expected to chair HCDPP meetings. Although some of the reforms were adopted by the ministries, there was no implementation follow-up by a champion from the president's or prime minister's office. Without this essential step, impact was limited. Outreach or awareness efforts to promote new reforms were not carried out effectively, and thus changes were not sustained. Moreover, coordination among ministries and the private sector during the adoption and implementation of reforms was weak because reform decrees were

elaborated, adopted, and implemented either without proper communication among ministries or without an understanding of the implications of the reforms for the private sector.

The \$135 million in investments from five-star hotels in the Republic of Congo that the project claims as private investments in non-oil value chains cannot be linked to the limited contributions from this project. During the IEG field mission, Radisson Blu acknowledged that a consultant hired by the project had prepared a high-quality document outlining the training needs of five-star hotels in the Republic of Congo. However, the recommendations of the training document were never implemented; that is, a training center was not established, and no Radisson Blu staff were trained as a result of the project. Radisson Blu trains its staff in the Republic of Congo using managers from Radisson Blu hotels in other African countries. Thus, the attribution of the investments from five-star hotels to the project is weak.

The project was expected to create an enterprise development and investment promotion agency, to be known as the Congo Enterprise Support Center. During the field mission, IEG found that this agency had not yet been established three years after project closure and was still awaiting the adoption of text for its creation. There are several agencies in the Republic of Congo that have functions similar to an investment promotion agency. However, there is a lack of synergy among these agencies, and they work in silos.

The late inclusion of small equipment funding in the matching grant scheme made it difficult to see its impact. IEG evidence from the field shows that the matching grant scheme enhanced the capacity of the beneficiaries. However, beneficiaries needed funding after training to make their ideas work—particularly for the purchase of equipment—because commercial banks in the Republic of Congo do not have the incentive to lend to SMEs and micro, small, and medium enterprises. Small equipment purchases were included only in the matching grant scheme after the project restructuring in 2014, resulting in very few beneficiaries benefiting from this financing component.

## **Design and Preparation**

The project lacked a clear statement of objectives and was overly optimistic, especially in the context of a country affected by fragility, conflict, and violence. Moreover, the scope of activities or components in the project design did not adequately capture the weak institutional capacity of the project implementation unit (PIU) and ministries involved in the project. This was evident from the slow disbursement of funds and the scaling back or abandonment of several activities or components during the implementation of the project. The risk of commodity price fluctuations and their impact on the counterpart



funding from the government was not identified or anticipated at project appraisal. This risk materialized during implementation, when the 2014–16 global collapse of commodity and oil prices led to a fiscal crisis in the Republic of Congo, resulting in implementation delays and scaling back of some of the important activities of the project.

Existing agencies in the Republic of Congo with functions similar to those of an investment promotion agency were not considered in the design of the project. Instead, the design included an activity to create a new investment promotion agency, the Congo Enterprise Support Center, in an environment where existing agencies operate in silos.

The design of the matching grant scheme (to support private sector access to nonfinancial services for promoting entrepreneurship) did not adequately capture the needs and challenges faced by the beneficiaries, especially in a country with a large informal sector. Micro, small, and medium enterprise beneficiaries interviewed by IEG during the field mission mentioned that the matching grant contribution of 20 percent was high, and the duration of training was short.

## **Implementation and Supervision**

Given the adverse macroeconomic conditions in the Republic of Congo and the weak institutional capacity of the PIU, project supervision did not keep apace. Although the project team showed flexibility by adding or abandoning activities, components, or indicators during implementation, supervision was weak. For example, a business plan competition activity was added during the first restructuring, but the indicator for this activity was added only during the second restructuring in 2016; however, both the activity and the indicator for the business plan competition were abandoned during the third restructuring in 2017. Moreover, the third restructuring, which removed the outstanding counterpart funding, was approved only in 2017, although the oil price crash occurred in 2014. This significantly affected the government's ability to fund the project.

Project implementation could have been more proactive and could have used the best practice experience on matching grants from other successful World Bank projects to resolve issues between the operations director of the matching grants and the PIU at the early stages of project implementation. Feedback from stakeholders and beneficiaries during the IEG field mission indicated that the processing of matching grants was extremely slow, taking an average of 8 to 10 months. This was mainly because of the requirement for no objection and review from the World Bank at each stage between approval and disbursement of the matching grants to the beneficiaries.

Lack of donor coordination among the World Bank, the African Development Bank, the French Development Bank, and the European Bank for Reconstruction and Development, especially in areas where donors' programs overlapped, was an issue and resulted in inefficient use of resources in the Republic of Congo.

IEG project ratings are described in appendix A. The evaluation methodology and evidence sources are described in appendix C.

## Lessons

This assessment offers the following lessons.

- When working with low-capacity clients, especially in countries affected by fragility, conflict, and violence, design should be simple with a minimum of components and limited requirements for coordination. Slow disbursement of funds and scaling back or abandonment of several activities or components occurred because weak institutional capacity was not adequately captured in the design of the project. This led to delays during implementation, ultimately affecting the achievement of project outcomes. Therefore, the Republic of Congo did not get the maximum net benefit from this project.
- For investment climate reform type projects, particularly in countries with strong centralized power dynamics, a key champion at the highest level of the government and coordination among the various ministries are crucial to bringing the public and private sectors together and helping identify and implement the reforms needed to improve the investment climate and competitiveness.
- It is crucial for projects involving large counterpart funding, especially in countries where public revenues are highly dependent on natural resources, to consider the risk of commodity price fluctuations for counterpart funding at the time of appraisal and seek to mitigate such risk.
- A matching grant scheme should clearly identify the needs of the beneficiaries at the time of the project design, especially in countries similar to the Republic of Congo that lack an entrepreneurship mind-set, have a large informal sector, and lack funding from financial institutions to firms. In addition, it is crucial for projects to ensure that there is a clear line of separation between the matching grant decision-making process and those running the PIU.

Oscar Calvo-Gonzalez  
Acting Director, Financial, Private Sector, and Sustainable Development  
Independent Evaluation Group

# Résumé

## Contexte et description du projet

La République du Congo (RC) est un pays à revenu intermédiaire de la tranche inférieure et l'un des pays les plus urbanisés d'Afrique, 70 pourcent de sa population vivant à Brazzaville et à Pointe-Noire, où se concentre la majorité des activités économiques. Le pays a été touché par un conflit civil qui a éclaté au début des années 1990 et a culminé en 1997. Un accord de cessez-le-feu a été conclu en mars 2003, mais des tensions et des combats sporadiques ont persisté jusqu'en 2007. Les principales infrastructures et entreprises ont été détruites et la confiance des investisseurs a été ébranlée par le conflit. Au moment de l'évaluation de ce projet, en 2010, l'économie de la RC n'était pas diversifiée et dépendait fortement des recettes pétrolières, et était donc vulnérable en raison de la forte volatilité du prix mondial du pétrole. Le rôle du secteur privé dans le soutien à la croissance de la RC a été limité en raison du conflit des années 1990 et des vastes interventions et contrôles des pouvoirs publics sur l'activité économique.

Le projet Soutien à la diversification économique (P118561) a été approuvé le 16 décembre 2010, restructuré à trois reprises (24 février 2014, 24 octobre 2016 et 13 juin 2017) et clôturé le 31 décembre 2017. Il a été financé par un crédit de l'Association internationale de développement (IDA) d'un montant de 10 millions de dollars, assorti d'un financement de contrepartie du gouvernement de la RC. Son objectif initial, tel qu'énoncé lors de l'évaluation, était de « *promouvoir la croissance et l'investissement du secteur privé dans les secteurs non pétroliers en République du Congo* ». L'objectif révisé du projet après la restructuration de 2014 était de « *promouvoir l'investissement privé dans certaines chaînes de valeur non pétrolières et de soutenir le développement des petites et moyennes entreprises (PME)* ».

## Résultats

La mise en œuvre des réformes du climat de l'investissement en RC s'est heurtée à un manque de volonté politique et à l'absence de chef de file pour diriger le processus. Lors de sa mission sur place, l'IEG a constaté que le Conseil de haut niveau pour le dialogue public-privé (HCDPP) était inactif pendant la durée du projet et qu'aucune réunion sur le dialogue public-privé n'avait été organisée par le Président, qui était censé présider les réunions du HCDPP. Ces observations indiquent un manque de volonté politique en faveur de la mise en œuvre des réformes du climat de l'investissement en RC. Bien que certaines des réformes aient été adoptées par les ministères, aucun suivi de la mise en œuvre n'a été effectué par un représentant du bureau du Président ou du Premier ministre. L'absence de cette étape essentielle a limité l'impact des réformes. Les efforts



d'information ou de sensibilisation en faveur des nouvelles réformes ne sont pas déployés de manière efficace, et les changements ne sont donc pas durables. Qui plus est, la coordination entre les ministères et la participation du secteur privé lors de l'adoption et de la mise en œuvre des réformes étaient faibles, car les décrets de réforme ont été élaborés, adoptés et mis en œuvre sans communication adéquate entre les ministères ou sans compréhension de leurs incidences sur le secteur privé.

