



# DEMOCRATIC REPUBLIC OF THE CONGO

## TECHNICAL ASSISTANCE REPORT ON PUBLIC INVESTMENT MANAGEMENT ASSESSMENT - PIMA AND CLIMATE PIMA

January 2023

This paper on the Democratic Republic of the Congo was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on March 2022.

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# **TECHNICAL ASSISTANCE REPORT**

## **DEMOCRATIC REPUBLIC OF THE CONGO**

Public Investment Management  
Assessment - PIMA and Climate PIMA

**January 2023**

**Prepared By  
Fabien Gonguet, Laura Gores, Nicolas Hengy,  
Ephrem Ghonda Makiadi, Pierre Roumegas and  
Hoda Selim**

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## Acronyms and Abbreviations

ACE	Congolese Environment Agency
ACGT	Congolese Agency for Major Works
AE-CP	Commitment Authorization - Payment Appropriation
AFRITAC Central	Central Africa Regional Technical Assistance Center
ARE	Electricity Sector Regulatory Authority
ARMP	Public Contracts Regulatory Authority (ARMP)
BCECO	Central Coordination Office
C-PIMA	PIMA Climate Change Assessment Module
C2I	Ministerial Information Technology Coordination
CFEF	Fragile States Finance Implementation Unit
CISPIP	Commission for identification and selection of public investment projects
COMESA	Common Market for Eastern and Southern Africa
COREF	Public Finance Reform Orientation Committee
COPIREP	Public Corporation Reform Steering Committee
CPCC	Standing Council of Accounting of the Congo
CPIP	Public Investment Programming Conference
CRD	Dispute Settlement Committee
CRESP	Coordination of External Financing and Project Oversight
CSNGHC	National Solidarity Fund for Disaster and Humanitarian Management
CSP	High Council of the Portfolio
CSPP	Project and Program Oversight Unit
DCS	Supervision and Oversight Directorate
DEP	Research and Planning Directorate
DGCMP	General Directorate for Procurement Supervision
DGDP	General Directorate of Public Debt
DGPPB	General Directorate of Fiscal Policies and Programming
DGTCP	General Directorate of the Treasury and Public Accounting
DRB	Fiscal Risk Statement
DRC	Democratic Republic of the Congo
DSA	Debt Sustainability Analysis
ETD	Decentralized Territorial Entity
FAD	Fiscal Affairs Department
FONER	National Road Maintenance Fund
GCA	Government Chart of Accounts
GDP	Gross Domestic Product
IGF	General Inspectorate of Finance
IMF	International Monetary Fund
LOFIP	Law on Public Finance
M&E	Monitoring and Evaluation
MAAH	Ministry of Humanitarian Actions and Affairs
MEDD	Ministry of the Environment and Sustainable Development
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NBE	Government Budget Classification
NDC	Nationally Determined Contribution
OR	Highways Office
OVD	Office of Roads and Drainage
PDL(-145T)	Local Development Plan for the 145 territories
PGAI	Investment and Aid Management Platform
PIMA	Public Investment Management Assessment
PIP	Public investment Program
PIREDD	REDD Investment Plan
PNA	National Climate Change Adaptation Plan
PNDS	National Health Care Development Plan
PNSD	National Development Strategy Plan
POG	General Operation Plan
PPP	Public-Private Partnership
PREPABUD	Budget Preparation ( <i>Préparation du budget</i> -software application)
PTF	Technical and Financial Partners

REDD	Reduction of deforestation and forest degradation
RGCP	General Public Accounting Regulations
SADC	Southern African Development Community
SIGMAP	Integrated Procurement Management System ( <i>Système intégré de gestion des marchés publics</i> -software application)
SNEL	Société nationale d'électricité
TA	Technical assistance
TSA	Treasury Single Account
UC-PPP	PPP Advice and Coordination Unit
UNFCCC	United Nations Framework Convention on Climate Change

## INTRODUCTION

In response to a request by Nicolas Kazadi, Minister of Finance of the Democratic Republic of the Congo (DRC), a remote mission of the Fiscal Affairs Department of the IMF was held from February 28 through March 24, 2022 to carry out a public investment management assessment (PIMA). The mission, led by Fabien Gonguet (economist, FAD), included Laura Gores (technical assistance adviser, FAD), Hoda Selim (senior economist, FAD), Nicolas Hengy and Pierre Roumegas (experts, FAD), as well as Ephrem Ghonda Makiadi (public financial management advisor, AFRITAC Central). This mission was financed by the Government of Japan and by AFRITAC Central.

At the start of the mission, the team was welcomed by the Minister of Finance, accompanied by Ginette Nzau Muteta, his Deputy Cabinet Director, and then by the Coordinator of the Public Financial Reform Orientation Committee (COREF), Godefroid Misenga, and was given their advice and guidance. From March 15 through 18, the mission held score validation meetings together with the main contact points of the various committees and agencies met during the mission. The mission submitted its findings to the Minister of Finance on Thursday, March 24, and then to the various departments during a technical meeting chaired by Mr. Misenga. A meeting with the technical and financial partners was also organized on March 24.

The mission held working meetings with the representatives of the following committees and agencies: at the Ministry of Finance: the COREF, the General Directorate of Public Debt, the General Directorate of the Treasury and Public Accounting, the Directorate for Preparation of the Accounting Law, and the Directorate for Accounting Quality and Regulation, the Central Coordination Office, the Project and Program Oversight Unit, the Fragile States Finance Implementation Unit; at the Ministry of Budget: the General Directorate of Fiscal Policies and Programming, the General Directorate responsible for performance oversight and development, the General Directorate for Procurement Supervision, the Directorate for Fiscal Supervision, the Directorate of General Administration and Centralized Appropriations, and the Interministerial Information Technology (IT) Coordination department; at the Ministry of Planning: the General Secretariat, the Directorate of Investment Budgeting and Programming, the Directorate of Macroeconomic Research, the Directorate of Infrastructure, the Supervision and Oversight Directorate, the Investment Aid Management Platform, the National Institute of Statistics, the PPP Coordination Unit, and the National Investment Promotion Agency; at the Office of the Prime Minister: the Public Contracts Regulatory Authority; at the Office of the President: the General Inspectorate of Finance, the Coordination Unit of External Financing and Project Oversight, and the Presidential Council for Strategy Monitoring.

The mission also held working meetings with the representatives of the Ministry of the Interior, Security, and Customary Affairs; the Ministry of the Portfolio; the Ministry of the Environment and Sustainable Development and the Congolese Environment Agency; the Ministry of Infrastructure and Public Works and the Infrastructure Unit; the Ministry of Mines; the Ministry of Transport, Communication Channels, and Improvement of Access; the Ministry of Rural Development; the Ministry of Public Health; the Ministry of Primary, Secondary, and Technical Education; the Ministry of Land Management and Planning; the Ministry of Humanitarian Actions and Affairs; the Electricity Regulation Authority; the Post and Telecommunications Regulation Authority. Finally, the mission met with representatives of the Court of Accounts and the Provincial Ministry for the Budget of the City-Province of Kinshasa.

The mission would like to express its thanks to the Congolese authorities for making themselves so freely available. In particular, it is grateful to the COREF - Mr. Misenga and his team - especially Kembé Sassé - for the exceptional support provided to the mission, specifically in organizing remote meetings and coordinating the gathering of documents received from the various departments. The mission would also like to thank Gabriel Léost, Resident Representative of the IMF, and Emmanuel Gbadi, local economist, for helping to progress its work. Finally thanks are due to Ruxandra Burdescu, Blandine Wu, and Mamata Tiendrebeogo from the World Bank for their support and expertise on the topics covered by the mission.

