



Report Number: ICRR0023080

1. Project Data

Project ID

P145747

Project Name

DRC: Strengthening PFMA

Country

Congo, Democratic Republic of

Practice Area(Lead)

Governance

L/C/TF Number(s)

IDA-D1650,IDA-H9070,TF-17290

Closing Date (Original)

31-Dec-2018

Total Project Cost (USD)

66,454,875.78

Bank Approval Date

30-Jan-2014

Closing Date (Actual)

31-Dec-2021

IBRD/IDA (USD)
Grants (USD)

Original Commitment

5,000,000.00

17,000,000.00

Revised Commitment

66,043,348.74

16,999,512.38

Actual

66,454,875.78

16,999,512.38

Prepared by

Hjalte S. A. Sederlof

Reviewed by

Clay Wescott

ICR Review Coordinator

Jennifer L. Keller

Group

IEGEC (Unit 1)

2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) of the Public Financial Management and Accountability Project (PFMAP), as set out on page 6 of the Grant Agreement, was to *enhance the credibility, transparency, and accountability in the management and use of the Recipient's central and selected sub-national public finances*.



The project focused on downstream reforms in public financial management (PFM) at the central government level and in three selected provinces to complement other operations funded by the Bank and other development partners.

The Bank scaled up the project by approving Additional Financing in January 2017. It revised the PDO to capture three critical dimensions considered essential for project success: *to improve domestic revenue mobilization, public expenditure management, and accountability at the central level and in selected provinces*. (See also sections on "Significant Changes..." and "Relevance of Objectives" below).

Despite the revised PDO and changes in crucial outcome targets, this review will not undertake a split evaluation of the project. The Additional Financing expanded the scope of the project while maintaining (and in some instances scaling up) original activities and expanding the number of line ministries and provinces covered.

For this Implementation Completion and Results Report Review, the project development objectives of the operation are taken to be:

- Improved domestic revenue management at the national level,
- Improved national-level expenditure management,
- improved accountability at the national and provincial level, and
- Strengthening PFM in selected provinces.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

The original project had four components (actual spending amounts take into account Additional Financing):

Component 1: Improving budget execution processes (estimated cost at appraisal US\$4.5 million; actual cost US\$20.0 million). Component 1 had three sub-components:

Sub-component 1.1. Devolution of commitment authority to line ministries. The sub-component supported ongoing efforts of the government to devolve commitment authority to line ministries to make those ministries accountable for achieving their targets.

Sub-component 1.2. Enhancing cash management. The sub-component was to improve the quality of the process of preparing the cash plan, including priority rankings, to improve expenditure programming.



Sub-component 1.3. Strengthening the Office of the Inspector General of Finance to allow it to effectively carry out its tasks: control, verification, checking, oversight; and assessing the performance of public entities

Component 2: Strengthening budget oversight (estimated cost at appraisal US\$5.10 million; actual cost US\$7.0 million). Component 2 had three sub-components:

Sub-component 2.1. Strengthening external audit processes. The sub-component was to improve the technical capacity and effectiveness of the *Cour des Comptes* Organic Law.

Sub-component 2.2. Strengthening legislative oversight. The sub-component was to strengthen the capacity of the Economics and Finance Committees in the National Assembly and the Senate; and it was to facilitate public access to information on the work of the Committees.

Sub-component 2.3. Increasing public access to critical fiscal information and participatory public expenditure management. The sub-component was to strengthen the capacities of Congolese civil society in budget and fiscal issues to improve their ability to reflect their concerns and assist in evaluating the effects of government actions.

Component 3: Strengthening public financial management systems (estimated cost at appraisal US\$10.0 million; actual cost US\$30.0 million). The component had three sub-components:

Sub-component 3.1. Strengthening the public financial management system in the province of Equateur. The sub-component was to accelerate the implementation of a defined capacity-building platform by (i) strengthening capacity in the Provincial Assembly; (ii) strengthening provincial institutional and technical capacities; and (iii) supporting operations aimed at public finance reform, and participatory budgeting by the provincial citizenry.

Sub-components 3.2 and 3.3 similarly aim at strengthening the financial management systems in the provinces of Kasai-Oriental and Nord-Kivu.

Component 4: Project management (estimated cost at appraisal US\$2.5 million; actual cost US\$8.5 million). The component supported the Coordination Committee for Public Finance Reform in coordinating project implementation.