Les 135 millions de dollars d'investissements des hôtels cinq étoiles en RC que le projet présente comme des investissements privés dans les chaînes de valeur non pétrolières ne peuvent pas être liés aux contributions limitées de ce projet. Lors de la mission de l'IEG, Radisson Blu a reconnu qu'un consultant engagé par le projet avait préparé un document de haute qualité sur les besoins en formation des hôtels cinq étoiles en RC. Mais les activités prévues dans ce document n'ont pas été mises en œuvre. Aucun centre de formation n'a été créé et aucun membre du personnel de Radisson Blu n'a été formé. Par exemple, l'hôtel Radisson Blu de RC forme son personnel en faisant appel aux gérants des hôtels Radisson Blu d'autres pays africains. L'attribution des investissements des hôtels cinq étoiles au projet est donc discutable.

Le projet devait créer une agence de développement des entreprises et de promotion des investissements, le « Congo Enterprise Support Center ». Lors de sa mission, l'IEG a constaté que, trois ans après la clôture du projet, cette agence n'avait toujours pas été créée et qu'elle attendait l'adoption d'un texte promulguant sa création. La RC compte plusieurs agences assimilables à une agence de promotion des investissements, mais elles sont caractérisées par un manque de synergie et travaillent en vase clos.

L'inclusion tardive du financement des petits équipements dans le programme de subventions de contrepartie a rendu difficile l'évaluation de son impact. Les données de terrain collectées par l'IEG montrent que ce programme a renforcé les capacités des bénéficiaires. Ceux-ci avaient toutefois besoin de fonds pour concrétiser leurs idées après la formation, notamment pour l'achat d'équipements, car les banques commerciales de la RC ne sont pas incitées à prêter aux PME/MPME. Les achats de petits équipements n'ont été inclus dans le système de subventions de contrepartie qu'après la restructuration du projet en 2014, ce qui signifie que très peu de bénéficiaires ont pu en profiter.

## **Conception et préparation**

Le projet n'énonçait pas clairement ses objectifs et était trop optimiste, surtout pour un pays touché par la fragilité, les conflits et la violence (FCV). En outre, la portée des activités ou des composantes dans la conception du projet ne tenait pas compte de la faible capacité institutionnelle de l'Unité d'exécution du projet (UEP) et des ministères concernés, comme en attestent la lenteur du décaissement des fonds et la réduction ou

l'abandon de plusieurs activités ou composantes pendant la mise en œuvre. Le risque de fluctuations des prix des produits de base et son impact sur les financements de contrepartie du gouvernement n'ont pas été identifiés ou anticipés lors de l'évaluation du projet. Ce risque s'est toutefois matérialisé lorsque l'effondrement mondial des prix des produits de base et du pétrole, en 2014–16, a entraîné une crise budgétaire en RC, provoquant des retards dans la mise en œuvre et la réduction de certaines des activités importantes du projet.

Les agences existantes assimilables à une agence de promotion des investissements n'ont pas été prises en compte lors de la conception du projet. Au lieu de cela, la conception prévoyait une activité visant à créer une nouvelle agence de promotion des investissements, baptisée « Congo Enterprise Support Center », dans un environnement où les agences existantes fonctionnent en vase clos.

La conception du système de subventions de contrepartie (visant à soutenir l'accès du secteur privé aux services non financiers afin de promouvoir l'esprit d'entreprise) n'a pas permis d'appréhender de manière adéquate les besoins et les défis auxquels sont confrontés les bénéficiaires, en particulier dans un pays où le secteur informel est important. Les bénéficiaires des MPME interrogés par l'IEG pendant sa mission ont mentionné que la contribution de la subvention de contrepartie de 20 pourcent était élevée et que la durée de la formation était courte.

### **Mise en œuvre et supervision**

La supervision du projet a pâti de la situation macroéconomique défavorable en RC et de la faible capacité institutionnelle de l'UEP. Bien que l'équipe du projet ait fait preuve de souplesse en ajoutant ou en abandonnant des activités, des composantes ou des indicateurs au cours de la mise en œuvre, la supervision a été faible. Par exemple, un concours de plans d'activité a été ajouté lors de la première restructuration, mais son indicateur n'a été ajouté que lors de la deuxième restructuration en 2016, et le concours et l'indicateur ont été abandonnés lors de la troisième restructuration en 2017. En outre, alors que l'effondrement des prix du pétrole, en 2014, a considérablement entravé la capacité du gouvernement à financer le projet, la troisième restructuration qui a supprimé le financement de contrepartie en suspens n'a été approuvée qu'en 2017.

La mise en œuvre du projet aurait pu être plus proactive et appliquer les meilleures pratiques issues d'autres projets de la Banque en matière de subventions de contrepartie pour résoudre les problèmes entre le directeur des opérations de contrepartie et l'UEP au début de la mise en œuvre du projet. Les parties prenantes et les bénéficiaires ont indiqué à la mission de l'IEG que le traitement des subventions de contrepartie était extrêmement lent et prenait en moyenne 8 à 10 mois. Cette situation est principalement

due à l'exigence d'absence d'objection et d'examen de la part de la Banque mondiale à chaque étape entre l'approbation et le décaissement des subventions aux bénéficiaires.

Le manque de coordination entre la Banque mondiale, la Banque africaine de développement, la Banque française de développement et la Banque européenne pour la reconstruction et le développement, notamment en ce qui concerne les zones de chevauchement des programmes des bailleurs de fonds, a été un problème et a entraîné une utilisation inefficace des ressources en RC.

La notation du projet par l'IEG est décrite à l'annexe A et la méthodologie d'évaluation et les sources de données à l'annexe C.

## **Enseignements**

Cette évaluation permet de tirer les enseignements suivants.

- Les projets visant des clients ayant de faibles capacités, en particulier dans les pays FCV, devraient être simples et comprendre un minimum de composantes et des exigences réduites en matière de coordination. La lenteur du décaissement des fonds et la réduction ou l'abandon de plusieurs activités ou composantes s'expliquent par le fait que la faiblesse des capacités institutionnelles n'a pas été suffisamment prise en compte lors de la conception du projet. Les retards dans la mise en œuvre qui en ont découlé ont entravé la réalisation des résultats du projet. Il s'ensuit que la RC n'a pas tiré le meilleur parti de ce projet.
- Il est essentiel que les projets visant la réforme du climat de l'investissement, en particulier dans les pays où la dynamique du pouvoir est fortement centralisée, soient soutenus au plus haut niveau du gouvernement et coordonnés entre les différents ministères pour rassembler les secteurs public et privé, afin d'identifier et de mettre en œuvre les réformes nécessaires pour améliorer le climat de l'investissement et la compétitivité.
- Les projets utilisant d'importants financements de contrepartie, en particulier dans les pays où les recettes publiques dépendent fortement des ressources naturelles, doivent impérativement tenir compte du risque de fluctuations des prix des produits de base sur les financements de contrepartie au moment de l'évaluation et chercher à atténuer ce risque.



- Un système de subventions de contrepartie devrait clairement identifier les besoins des bénéficiaires au moment de la conception du projet, en particulier dans les pays comme la RC, où l'esprit d'entreprise fait défaut, où le secteur informel est important et où les institutions financières ne financent pas les entreprises. En outre, il est essentiel de veiller à l'existence d'une ligne de démarcation claire entre le processus décisionnel relatif aux subventions de contrepartie et les responsables de l'UEP.

Oscar Calvo-Gonzalez

Directeur par intérim, Finances, secteur privé et développement durable  
Groupe indépendant d'évaluation



# 1. Background, Context, and Design

## Background and Context

1.1 The Republic of Congo is located in the central-western part of Sub-Saharan Africa, and its history is marked by a pattern of conflict and violence. The country is classified as a lower-middle-income country because of its combination of a small population (3.8 million inhabitants) and large oil resources.<sup>1</sup> It is one of the most urbanized countries in Africa, with 70 percent of its total population living in Brazzaville (the capital city in the center of the country) and Pointe-Noire (on the far west coast), where most of the country's economic activities are concentrated.<sup>2</sup> The country was affected by a civil conflict that started in the early 1990s and culminated in 1997. A cease-fire agreement was reached in March 2003, but tensions and sporadic fighting persisted until 2007. Key infrastructure and businesses were destroyed during the conflict, and investor confidence was negatively impacted. At the time of the appraisal of this project in 2010, the Republic of Congo was emerging from the conflict and political stability was expected to improve with the election of a president in July 2009.

1.2 The Republic of Congo's economy was not diversified and was largely dependent on oil. In 2008, the oil sector accounted for 65 percent of the country's gross domestic product (GDP), 85 percent of government revenues, and 92 percent of exports. However, spillover from the oil sector to the rest of the economy was limited, as reflected by the high level of poverty; 51 percent of the population lived below the poverty line at project appraisal. Reliance on oil made the economy vulnerable because the global oil price was highly volatile. Between 2002 and 2014, high oil prices spurred strong output, economic growth (GDP grew on average by 4.7 percent), and a substantial increase in government revenues (figure 1.1). However, the oil price collapse of 2014 led to a sharp decline in economic activity (GDP grew on average by only 2.3 percent between 2014 and 2016), characterized by low public revenues and high expenditures and debt (World Bank 2019a).