## Executive Summary

**Despite some recovery in the 2000s, the levels of public investment in the DRC remain well below the average for comparator countries.** Investment by general government, financed to a large part by external resources, has fluctuated around 4 percent of GDP since 2003, remaining almost 50 percent lower than the averages for Sub-Saharan African countries and for low-income countries. This enabled the rebuilding of part of the stock of public capital (46 percent of GDP in 2019), but the stock of capital per capita continues to be among the lowest in the world ( $\approx$  US\$200 in 2019). In addition, there are investments carried out by public corporations in the energy and mining sectors ( $\approx$  2 percentage points of GDP a year in recent years), as well as by the public-private partnerships (PPPs) in the transport sector (stock of at least 4 percent of GDP).

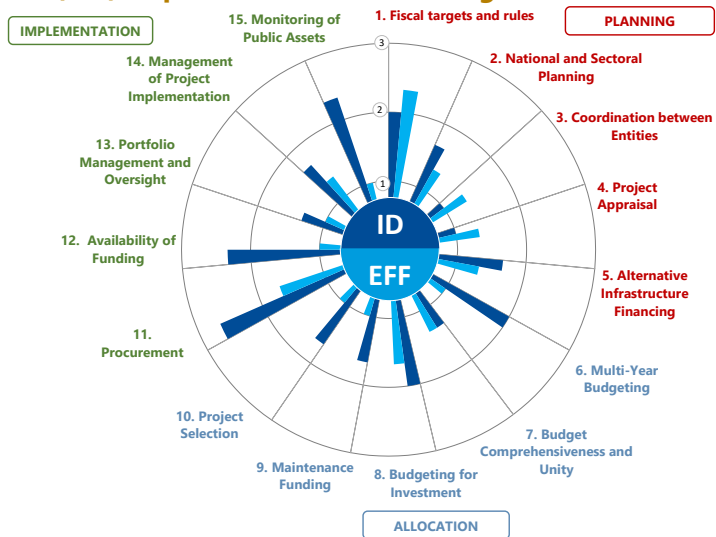
**The access and quality of infrastructure resulting from these investments are very poor, with major risks of deterioration.** In spite of gains in access to education, access per capita to electricity, health services and drinking water have all fallen since the end of the 1990s. The perception of the quality of infrastructure provided by the private sector has also deteriorated slightly over the past decade. The risk of continued deterioration is high, as the COVID-19 pandemic stalled investment, development of infrastructure is struggling to keep up with demographic growth, and, given the lack of adequate maintenance efforts, the road, electricity, and water networks are suffering from dilapidation and network losses. With the increasing prevalence of natural disasters, climate change is exposing infrastructure to increasingly rapid deterioration.

**While it is important to increase investment, that will not be enough; it is also necessary to invest better, thanks to enhanced public investment management.** In accordance with the IMF-supported program, the government aims to meet part of these needs by creating fiscal space, in particular by mobilizing a greater proportion of revenues to invest in the priority sectors. Greater use of PPPs is also planned. It will, nevertheless, be essential that the authorities improve the efficiency of investment: for every Congo franc spent, the authorities should endeavor to achieve the best possible outcomes in terms of improving access to and quality of public services. That should come about by strengthening public investment management practices. The IMF's PIMA evaluation framework is designed to help governments in measuring their strengths and weaknesses in this area and identifying reform priorities.

**Public investment management in the DRC suffers from weaknesses across the whole project cycle, both on paper and in practice (Figure 0.A, Table 0.A, Annex 2).** Although the DRC already has adopted an advanced legal framework in the area of budget processes (Law on Public Finance (LOFIP)), procurement and public accounting, it lacks clear laws and regulations in the area of appraisal, selection, and monitoring of investment projects. The effectiveness of practices is weak, particularly with regard to the budgeting and implementation phases. The most notable weaknesses are: the lack of information on investment needs in the national and sectoral strategies, the absence of standard project appraisal methodologies, the partial nature of the information on investment projects in the budget documentation, the absence of clear project selection criteria, the large share of direct agreements in public procurement, the lack of credibility of commitment ceilings communicated to line ministries, and the scarcity of reports on the physical and financial execution of projects.

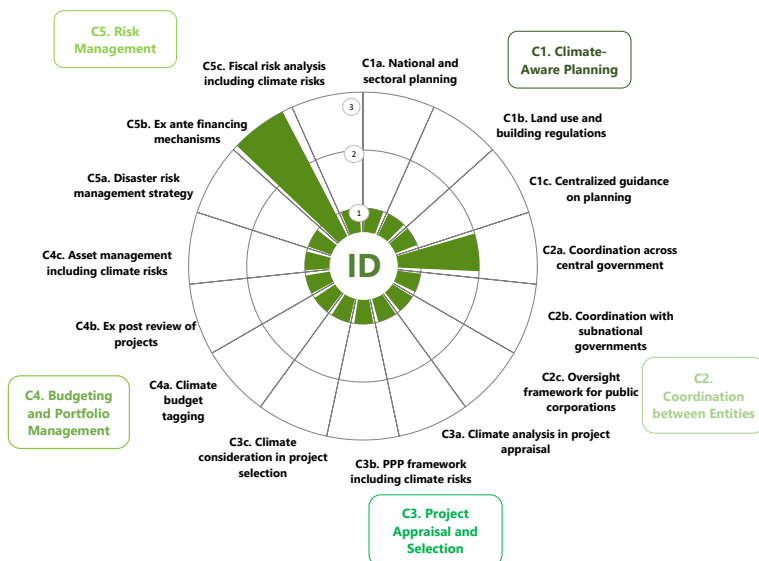


**Figure 0.A. Institutional design (ID) and Effectiveness (EFF) of public investment management in the DRC**



Source: Mission

**Figure 0.B. Institutional design (ID) of the institutions of the C-PIMA module in the DRC**



Source: Mission

**Administrative and legal fragmentation leads to lack of clarity with regard to project management responsibilities and to dilution of capacity.** The legal uncertainty, both in law and in regulations, on the role of the various parties involved, their multiplicity, the lack of coordination, and the absence of comprehensive and consistent information sharing processes constitute critical limits to the efficiency of public investment management. The cumulation of *ad hoc* committees and agencies for the management and oversight of project portfolios of variable sizes, often created to circumvent ineffective procedures, sometimes at the behest of donors, weakens the technical capacity for sound management of projects, in particular those with external financing. Moreover, information flows are fragmented and/or redundant, leading to suboptimal use of human and information technology (IT) resources.

**The DRC's commitments in the fight against climate change are only just starting to feed into public investment management practices (see Figure 0.B, Table 0.B, Annex 3 for C-PIMA scores).** It is worth noting among emerging good practices, albeit still in the process of operationalization, the role of the Ministry of the Environment and Sustainable Development in providing inter-ministerial coordination of investment decisions, the emergence of an institutional and financial framework for natural disaster risk management, and the legal obligation, recognized by all, of conducting environmental and social impact assessments. The main weaknesses lie in the lack of alignment and cross-cutting recognition of climate considerations in the national and sectoral strategies, the absence of a legal framework and of a land management and planning strategy, and the lack of methodologies supporting the assessment of climate risks and impacts on infrastructure.

**Strengthening budget credibility is a key condition for the success of public investment management reforms in the DRC.** The lack of credibility of budget laws leads the authorities to circumvent the traditional expenditure chain and to implement projects on the basis of the available cash resources, without ensuring compliance with the priorities expressed at the time of budgeting. Budget execution rates are very low, which discourages all participants involved in the processes of project budgeting and implementation. It is crucial to ensure that the investment envelopes voted by parliament are realistic in order to reestablish the budget law as a reference for project implementation.