SIGNIFICANT CHANGES DURING IMPLEMENTATION

The Bank approved **Additional Financing** (AF) of US\$ 50 million in February 2017. The AF maintained all the original activities and added new activities to enhance capacity (i) for domestic resource mobilization; (ii) to further strengthen budget planning and forecasting processes; (iii) to improve public accounting and reporting; and (iv) to scale up support to include provinces created in an administrative split of already participating ones, raising the total number of provinces to seven while retaining the original territory.

The Bank revised key outcome indicators at AF. The original project design did not include indicators directly related to project activities, but rather the Public Expenditure and Financial Accountability (PEFA) framework on the assumption that PEFA assessments would occur regularly. This did not happen (none occurred in 2014-2016). The ICR (page 10) points to other reasons that also made use of PEFA indicators a bad choice: changes in PEFA methodology; and the level of aggregation that made attribution difficult. The AF introduced PDO- and intermediate-level indicators to measure progress on original and



revised components. These include tax collection, budget execution rates, and the share of public expenditures audited by the Inspectorate General of Finance (IGF).

The Bank restructured the project to include new activities:

Component 1: Supporting Domestic Revenue Mobilization (DRM) and Expenditures Management (EM). The component was to support improvements in DRM and EM by empowering the line ministries in the budget execution process;

Component 2: Strengthening Budget Oversight and Improving Transparency. The component was to strengthen external oversight in PFM.

Component 3: Establishing PFM Systems at the Provincial Level. The component was to improve PFM systems in former provinces covered before the administrative split.

Component 4: Project management.

At the time of the AF, the project's closing date was extended by three years, from December 31, 2018, to December 31, 2021.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The total project cost at appraisal was US\$22.1 million. With AF of US\$50.0 million, the total estimated project cost was US\$77.1 million. The actual project cost at closing was US\$66.5 million.

Financing. Two IDA credits and one Multi-donor Trust Fund (MDTF) financed the project. The first IDA credit was for US\$5.0 million, which the Bank disbursed US\$4.3. The second IDA credit, AF, was US\$50 million, of which the Bank released US\$45.1 million. The Bank disbursed all of the MDTF's US\$17.0 million.

Dates. The Bank approved the IDA credits on January 30, 2014, and January 17, 2017. The first credit became effective on May 23, 2014, with an original closing date of December 31, 2018. With the introduction of AF, the Bank extended the project close to December 31, 2021.

3. Relevance of Objectives

Rationale

The Bank introduced the project against a background of instability and conflict generated by vast mineral resources, weak government institutions, corruption, and mistrust of government. The Bank saw improved governance and more robust institutions as central to translating the country's riches into sustainable growth, improving welfare, and reducing DRC's poverty rate of 70 percent.

The project built on extensive analytical work on institutional and public finance reform undertaken by the government and its partners, including the World Bank, reflected in, and also building on the government's



strategic plan for public finance reform initially issued in 2010 but continuing as a central theme through subsequent policy documents and World Bank supported country strategies. Thus, the FY13-16 CAS aimed its first strategic engagement at increasing state effectiveness and governance. The 2018 Systemic Country Diagnostic (SCD) pointed to the need to focus on upstream and sub-national PFM issues. The current CAS for 2022 to 2024 unambiguously states that all Bank engagements will support critical governance reforms.

The project fits well into this context, responding to significant concerns about how the DRC government functions. It builds on a project that was already addressing governance issues – Governance Capacity Enhancement, focusing on tax administration and budget management. Another project will address additional challenges to the PFM system, tackling the budget planning process and forecasting for better expenditure management and accountability, supporting revenue mobilization, and core Public Financial Management (PFM) reforms at central and provincial levels. For the relevance of objectives, the Strengthening PFMA project rating is high.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Improved DRM at the national level

Rationale

The objective – an annual increase in tax collection at the central level- was to be achieved by clarifying the allocation of the tax authority and tax rates between central, provincial, and municipal levels; expanding the customs operations management system; updating procedures for the income tax system; and implementing a digitized system linking the central bank, revenue agencies, Ministry of Finance, Treasury and commercial banks for better tracking, recording, and reconciliation of tax payments.