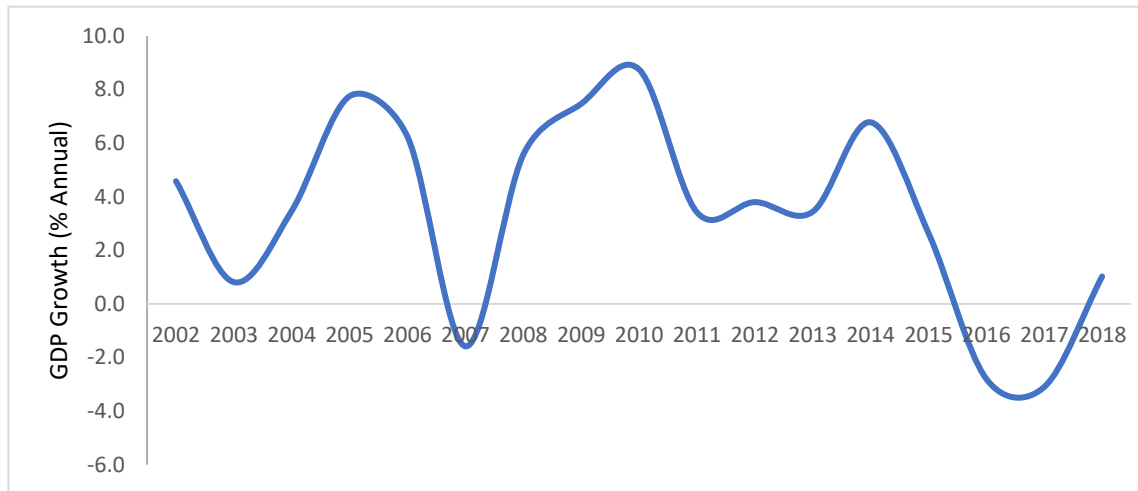
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<sup>1</sup> The total population of the Republic of Congo at the time of preparation of the Project Appraisal Document in 2010 (World Bank 2010) was 3.8 million. The total population at the time of preparation of the Systematic Country Diagnostic in 2018 (World Bank 2018) was 4.4 million.

<sup>2</sup> The urbanization rate in Brazzaville and Pointe-Noire at the time of preparation of the Project Appraisal Document in 2010 was 70 percent. The urbanization rate in Brazzaville and Pointe-Noire at the time of preparation of the Systematic Country Diagnostic in 2018 was 64 percent.



**Figure 1.1. Annual Gross Domestic Product Growth of the Republic of Congo, 2002–18**



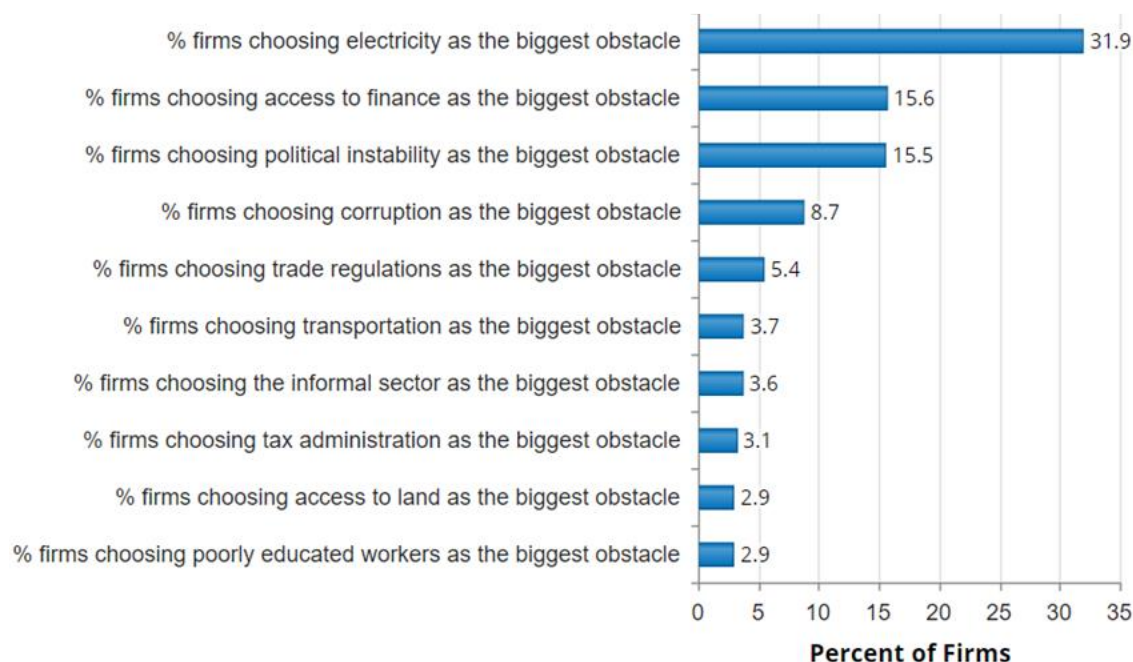
Source: World Development Indicators database.

Note: GDP = gross domestic product.

1.3 The role of the private sector in supporting the Republic of Congo's growth has been limited. At the time of project appraisal, the level of private investment (excluding oil) represented only 5 percent of GDP as compared with 14 percent of GDP in Sub-Saharan Africa. This was due to the impact of the 1990s conflict and extensive interventions and controls by the government on economic activity. Access to electricity, access to finance, political instability, and corruption were identified as the four major obstacles faced by private firms, according to the 2009 World Bank enterprise survey (figure 1.2). The Project Appraisal Document (PAD) (World Bank 2010) identified three key challenges to private sector development based on a range of analytical work conducted by the World Bank Group (World Bank 2009a, 2009c; World Bank 2009d).

- The complexity of business regulations led to bottlenecks in opening and operating businesses (for example, it took 10 procedures and 37 days to start a business, and 7 procedures and 116 days to register a property).
- Of the surveyed firms, 71 percent considered access to electricity to be a major obstacle. In addition, inadequate transport infrastructure and transport services were a bottleneck to investment and trade (for example, the railway between Pointe-Noire and Brazzaville, operated by the railway company Chemin de Fer Congo-Océan, was inefficient with high freight tariffs).
- There was no formal forum for public-private dialogue to raise and address the constraints to private sector development.

**Figure 1.2. Ranking of the Top Business Environment Obstacles for Firms in the Republic of Congo**



Source: World Bank Enterprise Surveys (<https://www.enterprisesurveys.org/en/data/exploreeconomies/2009/congo-rep#biggest-obstacle>).

1.4 A key policy challenge for the Republic of Congo was to use its oil wealth to build a more diversified and competitive economy to reduce poverty and improve social outcomes. In line with the 2008 Poverty Reduction Support Credit, one of the areas of the World Bank’s support to the government was in diversification and growth (the other being poverty reduction through improved basic services [World Bank 2009b]). The government’s National Development Plan for 2012–16 also focused heavily on diversification and provided ambitious plans aimed at boosting public and private investment. Finally, one of the four pathways identified in the 2018 Systematic Country Diagnostic on resolving constraints to the Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity was promoting non-oil sectors; the other three pathways were improving human capital, improving infrastructure and service delivery, and achieving the full potential of the oil, gas, and mining sectors (World Bank 2018).

## Objective, Design, and Financing

1.5 The original project development objective as stated in the PAD was “to promote private sector growth and investment in the non-oil sectors in the Republic of Congo” (World Bank 2010). The PAD also stated that the project would focus in particular on small and medium enterprises (SMEs) and the Pointe-Noire–Brazzaville growth

corridor, identified as the most important and immediate source of economic growth and diversification.

1.6 The project was restructured three times. At the time of the first restructuring on February 24, 2014, the project development objective was revised “to promote private investment in select non-oil value chains and to support SME development.” Changes were also made to the project’s components and objective-level indicators. During the second restructuring on October 24, 2016, new objective-level indicators were added, and the original closing date of the project was extended by one year. At the time of the third restructuring on June 13, 2017, outstanding counterpart funding of \$5.15 million was removed from the financial structure of the project.