**Based on the PIMA evaluation, this report puts forward seven high-priority recommendations that could greatly improve public investment management in the DRC in the short to medium**

**term.** Table 0.C presents an action plan for 2022-2024, which includes the following priority recommendations:

- **Adopt a decree on public investment management** covering all stages of the project cycle and structuring the institutional framework for project management (Annex 5);
- **Set up a single office for coordination and oversight of externally financed projects**, which could be a public institution under the auspices of the Ministry of Finance, with the aim of streamlining these functions, pooling skills and knowledge, and centralizing information (Annex 4);
- **Improve the oversight over PPPs and associated fiscal risks**, in particular by ensuring the full implementation of the legal framework, dealing with conflicting norms as quickly as possible, and building capacity for fiscal risk analysis, specifically within the General Directorate of Public Debt at the Ministry of Finance;
- **Include quantified investment needs and envisaged investment costs in strategic planning documents** (National Development Strategy Plan, sectoral strategies) and align them in a cross-cutting way with the country's climate objectives;
- **Systematize preliminary appraisal of projects**, by developing standard methodologies, including with regard to climate impact assessment, and by setting up a central support agency at the Ministry of Planning;
- **Produce, maintain, and publish a comprehensive, realistic three-year Public Investment Program, supporting a more transparent project selection process** (Annex 6) and serving as the main vehicle for reporting to the parliament on current and future projects;
- **Take steps to develop an integrated bank of projects**, supported by an IT system to monitor projects, to be identified by a single code lasting the whole of their life-cycle (Annex 7).

**The report proposes three medium-priority recommendations as well, also set out in Table 0.C:** (i) strengthen budget unity by improving integration of capital and current budget preparation; (ii) ensure better coverage of maintenance needs by the adoption of standard methodologies and the evaluation of additional maintenance needs linked to climate change; and (iii) coordinate capital spending between central government and the provinces, in accordance with the decentralization process.

**Finally, other significant efforts to reform public finance management undertaken by the Government will contribute to enhancing public investment management.** This relates particularly to the shift to a double budget appropriation system (*autorisations d'engagement et crédits de paiement*), to the transition to program-based budgeting, and to the strengthening of transparency and competition in public procurement. Annex 1 provides the relevant actions in these areas, drawing from the draft 2022-2024 Priority Action Plan supporting the implementation of the Government's 2022-28 Strategic Public Finance Reform Program.

**Table 0.A. PIMA Summary table**

Stage/ Institution		Institutional design	Effectiveness	Priority	
A. Planning	1.	<b>Fiscal Targets and Rules</b>	<b>Medium</b> A golden rule is included in the LOFIP, but there is no rule on debt. A three-year MTFE is prepared every year, distinguishing current expenditure from investment spending.	<b>Medium</b> The program with the IMF instills <i>de facto</i> discipline on debt levels. The investment envelopes set out in the MTFE guide the expenditure ceilings adopted in the budget.	Low
	2.	<b>National and Sectoral Planning</b>	<b>Medium</b> The PNSD and a number of sectoral strategies are published, but provide little information on investment projects and costs. A few sectoral strategies include targets on outputs.	<b>Weak</b> The absence of a list of projects in the strategies and lack of information on their costs hinder the measurement of their effectiveness. Monitoring and evaluation of the various strategies have been limited.	High
	3.	<b>Coordination between Entities</b>	<b>Weak</b> Coordination of projects between provinces and the central government is planned on paper. Calculation of the transfer amounts is not transparent. The analysis of contingent liabilities remains to be institutionalized.	<b>Weak</b> Harmonization conferences are no longer held. Transfers deviate considerably from forecasts. The first fiscal risk statement (2021) provides analyses of some contingent liabilities.	Medium
	4.	<b>Project Appraisal</b>	<b>Weak</b> The legal framework does not compel to subject projects to rigorous appraisal, according to a standard methodology, with the support of a central committee or agency and including risk analysis.	<b>Weak</b> Apart from external financing, appraisal is rare, the absence of a standard methodology and a central committee or agency compromises the capacity for selection, and risk analysis is too limited.	High
	5.	<b>Alternative Investment Financing</b>	<b>Medium</b> The majority of infrastructure sectors are competitive on paper. There is a law on PPPs, but not yet any policy. The legal framework does not require the authorities to review SOE investment plans.	<b>Weak</b> Only the telecommunications sector is subject to effective competition. The oversight of PPPs is not yet centralized. There is no consolidated report on the financial statements or the investment plans of SOEs.	High (PPP)
B. Allocation	6.	<b>Multiyear Budgeting</b>	<b>Medium</b> The three-year capital expenditure projections, broken down by ministry, are published, and indicative three-year ceilings are applied. The three-year Public Investment Program (PIP) is not published.	<b>Weak</b> There are significant discrepancies between capital expenditure projections and expenditure ceilings, on the one hand, and the budget laws, on the other. The PIP does not cover all projects and is not regularly updated.	High
	7.	<b>Budget Comprehensive ness and Unity</b>	<b>Weak</b> Considerable investment spending is allowed without parliamentary authorization or information in the budget law. The capital and current budgets are presented in a single document.	<b>Weak</b> The investments of extrabudgetary entities and PPPs are partially included in the budget. The Ministry of Budget has no procedure to verify the consistency of the current and capital budgets.	High
	8.	<b>Budgeting for Investment</b>	<b>Medium</b> The LOFIP provides for budgeting in AE-CP but does not protect ongoing projects up to completion. Transfers from capital to current appropriations are possible.	<b>Medium</b> Budgeting in AE-CP is not effective and ongoing projects are often supplanted by new ones. Nevertheless, transfers of capital appropriations to current expenditure are effectively prevented in the system.	Medium
	9.	<b>Maintenance Funding</b>	<b>Medium</b> Standard rules for forecasts of current maintenance or renovation of nonfinancial assets only exist in the road sector. The budget nomenclature clearly identifies such maintenance activities.	<b>Weak</b> The financing required to deal with maintenance needs, whether current or for renovation, is clearly too low to preserve the value and ensure the durability of infrastructure assets.	Medium
	10.	<b>Project Selection</b>	<b>Medium</b> The legal framework provides for the review of appraisals, but does not provide for standard selection criteria. The Plan has a list of projects that have been appraised, but there is no formal obligation to use it.	<b>Weak</b> The review is only applied to project fiches, the selection criteria used for budgeting are not relevant and many projects seem to be selected from outside the list of appraised projects.	High
C. Implementation	11.	<b>Procurement</b>	<b>High</b> The public procurement law is in line with best practice in terms of competition, transparency, and handling of complaints, but public procurement oversight is deficient in several ways.	<b>Medium</b> Significant exemptions distort the rules of competition and transparency, while the system for handling complaints is satisfactory in terms of time limits and fairness.	High
	12.	<b>Availability of Funding</b>	<b>Medium</b> Annual month-by-month cash flow forecasts are prepared, but the commitment plan is quarterly. The law stipulates that donor funds should be deposited at the Central Bank in the TSA.	<b>Weak</b> Quarterly commitment ceilings are overall not consistent with the cash flow forecasts. Donor funds are placed in accounts at commercial banks unrelated to the TSA.	High
	13.	<b>Portfolio Management and Oversight</b>	<b>Weak</b> The legal framework does not require systematic <i>ex post</i> review of projects, but does allow reallocations between projects, without, however, providing for systematic oversight and transparent procedures.	<b>Weak</b> The reports do not systematically provide information on delays and cost overruns, there are no reallocations between projects, and <i>ex post</i> reviews by the Government are rare.	High
	14.	<b>Management of Project Implementation</b>	<b>Medium</b> The arrangements for project management are not set in a robust framework, and there are no standard rules about project adjustments. The Court of Accounts has the mandate to audit projects.	<b>Weak</b> Staff responsible for implementing projects have been appointed, but there is no information on adjustments made to projects. The Court of Accounts does not audit large-scale projects.	Medium
	15.	<b>Monitoring of Public Assets</b>	<b>Medium</b> The Government does not have any comprehensive, up-to-date asset registers. The legal framework provides for asset and inventory accounting rules in line with international standards.	<b>Weak</b> Asset and inventory accounting are not performed. Asset inventories are not implemented. Depreciations are not applied.	Low