Annual tax collections increased by 41 percent in 2021 compared to a baseline of 3 percent in 2012 and well above the PDO target of 8 percent. Associated intermediate results were also achieved, including accuracy of domestic revenue projection (2021 actual revenues were 107.9% of initial projects, compared to the target of 87%) and female staff trained on fiscal and custom administration (actual by the end of 2020 was 22.4%, compared to the target of 20%). However, several external factors may have influenced the rise in collections in addition to the project-supported measures listed above, particularly price increases of critical commodities. Based on the project team's discussions with government officials and drawing on experience from other countries (notably Somalia and Sierra Leone, where tax collections doubled on a year-to-year basis), the project team concluded that "Program activities had played a sufficient role" (ICR, page 16) in achieving or slightly surpassing the revenue projection targets of the results framework. The ICR acknowledges that while non-project factors drove most of the observed 41% increase, it is plausible that



project activities were responsible for 8% of the increase, thus achieving the target. However, in the absence of more specific indicators to back up the team's conclusion, what primarily drove the increase in tax collections – policies or external factors – remains unclear.

Rating

Substantial

OBJECTIVE 2

Objective

Improved national-level expenditure management

Rationale

Achievement of this objective was measured by a PDO of improvement in the budget execution rate, excluding donor-funded projects. The target of 70% was achieved, with an actual rate of 103.7% for 2021, reflecting more realistic revenue projections (previous objective) and associated annual budgets.

The project did not achieve its goal on procurement – with a baseline of 41 percent of contracts awarded outside the public procurement system and a 25 percent target, 59 percent of contracts were still awarded outside the system at project closing.

Rating

Modest

OBJECTIVE 3

Objective

Improved accountability at the national and provincial level

Rationale

The plan was that strengthening the IGF would achieve improved accountability in PFM by: (i) introducing risk-based audits; (ii) recruiting and training 80 new IGF staff; and (iii) purchasing audit applications and providing associated training and equipment. These activities translated into an increase in the share of audited public expenditures from zero to 47 percent, exceeding the target of 20 percent. They also resulted in several leading political figures being tried on corruption charges, contributing to reducing the climate of corruption in DRC. Support to the Court of Accounts (CoA) has reduced the time to complete audits of public financial statements and their presentation to parliament, dropping from a baseline of 3 months to 1.7 months, exceeding the target of two months.

Rating



High

OBJECTIVE 4

Objective

Strengthening PFM in selected provinces

Rationale

Strengthening PFM in 20 selected provinces instead of 4 (reflecting the administrative split at provincial levels) was to be achieved by (i) strengthening the provincial tax departments for better collections performance; (ii) strengthening expenditure management to ensure more regular funding of pro-poor government programs; and (iii) increase citizen engagement in the budget allocation process.

Government data indicate that the average annual increase in own revenue generated by the provinces increased from 3 percent to 32 percent, albeit with considerable variations between provinces. The ICR offers a word of caution about the result, noting that some of the increase is not necessarily attributable to project activities, but often the result of rapid economic growth in some, that is, mineral provinces.

Rating

Modest

OVERALL EFFICACY

Rationale

Objective 1 is rated Substantial: while authorities exceeded the target for increased tax collection, attribution to the project is only partial, as external factors also contributed to the outcome. Objective 2 was rated Modest – while project activities successfully raised the budget execution rate, the project could not achieve its goals concerning procurement. Objective 3 was rated High, with both external and internal audit processes strengthening and exceeding their project targets. Objective 4 was rated Modest: the rate of revenue mobilization varied among provinces, often significantly, and results were influenced by external factors and project activities.

Overall Efficacy Rating

Substantial

5. Efficiency

The ICR assessed efficiency, focusing on the sub-components that aimed at increasing revenue mobilization and improving expenditure management at the central level and in the selected provinces. An economic and



financial analysis found a net present value (NPV) for the project of US\$34.28 million at a discount rate of 11 percent, in line with recommended discount rates for developing countries and reflecting the country's economic situation. The ICR describes expected economic gains (pages 41-43). According to that analysis, the project has an Internal Rate of Return (IRR) of 35 percent.