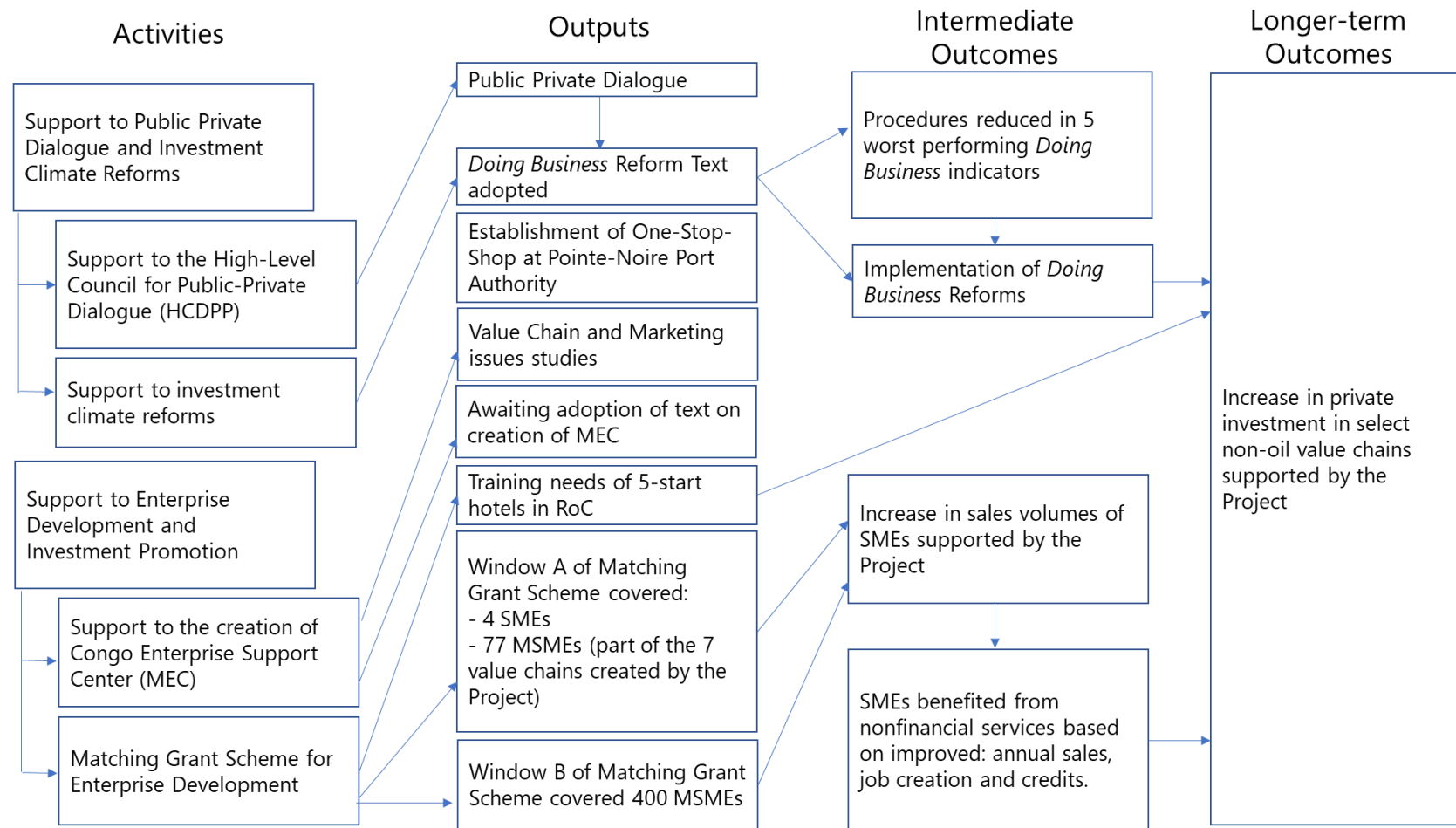
1.7 The project included the following four components.

- **Component 1:** Support to public-private dialogue and investment climate reforms. This component was intended to support the implementation of the government’s 2009 action plan for investment climate reforms. It had two subcomponents: support to the High-Level Council for Public-Private Dialogue (HCDPP), a high-level public-private platform aimed at adopting an action plan for improving the investment climate and diversifying the economy into non-oil growth sectors, and support to investment climate reforms.
- **Component 2:** Support to enterprise development and investment promotion. This component was further divided into two subcomponents: support to the creation of the Congo Enterprise Support Center or Maison du Congo and support to private sector access to nonfinancial services through a matching grant program for promoting entrepreneurship.
- **Component 3:** Support to the reform of the railway company. This component aimed at assisting the government in implementing a strategy to reform the railway company, Chemin de Fer Congo-Océan, in a more sustainable manner through the establishment of a public-private partnership (PPP). This component was further divided into two subcomponents: a stabilization plan and preparation of a PPP.
- **Component 4:** Project coordination and implementation. The project would set up a project implementation unit (PIU) within the Ministry of Planning and provide resources to recruit key staff of the PIU, including the project coordinator, a finance manager, an accountant, a procurement specialist, and a monitoring and evaluation specialist.

1.8 **Theory of change.** The Independent Evaluation Group (IEG) constructed a theory of change (figure 1.3) based on the information in the PAD (World Bank 2010), the Implementation Completion and Results Report (World Bank 2019b), and the Implementation Completion and Results Report Review (World Bank 2019c) and information collected during the field mission. The activities and outputs of nonfinancial matching grants to SMEs or micro, small, and medium enterprises (MSMEs) that were part of the Economic Interest Group or value chains in agriculture, juice production, production of farms, and cassava production were linked to the intermediate outcome of increasing sales volumes for SMEs and MSMEs, which in turn contributed to the outcome of private investments in non-oil value chains. However, there were shortcomings in the theory of change because of a lack of association among some of the activities or components and outputs, leading to intermediate outcomes and longer-term outcomes. For example, the chain of causality of the study on training needs for five-star hotels in the Republic of Congo leading to an investment of \$135 million from these hotels is not clear. Although enterprise survey data at project appraisal indicated that access to finance was one of the four leading constraints to private sector development, this was not explicitly addressed through the project.



Figure 1.3. Theory of Change



Source: Independent Evaluation Group.

Note: HCDPP = High-Level Council for Public-Private Dialogue; MEC = Congo Enterprise Support Center; MSME = micro, small, and medium enterprise; SME = small and medium enterprise.





1.9 **Financing.** The estimated cost of the project at appraisal was \$20 million, of which \$10 million was financed by International Development Association credit and \$10 million by counterpart funding from the Republic of Congo government (table 1.1). The actual cost of the project at closing was \$12.47 million.

**Table 1.1. World Bank Financing by Component (\$, millions)**

Project Components	At Appraisal	After Restructuring	At Closure
Support to public-private dialogue and investment climate reforms	4.30	4.10	1.80
Support to enterprise development and investment promotion	8.40	7.25	6.30
Support to the reform of the railway company	2.70	0.05	0.07
Project coordination and implementation	3.60	4.00	4.30
Total	19.00	15.40	12.47

Sources: World Bank 2010, 2019b, 2019c.

## 2. What Worked, What Didn't Work, and Why?

### Results

2.1 The implementation of investment climate reforms in the Republic of Congo was not successful because of the lack of political will and the absence of a key champion to lead the implementation of reforms. During the field mission, IEG found that the HCDPP was inactive during the life of the project, and not a single meeting on public-private dialogue was held by the president, who was expected to chair the HCDPP meetings. Before the closure of this project in 2017, the HCDPP was split into two parts:

- An interministerial committee for creating a business enabling environment that was chaired by the prime minister and responsible for adopting and implementing investment climate reforms; however, progress has been very slow, and only two meetings were held as of March 2020;
- A committee of consultation between the private sector and the public administration that was responsible for public-private dialogue; however, it was inactive at the time of the IEG field mission. This indicates a lack of political will to lead the implementation of investment climate reforms in the Republic of Congo.

Although some of the reforms were adopted by the ministries, there was no implementation follow-up by a champion from the president's or prime minister's office. Without this essential step, impact is limited. Outreach or awareness efforts to promote new reforms are not being carried out effectively, thus changes are not sustained.

2.2 Coordination between government ministries and the private sector during the adoption and implementation of reforms was weak because reform decrees were elaborated, adopted, and implemented without proper communication among ministries or without an understanding of the implications of the reforms for the private sector. For example, the Ministry of Infrastructure and Construction implemented a road tax between Brazzaville and Pointe-Noire without communicating with the Ministry of Economy and Commerce. Moreover, no studies were conducted to understand the impact of this reform on the private sector. Another example is the construction of a Special Economic Zone (SEZ) approximately 30 km from Brazzaville. Although buildings have been constructed, the SEZ is not yet operational. This is because the government did not conduct adequate studies to provide information to the private sector on the benefits of the SEZ. Lack of access to electricity is also one of the major issues that is preventing private sector companies from operating in the SEZ.<sup>1</sup>

2.3 The \$135 million in investments from five-star hotels in the Republic of Congo that the project claims as private investments in non-oil value chains cannot be linked to the limited contributions from this project. During the field mission, IEG found that there were limited contributions from the project to five-star hotels (such as Radisson Blu, Olympic Palace, Pefaco Hotel, and GHS Ramada Hotel) in the Republic of Congo. It was acknowledged by Radisson Blu that a consultant hired by the project had prepared a high-quality document outlining training needs for five-star hotels in the Republic of Congo. However, the training document was never implemented; that is, a training center was not established, and no staff at the Radisson Blu hotel were trained. Radisson Blu trains its staff in the Republic of Congo using managers from Radisson Blu hotels in other African countries. For example, managers from a Radisson Blu hotel in Kenya come and stay at the Radisson Blu in the Republic of Congo and provide on-the-job training to the staff. Thus, the attribution of the investments from five-star hotels to the project is weak.