**Table 0.B. C-PIMA Summary table**

Stage/ Institution		Institutional design	Priority	
C-PIMA	C1	<b>Climate-aware Planning</b>	<b>Weak</b> Public investment planning and the central and provincial regulations relating to land management and construction do not take climate change into account.	<b>High</b>
	C2	<b>Coordination across Public Sector</b>	<b>Weak</b> Public investment decisions relating to climate change are not coordinated over the whole of the public sphere despite the existence of thematic groups.	<b>Medium</b>
	C3	<b>Project Appraisal and Selection</b>	<b>Weak</b> The legal framework does not explicitly take into account climate change in environmental impact studies, in the PPPs, or in the criteria used by the Government to select projects for the budget.	<b>High</b>
	C4	<b>Budgeting and Portfolio Management</b>	<b>Weak</b> There are no specific practices in terms of budgeting, audits/ <i>ex post</i> reviews, or management of assets, which would help take into account climate change risks and objectives.	<b>Medium</b>
	C5	<b>Risk Management</b>	<b>Medium</b> The risks associated with the exposure of infrastructure to climate change are not covered in any publication or analysis of their budget implications. There are, however, <i>ex ante</i> financing mechanisms for such risks.	<b>Low</b>

**Table 0.C. Priority Action Plan to strengthen public investment management**

**Note:** This table follows the format and numbering of the three-year 2022-2024 Priority Action Plan prepared by the authorities to implement the updated 2022-28 Strategic Public Finance Reform Plan. It presents the ten recommendations (“actions” as referred to in the Priority Action Plan) of the PIMA and C-PIMA reports. Annex 1 sets forth the actions relating to the PIMA and C-PIMA already included in the draft three-year Priority Action Plan, to which the mission made some amendments based on its conclusions. Action 1.2.3 below is, exceptionally, a modified version that was included in the initial draft of the Priority Action Plan.

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025	OUTCOME INDICATOR(S)	REQUIREMENTS/ BENCHMARKS	IMPLEMENTATION STATUS	RESPONSIBLE ENTITIES	PRIORITY	TARGETS
<b>Strategic pillar 1: Budget reform</b>											
<b>Specific target 1.2: Develop the fiscal risk management function</b>											
<b>Action 1.2.3: Improve oversight of PPPs and associated fiscal risks</b>	The Government has an overview of the fiscal risks associated with the PPPs.  The credibility of the budget is improved.	X	X			PIMA 3c, 4c, 5b C-PIMA C3b	1. Signature of all implementing decrees of the PPP law and clarification of the roles and responsibilities of the ARMP, UC-PPP, DGCMP, and Ministry of Finance (2022). 2. Establishment of a register of guarantees at the Ministry of Finance - DGDP (2022). 3. Establishment and updating of a comprehensive register of PPPs by the ARMP and the UC-PPP and drafting of a procedures manual for the law and a guide to project appraisal, including the assessment of risks relating to climate change (2022-23). 4. Signature of the decree on the procedures manual for the law on PPPs (2023). 5. Operationalization of the Standing Committee on Project Validation with the Ministry of Finance having a veto power over the financial viability of projects (2023). 6. Adoption of a national policy relating to PPPs (2023)		ARMP MINPLAN MINFIN MINBUD UC-PPP	High	Yes
<b>Strategic pillar 3: Public expenditure management</b>											
<b>Specific target 3.7: Strengthen the management of public investments over the entire length of the project cycle (NEW SPECIFIC TARGET)</b>											
<b>Action 3.7.1: Adopt a decree on public investment management covering all stages of the project cycle</b>	The management of public investments is set in the legal framework.	X	X	X		PIMA 4, 6, 7, 8, 10, 11, 13, 14 C-PIMA C3	1. Adoption of the decree on public investment management (2022). 2. Preparation of the implementing regulations of the decree, establishing the procedures manuals and guides on public investment management (2023-24).		MINPLAN MINBUD MINFIN	High	Yes
<b>Action 3.7.2: Set up a single office for coordination and oversight of externally financed projects</b>	Steering of externally financed projects is improved.  Oversight of externally financed projects is centralized.	X	X			PIMA 7 a, 7b, 1 3a	1. Definition of the institutional form of the single office with emphasis on efficiency and performance in the management of the portfolio of externally financed projects. 2. Creation of the single office replacing the current committees and agencies (2022). 3. Preparation of templates for agreement between the single office and the sectoral ministries dealing with externally financed projects. 4. Preparation of regulations formalizing the relationships between the office and the institutional users of the data on externally financed projects (2022-23).		MINFIN MINBUD Sectoral ministries	High	
<b>Action 3.7.3: Include quantified investment needs and envisaged investment costs in strategic planning documents including those in relation to climate change.</b>	The link between planning and budgeting is strengthened.  The consistency across the	X	X	X		PIMA 2 a, 2b, 2 c C-PIMA C1a	1. Addition to the reframed PNSD of an estimate of the investment needs, a list of major projects, with their total costs and by year, and target indicators for the outputs and outcomes (2022). 2. Alignment of the reframed PNSD with the climate objectives of the contribution set at the DRC national level (2022).		MINPLAN Sectoral ministries MEDD ACE	High	

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025	OUTCOME INDICATOR(S)	REQUIREMENTS/ BENCHMARKS	IMPLEMENTATION STATUS	RESPONSIBLE ENTITIES	PRIORITY	TANNEEDS
SPECIFIC TARGET											
ACTION											
	various planning tools is enhanced.						3. Adoption of the new law on land management and planning (2022). 4. Publication of (i) sectoral strategies in the economic infrastructure sectors, integrating the climate objectives in a cross-cutting way (transport, energy, water), and (ii) a land management and planning strategy (2023-24). 5. Alignment of each sectoral pillar of the 2024-28 PNSD with the climate objectives of DRC's nationally determined contribution (2024).				
<b>Action 3.7.4: Strengthen the process of preliminary appraisal of projects, including assessment of the impacts relating to climate change.</b>	Comparative analysis of the projects is improved.  The completion and financing of appraisals are assured.	X	X			PIMA 4 a, 4b, 4c  C-PIMA C3a	1. Following a survey of the existing methodologies, including the one currently in the process of validation (BCECO), preparation of standard appraisal methodologies (2022). 2. Following preliminary analysis of the rate of execution of the appropriations allocated to the preinvestment fund, optimization and, if necessary, increase of allocations to the required level (2022). 3. Establishment within the Ministry of Planning of a central support structure for project appraisal (2023) 4. Adoption of a standard methodology for environmental and social impact studies, including the systematic assessment of climate change impacts (2023).		MINPLAN MINBUD BCECO Sectoral ministries ACE	High	
<b>Action 3.7.5: Strengthen budget unity by improving integration of capital and current budget preparation processes.</b>	A consistent and complementary relationship between capital and current budgets is assured	X	X	X	X	PIMA 7c	1. Introduction of mechanisms for communication between the parties responsible for preparation of current budgets and the DEPs (2022). 2. Establishment of procedures for verifying the consistency of the two budgets by the DGPPB during the budget formulation period (2022). 3. Presentation of the operational classification crosschecked against the financial classification (capital / current expenditure) in the LFI for 2023 (2022) 4. Unification of the procedures for preparing the capital and current budgets (2029).		MINPLAN MINBUD Sectoral ministries	Medium	Yes
<b>Action 3.7.6: Produce, maintain, and publish a comprehensive, realistic three-year Public Investment Program, supporting a more transparent project selection process.</b>	The link between planning and budgeting is strengthened.  The PIP supports the programming, selection, and multiyear budgeting of projects.  A rigorously assessed project pipeline is available.	X	X	X		PIMA 6 a, 6b, 6c, 9c, 10a, 10b, 10c  C-PIMA C3c	1. Establishment of a list of selection criteria and publication in advance in the annual circular of the Ministry of Planning (MP) on the preparation of the PIP and in the annual budget circular of the Ministry of the Budget (MB) (2022). 2. Following a preliminary analysis, clean-up of the MP's database of projects to be financed (2022). 3. Establishment of systematic, frequent feedback mechanisms of information on the cost of projects underway to the MP, and automated sharing of the project database with the MB and the Ministry of Finance (MF) (2022). 4. Incorporation of the review of the PIP in the budget formulation process, and publication of a PIP aligned with the budget as an annex to the 2023 LFI (2022). 5. Inclusion of selection criteria aiming to provide (i) priority to projects contributing to		MINPLAN MINBUD BCECO Sectoral ministries ACE	High	Yes