Unquantifiable factors also influenced project efficiency. Increased transparency and oversight of PFMA processes is likely over time to have a positive influence on policy making; the one-year delay in project implementation involving revisions to the project and the introduction of the AF is believed by the project team to have had a modestly adverse effect on efficiency; but according to the IEG this may just as well have had a positive effect, as it allowed new governance systems to mature under joint government and Bank oversight.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project was well-grounded in previous work on institutional and public finance reform, and efficiency was in line with similar governance projects in other countries. IEG agrees with the ICR that in the case of objective 3, project inputs and outputs leading to the high achievement of improved accountability. In the case of objective 1, the lack of enough evidence to support its conclusion that the PDO target was achieved due to project factors rather than external factors lowers the rating to Substantial. In the case of objective 2, while the target of improving the budget execution rate was achieved, performance on procurement worsened during the project and failed to achieve the target, indicating a Modest rating. In the case of objective 4, IEG agrees with the ICR that some of the increased revenue in selected provinces could be due to external factors unrelated to the project. This, combined with the high revenue variability across projects, indicates a Modest rating. Based on all the above, IEG rates overall efficacy as Substantial. Based on ratings for Relevance (High), Efficacy (Substantial), and Efficiency (Substantial), the Overall Outcome rating is Satisfactory.

a. Outcome Rating

Satisfactory



7. Risk to Development Outcome

The ICR rates the Risk to Development Outcome as *Substantial*. That assessment seems reasonable based on a long history of internal conflict, instability, and weak governance and institutions. Ongoing engagement, including the IMF's extended credit facility, followed by a Bank DPO with strong PFM and governance measures, is likely to reinforce practices that may take hold despite a public environment of uncertain political stability and low institutional capacity coupled with extensive corruption. This will be further reinforced by the Bank's ENCORE project using performance-based conditions to control and collect more mining revenues and improve expenditure management. Support from the European Union, Belgium, France, the United States, the United Kingdom, and the United Nations Development Program is likely to sustain at least some of the gains introduced under the series of PFM-focused projects introduced by the Bank.

8. Assessment of Bank Performance

a. Quality-at-Entry

The operation was strategically relevant and aligned with the government's and Bank's priorities in addressing long-standing governance and PFM challenges, especially in its focus on improving revenue mobilization and expenditure management. It reflected close collaboration with government authorities to develop a design that responded to government priorities and was complementary to the work of other development partners active in DRC. Project priorities reflected lessons already learned, drawing on the experience from PFM reforms in fragile states - the experience of Liberia, where such a project is under way with DFID, was taken into consideration. Key lessons included ensuring that actions taken took into account sometimes limited capacities in government agencies, and committing to a flexible long-term perspective, and investing in donor coordination. Design also drew on critical analytical work and fragility analysis, including the 2018 Systematic Country Diagnostic (SCD), 2020 Country Private Sector Diagnostic (CPSD) and the 2021 Risk and Resilience Analysis (RRA) and poverty assessments. Implementation arrangements took into account this information and arrangements under ongoing, complementary Bank-funded projects. There was, for instance, continuity with a previous governance capacity enhancement for project that laid the foundations for PFM reforms. Building on such existing structures, the project was able to leverage available technical and fiduciary capacity. It was also able to draw on existing government-donor arrangements for PFM reform. Arrangements for monitoring and evaluation (M&E) initially leaned heavily on PEFA assessments, but the Bank found this insufficient, leading to changes in monitoring arrangements (Section 9). The risk assessment recognized the challenge of undertaking financial management reforms in an environment of weak governance and capacity risk. Still, project design would need to be revised during implementation in light of experience in the field, reflecting unpredictability in the political and policy environment.

Quality-at-Entry Rating
Moderately Satisfactory



b. Quality of supervision

The Bank undertook two supervision missions per year, responding to the challenges that arose during implementation, including the interruptions to field work generated by COVID, and managing varying degrees of enthusiasm for project reforms by the government. Still, field-level supervision, when undertaken, allowed necessary interaction with clients and other development partners to take place despite a sensitive environment.

Supervision identified the need for changes towards the latter part of the implementation, reflected in some revision of components and additional financing (see Significant Changes During Implementation). These changes included new activities supporting improved taxation, budget planning, and accounting. It scaled up the number of participating provinces, revised outcome indicators linked to PEFA assessments, and extension of the project timeline. The purpose was to strengthen the project's impact, align with changing government priorities and ASA findings, and improve the changes of achieving the PDO.