2.4 The enterprise development and investment promotion agency has not yet been established three years after project closure and is currently awaiting the adoption of text for its creation as a formal agency in the Republic of Congo. Under component 2, the project was expected to create an enterprise development and investment promotion agency, the Congo Enterprise Support Center. During the field mission, however, IEG found that this agency had not yet been established by the government because of lack of funding. The PIU is currently awaiting the adoption of text for the creation of this

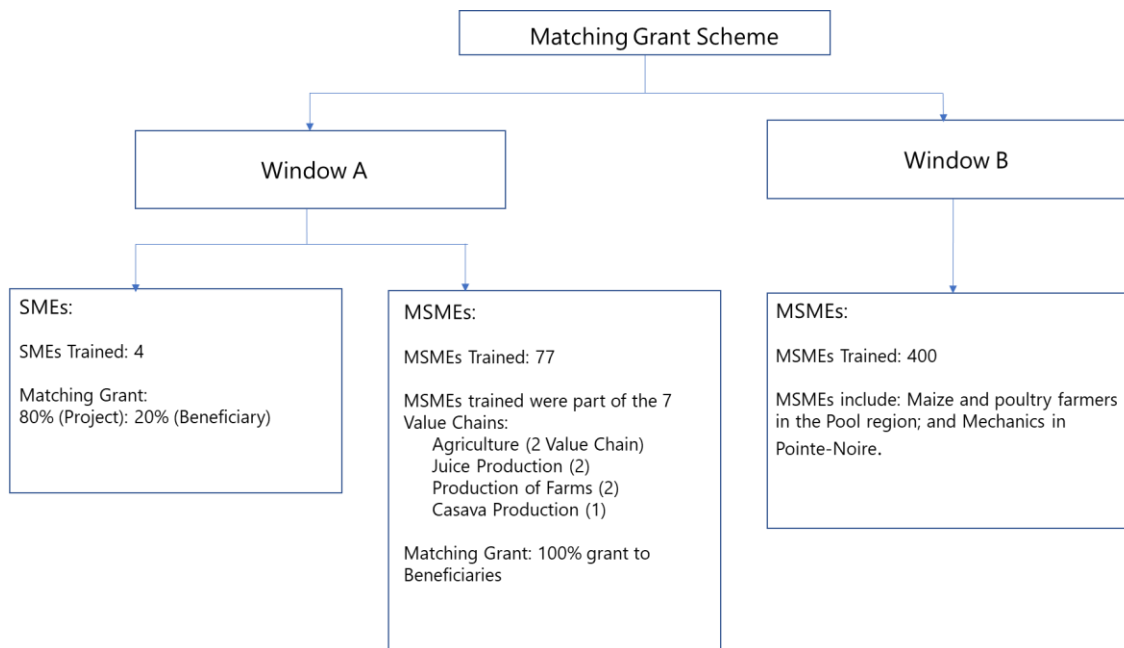
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<sup>1</sup> *Source:* Evidence from Independent Evaluation Group interviews with stakeholders during the field mission.

agency, and the African Development Bank is providing support in terms of funding. There are several agencies (such as the Agency for the Promotion of Investments, the Chamber of Commerce, and the Business Administration Formalities Center) in the Republic of Congo that have functions similar to an investment promotion agency. However, there is a lack of synergy among these agencies, and they work in silos.

2.5 The late inclusion of small equipment funding in the matching grant scheme made it difficult to see its impact. During the field mission, IEG visited 9 beneficiaries: 2 SMEs and 1 MSME under Window A and 4 poultry farmers and 2 mechanics under Window B of the matching grant scheme. Under Window A, 81 beneficiaries received matching grants from the project. Of these, 4 were SMEs and the remaining 77 were MSMEs that were part of the seven value chains created by the project in areas such as agriculture, juice production, production of farms, and cassava production (figure 2.1). Under Window B, 400 MSMEs received matching grants from the project. These were maize and poultry farmers in the Pool region of Kinkala and Boko in Brazzaville and mechanics in Pointe-Noire. Beneficiaries interviewed by IEG acknowledged that the training enabled them to improve their knowledge and capacity. However, they needed funding after training to make their ideas work—particularly for the purchase of equipment—because commercial banks in the Republic of Congo do not have the incentive to lend to SMEs and MSMEs. Small equipment purchases were included only in the matching grant scheme after the project restructuring in 2014, resulting in very few beneficiaries benefiting from this financing component.

**Figure 2.1. Matching Grant Scheme**



Source: Independent Evaluation Group field mission 2020.

Note: MSME = micro, small, and medium enterprise; SME = small and medium enterprise.

2.6 Although not part of the original design, the project supported the Port Authority at Pointe-Noire in the establishment of a one-stop shop in 2014; however, the one-stop shop was not fully operational at the time of the IEG field mission because of a lack of coordination among ministries, too many taxes, and a lack of private sector participation. The Port Authority reports to the Ministry of Transport, whereas customs at the port reports to the Ministry of Finance. Weak coordination between these two ministries is affecting the functioning of the one-stop shop. Collection of too many taxes (such as informatics taxes, service taxes, and so on) by the one-stop shop has resulted in a deterioration of the cross-border trade *Doing Business* indicator from a rank of 178 in 2010 to 183 in 2020. Lack of private sector participation has also resulted in an increase in prices at the port. During the IEG field mission, the Port Authority indicated that there is an urgent need to conduct a diagnostic and implement a new one-stop shop that is fully functional and effective in carrying out its operations at the port.

## Design and Preparation

2.7 The project lacked a clear statement of objectives and was overly optimistic, especially in a country affected by fragility, conflict, and violence (FCV) with weak institutional capacity, a large informal sector, and a lack of an entrepreneurship mind-set. The statements of the original and revised objectives of the project were too broad. Moreover, the scope of activities or components in the project design did not adequately

capture the weak institutional capacity of the PIU and ministries involved in the project. This was evident from the slow disbursement of funds and the scaling back or abandonment of several activities or components during the implementation of the project. For example, the disbursement rate was only 20 percent during the first three years of implementation. Moreover, the project restructuring in 2014 involved abandoning of activities or components related to the reform of the railway company and the institutional, legal, and regulatory framework of the SEZ. During the field mission, IEG found that the component on reform of the railway company was abandoned because of delays in the initial diagnostic work related to PPP and lack of funding by the government to implement this component. The activity related to the SEZ was abandoned because of delays in studies undertaken by the government. Finally, the government issued the contract for developing the institutional, legal, and regulatory framework of the SEZ to a firm in Singapore. Although SEZs exist in four locations in the Republic of Congo, businesses are currently not operating in any of them. Simple design in terms of a well-defined objective and realistic scope would have been more appropriate in the FCV context.

2.8 The risk of commodity price fluctuations and their impact on the counterpart funding from the government was not identified or anticipated at project appraisal. It was expected that the government of the Republic of Congo would contribute 50 percent of the total project funding. Although delay in the release of government contributions was identified as a risk in the PAD, the risk from commodity price fluctuations for counterpart funding was not considered. This risk materialized during implementation because the 2014–16 global collapse of commodity and oil prices led to a fiscal crisis in the Republic of Congo. This resulted in a significant interruption in the implementation of the project's activities, especially the execution of the matching grant scheme, of approximately nine months. As a result, activities such as the business plan competition and Window B of the matching grant scheme were scaled down. The fiscal crisis in the Republic of Congo affected not only this project but the entire World Bank portfolio in the Republic of Congo. This is because after the oil price crash the government did not have sufficient funds toward counterpart funding for World Bank projects. During the third restructuring in June 2017, outstanding counterpart funding of \$4.2 million was removed from the financial structure of this project. Given the high dependence on oil for revenues in the Republic of Congo, as well as fluctuations in global commodity and oil prices, it was not feasible for the project to have high counterpart funding.

2.9 Existing agencies in the Republic of Congo with functions similar to those of an investment promotion agency were not considered in the design of the project. Instead, the design included an activity to create a new investment promotion agency, the Congo Enterprise Support Center, in an environment where existing agencies operate in silos.



The design should have included activities to strengthen the capacity of the existing agencies rather than creating a new agency.

2.10 Design of the matching grant scheme did not adequately capture the needs and challenges faced by the beneficiaries, especially in a country with a large informal sector (41,000 firms or 78 percent of all firms [2017 statistics]). During the field mission, MSME beneficiaries under Window B of the matching grant scheme mentioned that the matching grant contribution of 20 percent was high, and the duration of training was short. For example, mechanics in Pointe-Noire interviewed by IEG mentioned that a training duration of six months under the matching grant scheme was not sufficient in terms of understanding and acquiring the technical skills. Moreover, funding for equipment was not part of the matching grant scheme at project appraisal.

## **Implementation and Supervision**

2.11 Given the adverse macroeconomic conditions in the Republic of Congo and weak institutional capacity in the PIU, the project supervision did not keep pace. During the initial stages of the project, the coordination between the World Bank project team and the PIU was weak. This was evident from delays in getting signature from the government on the amended financing agreement at the time of the first restructuring in 2014. Although the project team showed flexibility by adding or abandoning activities or components or indicators during implementation, supervision was weak. For example, a business plan competition activity was added during the first restructuring, but the indicator for this activity was added only during the second restructuring in 2016; however, both the activity and the indicator for the business plan competition were abandoned during the third restructuring in 2017. Moreover, the third restructuring, which removed the outstanding counterpart funding, was approved only in 2017, although the oil price crash occurred in 2014. This significantly affected the government's ability to fund the project.

2.12 There were internal tensions between the operations director of the matching grant scheme and the PIU because of the interference and involvement of the PIU in the decision-making process of the matching grants to beneficiaries. Initially, it was expected that the operations director of the matching grant scheme would be an autonomous function and would be responsible for identifying and sending the names of potential beneficiaries to the matching grant committee for approval. On approval by the committee, the names of potential beneficiaries would be sent to the PIU and the World Bank for no objection. However, the PIU also participated in the matching grant committee for approving the grants to beneficiaries, which was not aligned with the procedures of the matching grant scheme. This resulted in tensions between the

operations director of the matching grant scheme and the PIU, making the grant process problematic because of conflict of interest.

2.13 The requirement for no objection and review from the World Bank at each stage between approval and disbursement of the matching grants to beneficiaries resulted in high processing times and caused significant delays during implementation. During the field mission, IEG found that the processing of the matching grants took an average of 8 to 10 months. Given the weak governance in the Republic of Congo, each stage between approval and disbursement (a total of 5–6 stages) of the matching grants to beneficiaries required no objection and review from the World Bank because of concerns regarding misuse of funds. This made the processing of the matching grants extremely slow, which was also confirmed by all of the nine beneficiaries interviewed by IEG.