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025	OUTCOME INDICATOR(S)	REQUIREMENTS/ BENCHMARKS	IMPLEMENTATION STATUS	RESPONSIBLE ENTITIES	PRIORITY	TANNEES
SPECIFIC TARGET											
ACTION											
							combating climate change and (ii) priority to asset rehabilitation projects (2023).				
<b>Action 3.7.7: Ensure better coverage of the needs for ongoing maintenance and renovation of infrastructure</b>	The sustainability of financial assets is assured.		X			PIMA 9 a, 9b, 9c C-PIMA C4c	<ol style="list-style-type: none"> <li>1. Preparation of standard methodologies for forecasting maintenance and renovation needs for all categories of nonfinancial assets (2023).</li> <li>2. Completion of an assessment of the additional asset maintenance requirements arising from climate change (2023).</li> <li>3. Formal request in the budget circular for identification and prioritization of maintenance needs by the sectoral ministries (2023).</li> </ol>		MINBUD MITPR (Ministry for Infrastructure, Public Works and Reconstruction) MINPLAN	Medium	Yes
<b>Strategic pillar 6: Local and provincial financial management</b>											
<b>Specific target 6.3: Strengthen the budget preparation process</b>											
<b>Action 6.3.2: Improve coordination of capital spending between central government and the provinces.</b>	<p>Provincial investment budgets are more credible.</p> <p>The overview of provincial project portfolios is available.</p>	X	X			PIMA 3 a, 3b C-PIMA C2b	<ol style="list-style-type: none"> <li>1. Reestablishment of annual capital spending harmonization conferences between the provinces and central government, covering all sources of financing and the aspect of climate change (2022).</li> <li>2. Notification of the preliminary envelopes to provinces in June or July after the compilation of the MTFP (2022).</li> <li>3. Operationalize the coordination mechanisms provided for in the PDL-145T, the REDD+ program, and the sectoral thematic groups to integrate the climate change aspect in planning at the provincial level (2022-23)</li> </ol>	MINPLAN MINBUD Sectoral ministries Provinces Sectoral thematic groups MEDD	Medium		
<b>Strategic pillar 8: Digitization of the public finance management system</b>											
<b>Specific target 8.3: Support public investment management by means of an efficient information system - NEW STRATEGIC OBJECTIVE</b>											
<b>Action 8.3.1: Develop an integrated IT system (bank) of investment projects</b>	<p>Oversight of the physical and financial execution of projects is enhanced.</p> <p>The steering, monitoring, and reporting of the project portfolio is comprehensive, frequent, and pooled.</p>	X	X	X	X	PIMA 4, 6, 7, 10, 13, 14	<ol style="list-style-type: none"> <li>1. Establishment of a consultation framework between the Ministry of Planning and the Interministerial Information Technology Coordination unit of the Finance and the Budget Ministries (2022)</li> <li>2. Inclusion in the project fiches of information on the physical and financial monitoring of domestically-funded projects, consolidation of this information in the database of the Ministry of Planning and pooling of this information with all those involved (2022).</li> <li>3. Formalization with the PTFs of a simplified structure with a standard form enabling periodic feedback to be provided of information on physical and financial implementation of externally financed projects (2022).</li> <li>4. Validation of the functional specification schedule of the information system for monitoring projects and mobilization of financing sought (2023).</li> <li>5. Development of software applications and tests of the IT system for monitoring projects throughout their life-cycle (2023)</li> </ol>	MINPLAN MINBUD (C21) MINFIN Sectoral ministries Implementing agencies CRESP	High	Yes	

## I. Public investment trends in the DRC

### A. TRENDS IN GENERAL GOVERNMENT INVESTMENT AND CAPITAL STOCK

**1. Despite a recovery since the 2000s, the level of general government investment in the DRC has been systematically lower than the averages for low-income countries and sub-Saharan African countries (Figure 1.A).** The DRC suffered a period of conflict and political instability in the 1990s with major humanitarian and social consequences, as well as a collapse in public services. Accordingly, investment by general government did not exceed 0.2 percent of GDP between 1990 and 2001. With the relative abatement of the conflict, the recovery of growth, and the rise in commodity prices, the beginnings of an effort toward reconstruction and rehabilitation got underway in 2002. This led overall, in spite of some volatility, to a recovery in levels of general government investment to an average of 3.6 percent of GDP between 2002 and 2019, peaking at 6.6 percent in 2014.<sup>1</sup> These levels of investment have been more or less maintained despite efforts toward budget rationalization in 2009-2011 as part of a program with the IMF and also in spite of the collapse of commodity prices after 2014. These two factors mainly affected the level of current expenditure.<sup>2</sup> Nevertheless, the average of 4.1 percent of GDP noted in the DRC between 2015 and 2019 remains well below the average of 7.8 percent of low-income countries and the average of 7.1 percent in sub-Saharan Africa. General government investment fell sharply due to the COVID-19 pandemic; according to budget execution statements, central government capital spending was only 0.3 percent of GDP in 2020 and 1.2 percent in 2021.

**2. General government investment only represented a small proportion of total investment, however.** Investment by general government only represented on average one fifth of the total investment in the DRC between 2002 and 2019 (Figure 1.B). In contrast, the other sources of investment - private sector, public corporations - tripled between 2002 and 2019 exceeding 20 percent of GDP. Private investment, in particular, increased substantially between 2010 and 2014 when the DRC launched a series of reforms aimed at improving the business environment to protect property rights, strengthen governance, and develop financial and labor markets. In spite of these efforts, total investment nevertheless remains lower than the averages of 23.2 percent and 24.7 percent of GDP for sub-Saharan Africa and low-income countries, respectively.

**3. Despite two decades of reconstruction efforts, public capital stock in the DRC remains one of the lowest in the region.** The 1990s conflict saw significant destruction of physical capital. Thanks to the reconstruction efforts from 2003 onward, the stock of public capital has increased step by step to reach 46 percent of GDP in 2019 (Figure 1.C). Although the gap has been partially reduced, the stock of public capital remains far below the averages of other low-income countries or that of sub-Saharan African countries; both of these groups are over 100 percent of GDP. The gap is even greater in terms of public capital stock per capita, remaining at a level well below that of other resource-rich countries in the region (Figure 1.D).