Project development and implementation has drawn on donor collaboration. It has taken the form of formal arrangements for consultations, focusing on PFM and governance reform, and a joint donor/government group meets quarterly to discuss the strategic direction of PFM reforms, review progress, and discuss any coordination issues in the funding of the reform program. Collaboration has also included a multi-donor trust fund for PFM reform, administered by the Bank and drawing on contributions from Belgium, Canada, and the European Union. According to the project team, the PFM consultation framework has facilitated donor-government dialogue, and led to a comprehensive, sector-wide approach for supporting PFM reform.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework presented in the ICR, page 9 (The Theory of Change), provided a logical sequence of activities consistent with Objectives and PDO. It was a combination of the original design and the refocusing that occurred under AF (see also "Significant Changes" above). However, the original M&E design depended on the regular application of PEFA assessments, which did not occur in DRC, nor did they offer a fixed baseline. The revised M&E design, introduced during AF, failed to anticipate external factors, raising the uncertainty of outcome measurements (see 9b below).

b. M&E Implementation

With the introduction of AF, the Bank revised the M&E system, now focusing on outcomes and the contribution of project activities towards achieving those outcomes. The Bank did not consider the impact



of exogenous factors on the indicators (see Section 5 on Efficacy). The Bank recruited an M&E specialist to the project implementation unit, and a network of province-level M&E officers provided regular updates from the provinces. The team regularly reported on progress on key indicators.

c. M&E Utilization

The results framework prioritized activities and developed annual work plans, including institutional reorganizations to respond to new priorities. For instance, the Inspectorate General of Finance (IGF) developed audit applications that allowed regular tracking and reporting of the expenditures audited. This, in turn, helped the planning and implementation of the IGF's work program (ICR, p. 52).

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The Bank assessed the project as Category C. The project did not trigger safeguards policies, as it had minimal or no adverse environmental impacts.

b. Fiduciary Compliance

Financial Management (FM). Adequate FM arrangements were in place throughout Program implementation. FM performance was mostly rated Satisfactory through the program's life cycle, except during the review conducted in December 2014 and January 2020. All the interim financial reports were submitted on time and were acceptable to the World Bank. The external auditors issued unqualified opinions on the financial statements, and authorities implemented the audit recommendations. Additional missions took place regularly to ensure that the FM risk remained low.

Procurement. Following initial challenges during the first two years of project implementation – complex inter-agency collaboration in developing terms of reference – procurement advanced normally. The project implementation unit put in place a strategy of stimulating participation and ownership of the project by the stakeholders through seminars and workshops, which enabled them to contribute to the procurement process.

c. Unintended impacts (Positive or Negative)

None noted.



d. Other

Gender. Efforts in gender represented a limited but essential step in the DRC, where authorities rarely, if ever, had considered gender concerns in policy and programmatic decisions within the PFM and governance areas. The ICR (p. 20) notes, however, that the program began a dialogue on gender, which led to training female staff to facilitate their advancement in customs and tax administration positions.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	The rating reflects underestimated policy and political factors in project design
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

Staying the course. . Objectives need to be realistic, and the Bank needs to stay committed over the long term. In this case, PFM and governance were critical Bank priorities over two CPF periods, despite uneven progress. While IGF was initially slow in responding to Bank support, it then gained political support and IGF became highly effective.

Reliance on PEFA's to monitor and measure results can sometimes not be appropriate and is risky. In this project, the Bank set PEFA indicators at too high a level to accurately track project results. They were replaced by indicators that could be more directly attributed to project activities and allowed continued monitoring for real-time course corrections. Without upfront assurances that subsequent PEFA's will be undertaken, they are not useful for monitoring or to inform course correction.

Sensitive reforms may be facilitated through a combination of policy and investment lending. Changing reform areas such as revenue management can be difficult to address with investment operations alone. In this project, authorities made little progress in procurement reform without appropriate regulation.

13. Assessment Recommended?

No



14. Comments on Quality of ICR

The ICR provides the context for understanding the project's relevance in seeking public sector reform and its design. The evidence and analysis quality are sufficient for understanding the salient issues and assessing the solutions. The links between activities and outcomes – the results framework – are consistent and plausible and underline the results orientation of the project, albeit in somewhat general terms and with an emphasis on the qualitative, in some cases leaving the judgment-making up to the reader. The analysis is internally consistent.

a. Quality of ICR Rating

Substantial