2.14 Lack of donor coordination, especially in areas where donors' programs overlapped, was an issue and resulted in inefficient use of resources in the Republic of Congo. During the IEG field mission, stakeholders mentioned that donors (such as the World Bank, African Development Bank, French Development Bank, European Development Bank, and so on) carry out similar studies, resulting in inefficient use of resources that could have been used for more productive purposes in the Republic of Congo. Currently, the Ministry of Planning is developing a framework for efficient donor coordination. In addition, the ambassador for the European Union is organizing breakfast meetings once every two months to bring donors together and improve coordination among them.

### **3. Lessons**

3.1 When working with low-capacity clients, especially in countries affected by FCV, design should be simple with a minimum of components and limited requirements for coordination. Slow disbursement of funds and scaling back or abandonment of several activities or components occurred because weak institutional capacity was not adequately captured in the design of the project. This led to delays during implementation, ultimately affecting the achievement of project outcomes. Therefore, the Republic of Congo and the World Bank did not get the maximum net benefit from this project.

3.2 Competitiveness or private sector development projects should focus on the most important binding constraints faced by the private sector, otherwise the businesses or investments they facilitate will not advance. For example, although enterprise survey data at project appraisal indicated that access to finance was one of the four leading constraints to private sector development, it was not addressed through the project.

3.3 For investment climate reform type projects, particularly in countries with strong centralized power dynamics, a key champion at the highest level of the government and coordination among the various ministries are crucial to bringing the public and private sectors together and helping identify and implement the reforms needed to improve the investment climate and competitiveness.

3.4 It is crucial for projects involving large counterpart funding, especially in countries where public revenues are highly dependent on natural resources, to consider the risk of commodity price fluctuations for counterpart funding at the time of appraisal and seek to mitigate such risk.

3.5 A matching grant scheme should clearly identify the needs of the beneficiaries at the time of the project design, especially in countries similar to the Republic of Congo that lack an entrepreneurship mind-set, have a large informal sector, and lack funding from financial institutions to firms. In addition, it is crucial for projects to ensure that there is a clear line of separation between the matching grant decision-making process and those running the PIU.

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# Appendix A. Ratings

## Republic of Congo: Support for Economic Diversification Project (P118561)

Table A.1. ICR, ICR Review, and PPAR Ratings

Indicator	ICR	ICR Review	PPAR
Outcome	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory
Overall efficacy	Not rated	Modest for original PDO High for revised PDO	Negligible for original PDO Modest for revised PDO
Bank performance	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory
Quality of monitoring and evaluation	Modest	Modest	Modest

Sources: World Bank 2019b, 2019c.

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PDO = project development objective; PPAR = Project Performance Assessment Report.

### 1. Relevance of the Objectives

#### Objectives

The original project development objective (PDO) as stated in the Project Appraisal Document (PAD) was “to promote private sector growth and investment in the non-oil sectors in the Republic of Congo” (World Bank 2010). The PAD also stated that the project would focus in particular on small and medium enterprises (SMEs) and the Pointe-Noire–Brazzaville growth corridor, which is the most important and immediate source of economic growth and diversification.

The PDO was revised on February 24, 2014. The revised PDO as stated in the Implementation Completion and Results Report (ICR) (World Bank 2019b) was “to promote private investment in select non-oil value chains and to support SME development.”

#### Relevance of the Objectives

The relevance of the objectives is rated **substantial**.

Both the original and revised PDO of the project were relevant to the World Bank Group’s country strategies and the Republic of Congo’s priorities of supporting economic diversification through private sector-led growth. The key policy challenge for the Republic of Congo as highlighted in the World Bank’s 2009 Country Partnership Strategy (CPS) for fiscal years (FY)10–12 was to use the country’s oil wealth to build a



more diversified and competitive economy, thereby reducing poverty and improving social outcomes. Diversification and growth was one of the two main priority areas of the World Bank's support in the 2009 CPS (World Bank 2009).<sup>1</sup>

The World Bank's 2012 CPS (FY13–16), which was based on the government's Poverty Reduction Support Credit II (2012–16), focused on stimulating inclusive economic growth aimed at diversifying the economy from its oil dependence. Diversification of the economy was one of the five areas of importance in the government's Poverty Reduction Support Credit II.<sup>2</sup> Moreover, the 2014–16 global collapse of commodity and oil prices, which led to a drastic decline in the government's oil revenues and a fiscal crisis in the Republic of Congo, highlighted the relevance of both the original and revised PDOs.

The government's National Development Plan 2018–22, which formed the basis for the Bank Group's 2018 Systematic Country Diagnostic (World Bank 2018), identified diversification and structural transformation of the economy as one of three strategic pillars.<sup>3</sup> The 2018 Systematic Country Diagnostic, which formed the basis for the Bank Group's 2019 Country Partnership Framework (CPF) (FY20–24), identified promoting non-oil sectors as one of four pathways to reducing poverty and boosting shared prosperity.<sup>4</sup> Strengthening economic management to create an improved climate for private sector-led growth was identified as one of the two focal areas in the 2019 CPF.<sup>5</sup> Finally, improvement of the business regulatory environment and micro, small, and medium enterprise (MSME) development was one of the objectives of the focal area “strengthening economic management to create an improved climate for private sector led-growth” in the 2019 CPF (World Bank 2019a, 2).

However, the project lacked a clear statement of objectives and was overly optimistic, especially for a country affected by fragility, conflict, and violence (FCV).

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<sup>1</sup> The other priority area was poverty reduction through improved basic service delivery.

<sup>2</sup> The other four areas were governance, infrastructure development, social inclusion, and equity.

<sup>3</sup> The other two pillars were governance strengthening and human capital development.

<sup>4</sup> The other three pathways were improving human capital, improving infrastructure and service delivery, and achieving the full potential of the oil, gas, and mining sectors.

<sup>5</sup> The other focal area was building human capital and enhancing resilience for social inclusion and sustainable growth.

Overall, the relevance of objective rating for both the original and revised PDOs is rated **substantial**.

## 2. Efficacy

### Achievement of the Original Objective

The original objective was “to promote private sector growth and investment in the non-oil sectors in the Republic of Congo.”

The ICR and ICR Review (ICRR) (World Bank 2019c) assessed the efficacy of the original objective of the project by splitting the original PDO into two subobjectives: to promote private sector growth in the non-oil sectors in the Republic of Congo and to promote investment in the non-oil sectors in the Republic of Congo. The Project Performance Assessment Report (PPAR) follows the same approach.

### Subobjective 1: To Promote Private Sector Growth in the Non-oil Sector in the Republic of Congo

The achievement of results under subobjective 1 was **negligible**.

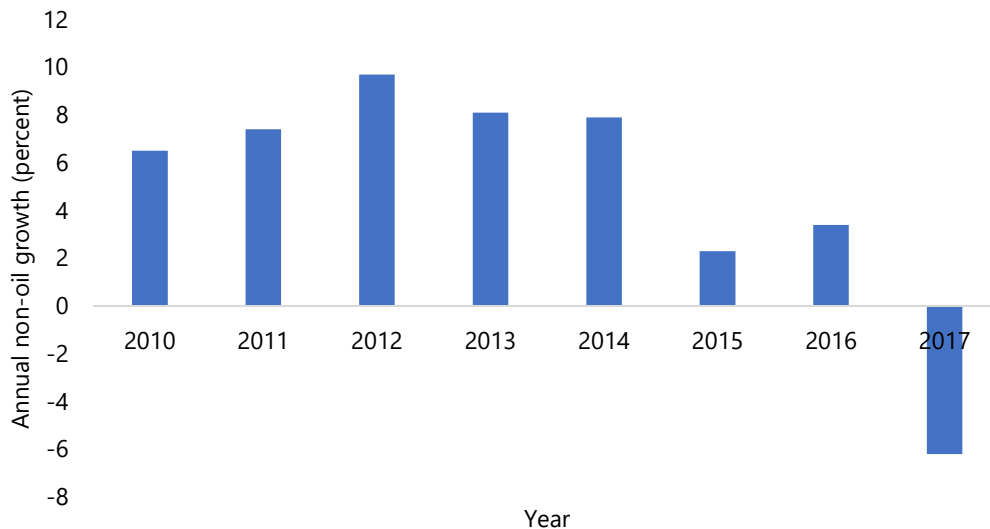
The indicator used by the project to measure the achievement of this subobjective was “to create 2,200 direct jobs in non-oil sectors in RoC [Republic of Congo] by enterprises supported by the project.” Based on the information in the ICR, 1,078 jobs (that is, close to 50 percent of the target) were created in the Republic of Congo from the support of this project. However, this indicator was discontinued and abandoned after the first restructuring of the project in 2014.

According to the 2019 International Monetary Fund Article IV Consultation for the Republic of Congo (IMF 2019), the non-oil sector has not increased its share in gross domestic product in the past decade. Cyclical difficulties have remained, compounded by a weak business environment. Diversification has remained low, even by regional standards, and has not improved in recent decades. Data from the International Monetary Fund’s Article IV Consultations (IMF 2012, 2014, 2015, 2019) indicate that growth in non-oil sectors in the Republic of Congo has declined from 6.5 percent at project approval in 2010 to –6.2 percent at project closing in 2017 (figure A.1).