**Figure 1.A. General government investment: regional comparisons** (nominal, % of GDP)

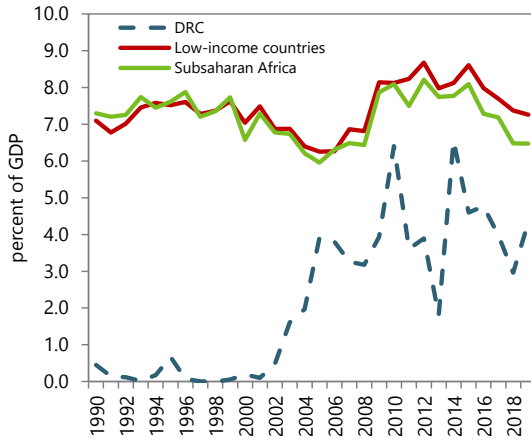
**Figure 1.B. Share of general government investment in total investment** (%)

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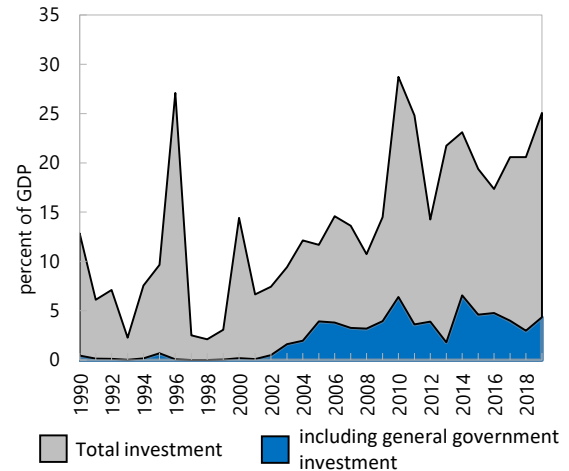
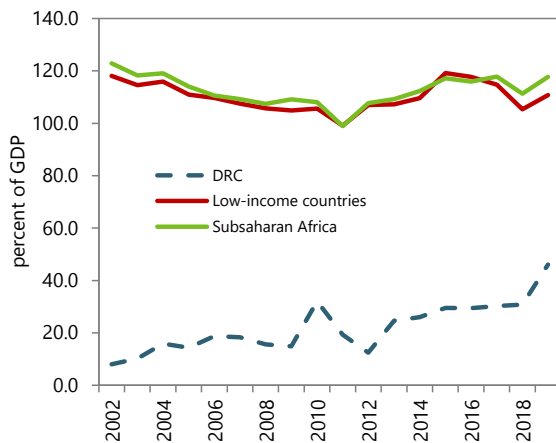
<sup>1</sup> The DRC also reached the completion point of the Heavily-Indebted Poor Countries Initiative in 2010, enabling it to benefit from debt relief and, thus, an easing of the debt-servicing cost burden.

<sup>2</sup> Despite the fall in commodity prices, public investment in the DRC remained at 4.6 percent of GDP in 2015-2016. In other resource-rich countries, the drop in prices often leads to abrupt, significant cuts in public investment.

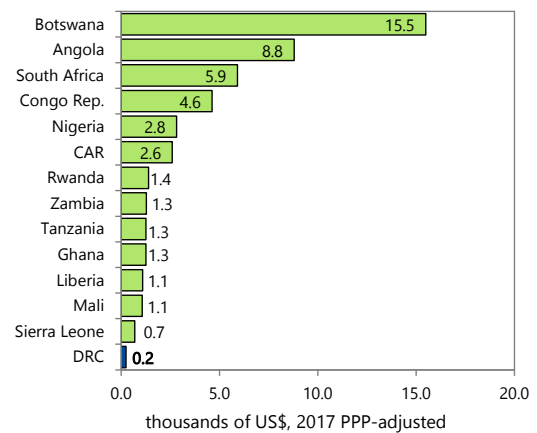




**Figure 1.C. Public capital stock: regional comparisons (nominal, % of GDP)**



**Figure 1.D. Public capital stock per capita, 2019 (adjusted at purchasing power parity in 2017 dollars, thousands)**



Source: IMF staff calculations

**4. To fulfill the objectives of the 2019-2023 National Development Strategy Plan (PNSD) it is necessary to contain public debt while creating the fiscal space to invest in the priority sectors.** The IMF's Debt Sustainability Analysis (DSA) found that, despite fairly low external debt, the DRC is at moderate risk of overindebtedness and that its capacity to service its debt remains weak. This level of risk is basically caused by poor mobilization of tax revenues, which restricts the country's scope to enter into new loans without a deterioration of its risk level underlying the DSA. The debt is particularly vulnerable to external shocks, leading to a fall in export revenues or in foreign exchange reserves; this, in turn, could provoke a sharp and rapid deterioration in credit rating. As part of the current program supported by the IMF Extended Credit Facility (ECF), the authorities have undertaken to hold the risk of external overindebtedness at a moderate level. That will rely on a more prudent debt policy with, in particular, a ceiling on non-concessional external loans until 2023 and efforts to mobilize more in the way of tax revenues, thereby enabling an increase in investments in the priority sectors identified in the five pillars of the PNSD. Furthermore, in accordance with the objectives of the program with the IMF, the Government decided to devote part of its allocation of special drawing rights to public investment projects in the provinces. Taken as a whole, general

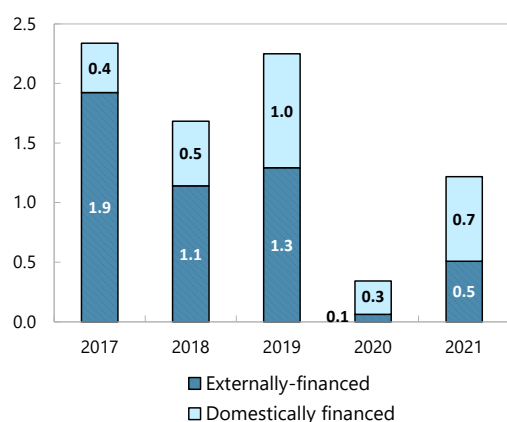
government investment should thus reach 6 percent of GDP in 2026. An increase in use of public-private partnerships (PPPs) is also planned (see Paragraph 9).

**5. For these investment efforts to come to fruition, measures to improve budget execution capacity will, however, be indispensable.** The DRC has weak rates of investment budget execution, in the order of 50-70 percent (for the years 2018 -2019). This is particularly due to the lack of credibility of the budget approved by the legislature, which considerably increases the level of expected revenues during budget debates in order to inflate spending to optimistic levels. Budget execution is also weakened by cumbersome internal control procedures which incentivizes the use of emergency procedures, and by inconsistencies between the management of commitments and of cash available. In order to resolve these weaknesses and to improve public financial management, in 2021, the authorities adopted a new Strategic Public Finance Reform Plan (PSRFP) for 2022-2028. Based on eight pillars, it aims, among other things, to provide the country with a modern, credible budget framework that supports government policy priorities and ensures the efficiency of public spending.

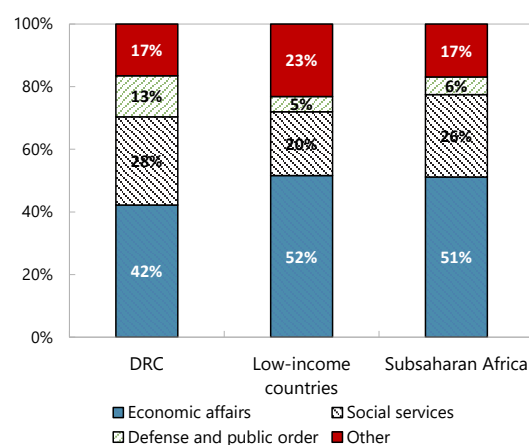
## B. COMPOSITION OF PUBLIC SECTOR INVESTMENT

**6. General government investment in the DRC is largely externally financed by external funding and favors economic infrastructure.** Over the past five years, almost two thirds of general government investment has been externally-financed (Figure 1.E). The government’s aim is to reverse this trend progressively, to reach a level of 70 percent of domestic financing in 2026. In addition, in 2018 (before the pandemic), investment spending in social sectors (including education, health, housing, and social welfare) represented about 28 percent of capital spending, while economic infrastructure construction represented 42 percent of the total. This breakdown is in line with the average of comparator groups (Figure 1.F). The share of investment spending in social infrastructure did however increase temporarily in 2020-2021, in response to the COVID-19 pandemic.

**Figure 1.E. Sources of financing for central government investment spending (% of GDP)**



**Figure 1.F. Public investment by function: regional comparisons in 2018\***



Source: Data from the authorities and calculations by the mission.

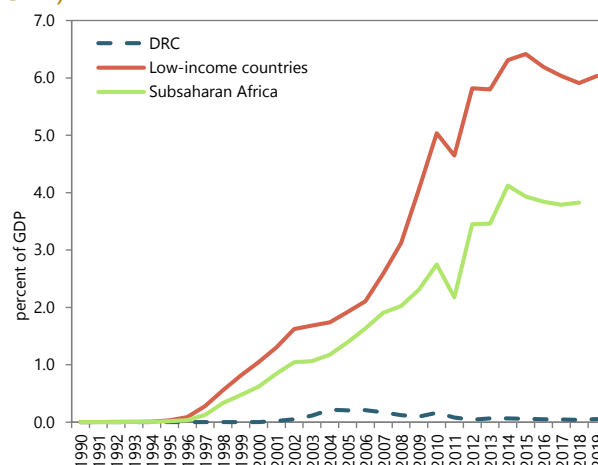
\* The amounts of investment by function for the DRC were not available. The mission calculated a proxy using data from budget execution reports, by aggregating capital expenditure and construction outlays by ministry.

**7. Provinces and decentralized territorial entities (ETDs) contribute moderately to the public investment effort.** Provincial governments carry out investment projects using their own

resources, fiscal transfers, and funding from donors.<sup>3</sup> They may use debt to finance their investments, as allowed by the LOFIP, and they may enter into PPP arrangements (see paragraph 9). The amounts of transfers actually executed are very low - less than 0.1 percent of GDP. Apart from these fiscal transfers, reliable information on investment by provinces and ETDs is lacking. The 2022-24 Medium-Term Fiscal Framework (MTFF) report nevertheless estimates 2021 capital spending by provinces and ETDs at 0.8 percent of GDP.

**8. Investment by public corporations in the DRC is substantial.** The Government portfolio includes some forty public corporations.<sup>4</sup> Although the mission was not able to obtain consolidated data on investment executed by all public corporations, planned investment by all public corporations over recent years is considered to have been in the order of 2 percent of GDP a year, according to the Ministry of the Portfolio. Investment is basically carried out by the few large public corporations in the portfolio, with, first and foremost, *Société Nationale d'Electricité* (SNEL) - the national electricity company - whose investments represented one third of public corporations' investment in 2021 according to the Ministry of the Portfolio.<sup>5</sup> *Générale des Carrières et des Mines* - mining exploration and production company - is also a significant player, which has invested, in particular, in operation of mines and other assets in the past few years. The remainder of investment by public corporations is limited, and concentrated in the public transportation sector.

**Figure 1.G. PPP capital stock (nominal, % of GDP)**



Source: World Bank Private Participation in Infrastructure (PPI) database and IMF staff calculations

**9. The stock of PPP capital stock in the DRC is significant and growing.** According to the World Bank's Private Participation in Infrastructure (PPI) database, the PPP capital stock never exceeded 0.5 percent of GDP in the past two decades; this is well below the average stocks observed in low-income countries or Sub-Saharan

<sup>3</sup> For example, the province of Kinshasa told the mission that its 2022 investment budget was broken down as follows: CGF 630 billion for investments using transfers from central government, CGF 180 billion for investments using the province's own funding, and CGF 299 billion for the Kin Elenda project financed by the World Bank.

<sup>4</sup> The Government holds all of the shares in 22 enterprises that have become commercial companies, as well as 25 to 50 percent in joint ventures with a blocking minority in 19 companies (2022-2024 MTFF).

<sup>5</sup> The most recent financial report of SNEL found on-line is that for financial year 2016. The enterprise's investments at that time had risen to US\$284 million (0.8 percent of GDP).

Africa (Figure 1.G). Nevertheless, according to the latest statement on government fiscal risks, the Congolese Agency for Major Works (ACGT, *Agence Congolaise des Grands Travaux*) currently manages at least seven roads as concessions granted to the private sector, for a total contract amount of over US\$2 billion (about 4 percent of GDP); and several new contracts have been signed since the adoption of the new legal framework applicable to PPPs in 2018. The Banana deep-water port project will consist in the construction, within two years, of a 600-meter long quay and a logistics area with a storage capacity of approximately 1.3 million metric tons of goods. The central government signed a concession agreement in 2021 with DP World for the financing, construction, operation, and maintenance of the port, at a cost of US\$1.3 billion. The works should get underway in 2022 and the length of the concession is initially set at 30 years. Finally, during the technical meetings held with the mission, the existence of PPP projects involving provincial governments was confirmed. However, the absence of a consolidated database is an obstacle to obtaining a comprehensive overview of the stock. This stock is planned to increase in the next few years; the use of PPPs was identified in the 2021-2023 *Programme du Gouvernement* as a key method for financing major projects.

## II. Efficiency and impact of public investment in the DRC

### 10. Despite recent efforts, access to most types of basic infrastructure remains limited.

Access to basic infrastructure, in particular to primary school, fell in the 1990s as a result of the civil war. Despite the period of relative calm that followed, access to electricity, health services, and drinking water are still very limited and have even reduced since the end of the 1990s due to faster growth in the population than in the infrastructure (Figure 2.A).

- *Electricity* production per capita has stagnated over the last 20 years despite huge hydroelectrical potential in the country. According to the World Bank's worldwide development indicators, although there has been a modest increase in access to electricity since 2000, only 20 percent of the population was connected in 2018. Access to electricity is not at all uniformly available across the whole of the country, with even some urban areas having no access, and often very limited access in the provinces, even to supply strategic infrastructure. According to the health map of the DRC developed with the support of USAID,<sup>6</sup> only 32 percent of health centers thus had access to electricity in 2019. In addition, line losses are significant; at a rate of 40 percent, the World Bank<sup>7</sup> considers them to be twice as high as the average for sub-Saharan Africa.
- In the *health sector*, the number of hospital beds per 1000 inhabitants, which was already low during the 1990s, fell by one third over the past two decades and was less than 1 in 2019. The health map mentioned above confirms that access to health services is very poor in the provinces: in 2019, only 40 percent of provincial health divisions had at least one specialist doctor and 47 percent had a general practitioner.
- The percentage of the population with access to *drinking water* is estimated at 45 percent as against 70 percent for comparator groups. The network also suffers from lack of continuity in distribution. Realized production by REGIDESO (the dominant public corporation in drinking

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<sup>6</sup> Survey conducted between July and September 2019 in nine provinces. Results available at <https://dev.cartesanitairerc.org/data#section-info>