The implementation of investment climate reforms in the Republic of Congo was not successful because of a lack of political will and the absence of a key champion to lead the implementation of reforms. This is evident from the *Doing Business* ranking for the Republic of Congo, which has remained almost the same from project approval (rank 179, 2010) to project closing (rank 176, 2016) and at Independent Evaluation Group (IEG) evaluation (rank 180, 2020). This is because the High-Level Council for Public-Private

Dialogue (HCDPP), which was key to improving the investment climate in the Republic of Congo, was inactive during the life of the project, and not a single meeting on public-private dialogue was held by the president, who was expected to chair the HCDPP meetings.

**Figure A.1. Annual Growth in Non-oil Sectors (Gross Domestic Product at Constant Prices) in the Republic of Congo**



Sources: International Monetary Fund 2012, 2014, 2015, 2019.

## **Subobjective 2: To Promote Investment in the Non-oil Sectors in the Republic of Congo**

The achievement of results under subobjective 2 was **negligible**.

The indicator used by the project to measure the achievement of this subobjective was “total private investment of \$50 million in non-oil sectors along the Pointe-Noire–Brazzaville corridor generated by enterprises supported by the project.” Since the project team was unable to measure the private investments along the Pointe-Noire–Brazzaville corridor, this indicator was modified at the time of restructuring in 2014 to “aggregate private investment amount of \$50 million supported by the project activities in select non-oil value chains.” However, the \$135 million in investments from five-star hotels in the Republic of Congo that the project claims as private investments in non-oil value chains cannot be linked to the limited contributions from this project. During the field mission, IEG found limited contributions from the project to five-star hotels (such as Radisson Blu, Olympic Palace, Pefaco Hotel, and GHS Ramada Hotel) in the Republic of Congo. It was acknowledged by Radisson Blu that a consultant hired by the project had prepared a high-quality document outlining training needs for five-star hotels in the

Republic of Congo. However, the training document was never implemented; that is, a training center was not established, and no staff at Radisson Blu were trained. Radisson Blu trains its staff in the Republic of Congo using managers from Radisson Blu hotels in other African countries. Thus, the attribution of the investments from five-star hotels to the project is weak.

Achievement under the original objective is rated **negligible**.

### **Achievement of the Revised Objective**

The revised objective was “to promote private investment in select non-oil value chains and to support SME development.”

The ICR and ICRR assessed the efficacy of the revised objective of the project by splitting the revised PDO into two subobjectives: to promote private investment in select non-oil value chains and to support SME development. The PPAR follows the same approach.

### **Revised Subobjective 1: To Promote Private Investment in Select Non-oil Value Chains**

The achievement of results under subobjective 1 was **negligible**.

As explained above, the \$135 million in investments from five-star hotels in the Republic of Congo that the project claims as private investments in non-oil value chains cannot be linked to the limited contributions from this project.

The project was expected to create an enterprise development and investment promotion agency, to be known as the Congo Enterprise Support Center. During the field mission, IEG found that this agency had not yet been established three years after project closure and was still awaiting the adoption of text for its creation. There are several agencies (such as the Agency for the Promotion of Investments, the Chamber of Commerce, and the Business Administration Formalities Center) in the Republic of Congo that have functions similar to an investment promotion agency. However, there is a lack of synergy among these agencies, and they work in silos.

Both the ICR and ICRR reported that eight *Doing Business* indicators (in areas of business creation, cross-border trade, taxation, access to electricity, building permits, and access to land) aimed at improving the Republic of Congo’s business environment had been adopted. However, the PPAR found that the *Doing Business* rankings on starting a business (rank 166, 2010; rank 178, 2017; rank 179, 2020), trading across borders (rank 178, 2010; rank 182, 2017; rank 183, 2020), paying taxes (rank 180, 2010; rank 183, 2017; rank 185, 2020), getting electricity (rank not applicable, 2010; rank 178, 2017; rank 179, 2020), dealing with construction permits (rank 69, 2010; rank 124, 2017; rank 134, 2020),

and registering property (rank 169, 2010; rank 171, 2017; rank 174, 2020) had deteriorated between 2010 and 2020.

## Revised Subobjective 2: To Support SME Development

The achievement of results under subobjective 2 was **substantial**.

The matching grant scheme was an innovative program because it was launched for the first time in the Republic of Congo. It included two windows:

- Under Window A, 81 beneficiaries received matching grants from the project. Of these, 4 were SMEs and remaining 77 were MSMEs, which were part of the seven value chains created by the project in areas such as agriculture, juice production, production of farms, and cassava production;
- Under Window B, 400 MSMEs received the matching grants from the project. These were maize and poultry farmers in the Pool region of Kinkala and Boko in Brazzaville and mechanics in Pointe-Noire.

During the field mission, IEG visited 9 beneficiaries: 2 SMEs and 1 MSME under Window A and 4 poultry farmers and 2 mechanics under Window B. Beneficiaries interviewed by IEG acknowledged that the training enabled them to improve their knowledge and capacity. However, they needed funding after training to make their ideas work—particularly for the purchase of equipment—because commercial banks in the Republic of Congo do not have the incentive to lend to SMEs and MSMEs. Small equipment purchases were only included in the matching grant scheme after the project restructuring in 2014, resulting in very few beneficiaries benefiting from this financing component.

Achievement under the revised objective is rated **modest**.

## Overall Efficacy

Achievement under the original objective is rated **negligible** because the achievement of results is rated **negligible** for both the subobjectives.

Achievement under the revised objective is rated **modest** because the achievement of results is rated **negligible** for the first subobjective and **substantial** for the second subobjective.

## 3. Efficiency

IEG agrees with **modest** rating for efficiency based on the information in the ICRR and ICR.

The component related to project coordination and implementation represented one-third of the total project cost at closing and was 20 percent higher than its appraisal estimate. This was mainly because of significant delays during project implementation. For example, it took an average of 8–10 months to process the matching grants because each stage from approval to disbursement of the grants required no objection and review from the World Bank as a result of concerns regarding misuse of funds. Also, the project design did not adequately capture the weak institutional capacity of the project implementation unit (PIU) and ministries involved in the project, given the FCV context. This is evident from the slow disbursement of funds, delays, and abandonment of several activities or components during implementation. Coordination issues between the World Bank and PIU, especially during the first and third restructurings, contributed to implementation delays.

Ex ante analysis was conducted in the PAD for activities associated with matching grants, representing 42 percent of the total project cost at appraisal. It was assumed by the model that the economic benefits would come from the number of jobs created by the beneficiaries of matching grants. At appraisal, the net present value of the matching grant component was estimated to be \$11.8 million, and the corresponding economic rate of return was estimated at 53.6 percent. An ex post analysis was not carried out in the ICR because of a lack of time series data.

#### 4. Outcome

A split rating is applied. For the original project objectives, substantial relevance of objectives, negligible efficacy, and modest efficiency lead to an outcome of unsatisfactory (2 out of 6). For the revised project objectives, substantial relevance of objectives, modest efficacy, and modest efficiency lead to an outcome of moderately unsatisfactory (3 out of 6). Twenty-five percent of the project disbursements were made before the project restructuring, and 75 percent of disbursements were made afterward, so project ratings are weighted accordingly ( $2 \times 0.25 + 3 \times 0.75 = 2.75$ , which rounds to 3, or moderately unsatisfactory). Together, these mean that the overall outcome rating is **moderately unsatisfactory**.

#### 5. Risk to Development Outcome

The risk to development outcome is **high**. An unprecedented combination of external shocks (such as the coronavirus [COVID-19] pandemic) will have a negative impact on the Republic of Congo's economy and on the sustainability of benefits from this project. The lockdown because of COVID-19 could weaken the government's commitment to supporting the diversification agenda and HCDPP activities to improve the investment climate in the Republic of Congo.



## 6. Bank Performance

### Quality at Entry

The quality at entry is rated **moderately unsatisfactory** because of significant shortcomings in the appraisal or preparation of the project.

The project lacked a clear statement of objectives and was overly optimistic. There were shortcomings in the theory of change because of a lack of association among some of the activities or components and outputs leading to intermediate outcomes and longer-term outcomes. For example, the chain of causality of the study on training needs for five-star hotels in the Republic of Congo leading to an investment of \$135 million from these hotels is not clear. Project design in terms of the scope of activities or components did not adequately capture the weak institutional capacity of the PIU and ministries involved in the project. This was evident from the slow disbursement of funds and scaling back or abandonment of several activities or components during the implementation of the project. The risk of commodity price fluctuations and their impact on the counterpart funding from the government was not identified or anticipated at project appraisal. This risk materialized during implementation when the 2014–16 global collapse of commodity and oil prices led to a fiscal crisis in the Republic of Congo, resulting in implementation delays and scaling back some of the important activities of the project.

Existing agencies in the Republic of Congo with functions similar to those of an investment promotion agency were not considered in the design of the project. Instead, the design included an activity to create a new investment promotion agency, the Congo Enterprise Support Center, in an environment where existing agencies are operating in silos. Also, the design of the matching grant scheme did not adequately capture the needs and challenges faced by the beneficiaries, especially in a country with a large informal sector. MSME beneficiaries interviewed by IEG during the field mission mentioned that the matching grant contribution of 20 percent was high, and the duration of training was short.

### Quality of Supervision

The quality of supervision is rated **moderately unsatisfactory** because of significant shortcomings in the proactive identification of opportunities and resolution of threats.

A total of 14 Implementation Status Results Reports were filed by the project team over a seven-year period, which implies an average of two supervision missions per year (World Bank 2019c). The project team carried out three restructurings to adapt to

learning and challenges, given the FCV context, weak institutional capacity, and adverse macroeconomic conditions resulting from exogenous shocks.

Given the adverse macroeconomic conditions in the Republic of Congo and the weak institutional capacity in the PIU, project supervision did not keep apace. During the initial stages of the project, the coordination between the World Bank project team and the PIU was weak. This was evident from delays in getting signature from the government on the amended financing agreement at the time of the first restructuring in 2014. Although the project team showed flexibility by adding or abandoning activities or components or indicators during implementation, supervision was weak. For example, a business plan competition activity was added during the first restructuring, but the indicator for this activity was added only during the second restructuring in 2016; however, both the activity and the indicator for business plan competition were abandoned during the third restructuring in 2017. Moreover, the third restructuring, which removed the outstanding counterpart funding, was approved only in 2017, although the oil price crash occurred in 2014. This significantly affected the government's ability to fund the project.

Project implementation could have been more proactive and could have used the best practice experience on matching grants from other successful World Bank projects to resolve issues between the operations director of the matching grants and the PIU at the early stages of project implementation. Feedback from stakeholders and beneficiaries during the IEG field mission indicated that the processing of matching grants was extremely slow, taking an average of 8–10 months. This was mainly because of the requirement for no objection and review from the World Bank at each stage between approval and disbursement of the matching grants to beneficiaries.

Lack of donor coordination among the World Bank, the African Development Bank, the French Development Bank, and the European Bank for Reconstruction and Development, especially in areas where donors' programs overlapped, was an issue and resulted in inefficient use of resources in the Republic of Congo.

These lead to an overall Bank performance rating of **moderately unsatisfactory**.

## 7. Quality of Monitoring and Evaluation

### Design

There were significant shortcomings in the design of the PDO-level indicators. The monitoring and evaluation framework at the time of the design included PDO-level indicators that were either modified or abandoned during implementation because they did not adequately measure project outcomes. For example, the indicator "to create

2,200 direct jobs in non-oil sectors in RoC [Republic of Congo] by enterprises supported by the project” was discontinued and abandoned during the restructuring of the project in 2014. The indicator “total private investment of \$50 million in non-oil sectors along the Pointe-Noire–Brazzaville corridor generated by enterprises supported by the project” was modified to “aggregate private investment amount of \$50 million supported by the project activities in select non-oil value chains” after the revision of the PDO in 2014.

## Implementation

According to the information in the ICR, the data gathered by the PIU were not of a high standard for the following reasons.

- Data were collected and stored manually rather than electronically.
- Beneficiaries were reluctant to submit the data collection sheets.
- The manual for gathering data for indicators was outdated because it was not updated with changes that were made to indicators during project restructurings. This also led to confusion on which indicators were measuring what and how the indicators were linked to the higher-level objectives of the project.
- The issue of attribution was not fully considered by the monitoring and evaluation team in the PIU.
- Training contracts under Window B of the matching grant scheme did not include monitoring and evaluation follow-up with beneficiaries to understand the extent to which they applied the knowledge gained from the training.

## Use

There were attribution issues with indicators in the monitoring and evaluation framework. For example, it is difficult to attribute the \$135 million in investments from five-star hotels in the Republic of Congo to the limited contributions of the project. According to the ICR, there were gaps in the data for assessing achievements from the matching grant scheme. For example, under the Window A of the matching grant scheme, 77 MSMEs were trained; however, it was not clear who was submitting the beneficiary-level data to the PIU.

The quality of monitoring and evaluation rating is **modest**.

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## Appendix B. Fiduciary, Environmental, and Social Aspects

### Financial Management

According to the Implementation Completion and Results Report Review (ICRR), an assessment of the financial management capacity conducted at appraisal concluded that the financial management risk was substantial (World Bank 2019b). The assessment identified issues with staffing arrangements, weak management capacity, and problems associated with accounting systems. Mitigation measures at project preparation included staffing the project implementation unit with qualified experts. According to the Implementation Completion and Results Report (ICR), specialized training was provided during implementation to the project implementation unit on financial management (World Bank 2019a). During the preparation of the ICRR, the project's task team lead confirmed that there were no financial management issues during implementation.

### Procurement

An assessment of the procurement management capacity was conducted at appraisal. The procurement risk at appraisal was rated as **high**, mainly because of the weak environment for governance and transparency and the low level of capacity. Mitigation measures at project preparation included hiring qualified staff and providing adequate training. According to the ICR, the project implementation unit staff were trained during implementation. During the preparation of the ICRR, the project's task team lead confirmed that there were no procurement issues during implementation.

### Environmental and Social Safeguards

The project was classified as environmental assessment category B. At the time of appraisal, the environmental assessment (OP/BP 4.01) was triggered. According to the ICRR, an environmental and social audit of the railway company Chemin de Fer Congo-Océan, related to component 3 of the project, was prepared and publicly disclosed. Safeguards on Forests (OP 4.36) was triggered with the Level 1 restructuring of the project in 2014. According to the ICR, there were no negative impacts on the forestry environment during implementation.

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## Appendix C. Methods and Evidence

This evaluation is based largely on the triangulation of evidence from the following three sources.

**Desk-based review.** First, the Independent Evaluation Group (IEG) conducted a detailed desk-based review of the following background documents and evaluative materials:

- Project Appraisal Document 2010;
- Implementation Completion and Results Report 2019;
- Implementation Completion and Results Report Review 2019;
- IEG Completion and Learning Review of the World Bank Group's Country Partnership Strategy for the Republic of Congo for fiscal years (FY)13–17;
- World Bank Country Partnership Strategy for the period FY10–12, FY13–16, and FY20–24;
- World Bank Systematic Country Diagnostic Report for the Republic of Congo 2018;
- World Bank *Doing Business* reports, FY10 and FY20; and
- World Bank Enterprise Survey for the Republic of Congo 2009.

**Interviews with the Bank Group.** Second, IEG conducted interviews with the following task team leaders and teams that contributed to the design and implementation of the project:

- Korotoumou Ouattara, resident representative, Republic of Congo;
- Task team leader of the project at closure and task team leader for the follow-on project Lorenzo Bertolini, senior private sector specialist;
- Implementation Completion and Results Report author Kilara C. Suit, carbon finance specialist; and
- Alain Tienmfoltien Traore, senior private sector specialist, International Finance Corporation.

**Interviews with stakeholders.** Finally, IEG conducted interviews with the following stakeholders to fill the remaining evidence gaps needed to fully respond to the relevant sections in the Project Performance Assessment Report.

- Project implementation unit (PIU):
  - Benoit Ngayou, project coordinator;
  - Ofamalekou Bernard, value chain expert; and
  - Amos Kalla, monitoring and evaluation specialist.
- Babackas, project manager, Ministry of Planning, Statistics and Regional Integration; governor of the Support for Economic Diversification project, Brazzaville.
- Koumba Mesmin, adviser on reforms and improvement of the business climate, Ministry of Economics, Brazzaville.
- Ministry of Small and Medium Enterprises of the Craft Industry and the Informal Sector, Brazzaville:
  - Armand Bienvenu Voudibio, chief of staff, Cabinet;
  - Medard Yetela, general manager, Congolese Agency for the Creation of the Companies; and
  - Lin Cloud Kialoungou, general manager, Small and Medium Enterprises Development Agency.
- Ministry of Special Economic Zones, Brazzaville:
  - Jean Bedel Solo, director of studies and planning;
  - Martin Galissan, director of studies and research; and
  - Roch Massoyi-Eteka, general manager.
- Bernard Ngazo, adviser for national financial institutions and currency, Ministry of Finance and Budget.
- Jean-Jacques Samba, adviser to the president, UNICONGO.
- Chamber of Commerce, Pointe-Noire:
  - Sylvestre Didier Mavouenzela, president, and



- Evelyne Tchichelle, general secretary.
- Annick Patricia Mongo, Agency for the Promotion of Investments, Congo, Brazzaville.
- Martin Galissan, director of studies and research, Investment Promotion Agency Congo, Brazzaville.
- Abel Dimitri Ngatse, port officer, Pointe-Noire Autonomous Port, Ocean Port of Central Africa, executive management.
- Beneficiaries:
  - Four poultry farmers in Kinkala and Boko in Brazzaville (micro, small, and medium enterprises [MSMEs] under Window B of the matching grant scheme);
  - Joseph Louvouezo, general manager, Bayo, Brazzaville (small and medium enterprise under Window A of the matching grant scheme);
  - Alexandre Wilfrid Tchissambo, general manager, PEPI Congo, Pointe-Noire (small and medium enterprise under Window A of the matching grant scheme);
  - Two mechanics, Pointe-Noire (MSME under Window A of the matching grant scheme);
  - Marianne Sianard, coordinator, Delcoop-T, fruit and vegetable processing cooperative, Brazzaville (MSME under Window A of the matching grant scheme); and
  - Destin Batheas, human resources director, Radisson Blu, Brazzaville.
- Other donors:
  - Antoine-Marie Sie Tioye, resident economist, African Development Bank.
  - Delegation of the European Union to the Republic of Congo:
    - Raul Mateus Paula, ambassador, and
    - Riset Regis Is-Mael Yembe-Yembe, rural development cooperation program officer.
  - Aurelien Evariste Babingui, human development project manager, French Development Agency.

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