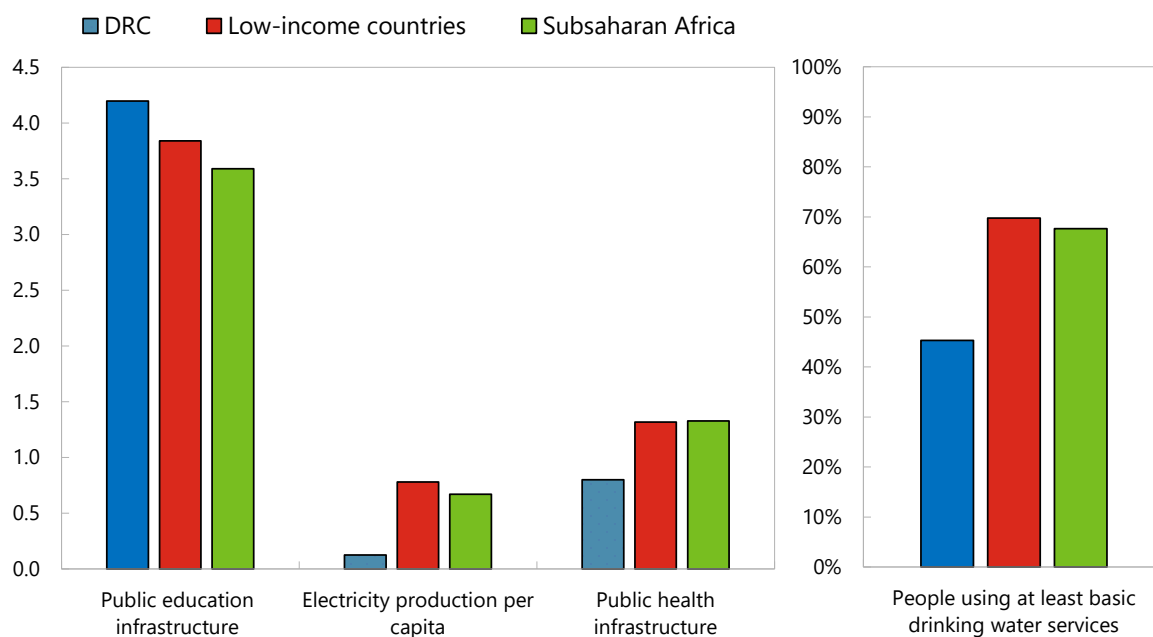
<sup>7</sup> *République Démocratique du Congo Revue de la Gestion des Dépenses Publiques et de la Responsabilisation Financière Accroître l'Efficacité et l'Efficiency du Secteur Public pour Promouvoir la Croissance et le Développement*. (DRC: review of public expenditure management and financial accountability - Increasing efficacy and efficiency of the public sector to promote growth and development), World Bank Report 2017 - Volume II.

water distribution) decreased by 21 percent between 2006 and 2013, meaning that production capacity per inhabitant fell by 7 percent over the same period, accordingly.

- Meanwhile, the road network (not included in Figure 2.A due to lack of comparative data) is confronted with problems of dilapidation and lack of maintenance. According to the 2019-2023 PNSD, paved roads only accounted for 2.3 percent of the total network at the beginning of the period, often leading to high transport costs as well as to delivery delays both for people and for goods.

**11. In contrast, access to public education infrastructure has shown positive development since the 1990s.** The number of secondary teachers per 1000 inhabitants nearly tripled in 20 years to 4.2 in 2019, exceeding the ratio for comparator groups. However, other indicators reveal weaknesses in relation to outputs and outcomes of education. The World Bank’s worldwide development indicators show that in 2016, only 27 percent of the population (aged at least 25 years) had completed secondary education, and 63 percent had completed primary education; and the rate of illiteracy in those over the age of 15 was 20 percent.

**Figure 2.A. Indicators of physical access to public infrastructure - 2019**



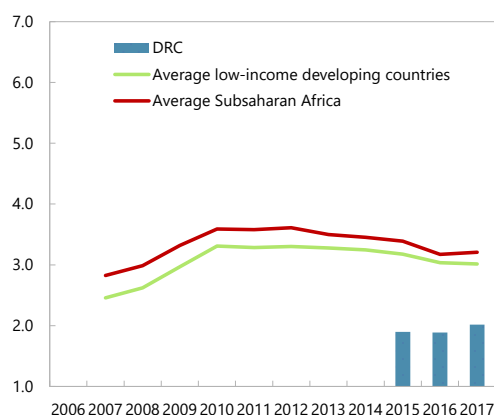
Source: World Bank Worldwide Development Indicators and IMF staff calculations

Note: The education infrastructure is measured by number of secondary level teachers per 1000 people; production of electricity per inhabitant is in thousands of kWh per person; public health infrastructure is estimated using the number of hospital beds per 1000 people.

**12. Perception of the quality of infrastructure has deteriorated slightly since 2010 and remains below that of comparators.** According to the surveys conducted by the World Economic Forum among business leaders, the perception of quality of infrastructure in the DRC in 2017 (score of 2 on a scale of 1 to 7) was worse than that of comparator countries (average score of 3, Figure 2.B). The World Bank’s logistical performance indicators reflect the same trend, even showing a deterioration in perceived quality of trade-related and transport infrastructure since 2010. Finally, although they are almost ten years old, the surveys conducted in 2013-2014 by the World Bank

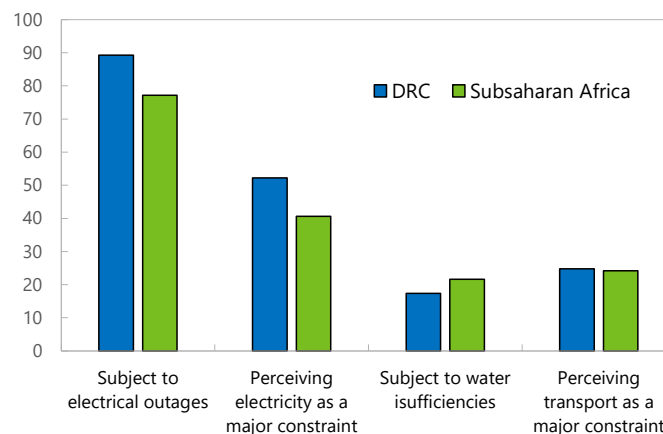
among private enterprises<sup>8</sup> showed the impact of these weaknesses on the private sector. Almost all of the enterprises surveyed stated, in fact, that they had suffered electricity outages, and over half identified electricity as a major constraint on the business climate (Figure 2.C).

**Figure 2.B. Infrastructure quality as perceived by business leaders (scale 1-7)**



Source: World Economic Forum, IMF staff calculations

**Figure 2.C. Insufficiencies in access to infrastructure as perceived by private companies (2013-14, % of companies)**

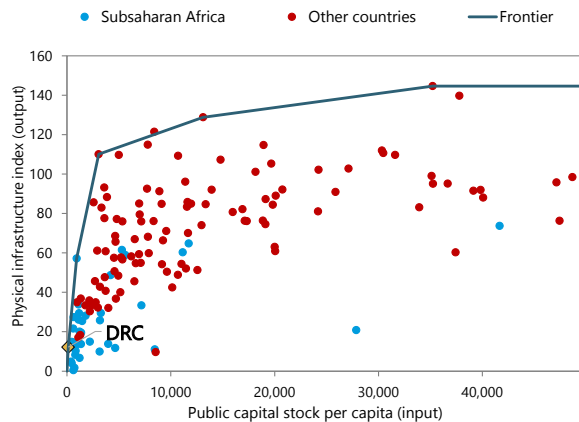


Source: World Bank, 2013 Sample of 529 private enterprises

**13. The very low levels of public capital stock per capita in the DRC only allowed to achieve limited results in terms of access to and quality of infrastructure.** The gap between the DRC and its comparators in terms of public capital stock per capita is considerably more significant than in terms of physical access to infrastructure. At first sight, this therefore reflects a high level of efficiency of public investment compared with other countries, as calculated by IMF staff, with the DRC even situated on the efficiency frontier (Figure 2.D). However, this result is not satisfactory in itself and should be interpreted with great caution. Public capital stock per capita does not include the infrastructure constructed through PPPs or by public corporations. The indicators for access to infrastructure hide serious disparities between regions. The quality of infrastructure, low in the DRC (see previous paragraph), is not taken into account in this figure. Also, the risk of regression is high; infrastructure development struggles to follow demographic growth, and without regular maintenance efforts, the electricity and/or water networks suffer from dilapidation and line losses, leading to a progressive deterioration in the service. In sum, the DRC is still well below the standards of development of the region. Meeting these needs will require considerable investments, while fiscal space is limited. It will therefore be absolutely crucial to invest efficiently in order to obtain the best possible outcomes in terms of improving access to and quality of public services.

<sup>8</sup> A World Bank survey was conducted between August 2013 and May 2014 among 529 enterprises. The survey results are available at <https://www.enterprisesurveys.org/en/data/exploreeconomies/2013/congo-dem-rep>

**Figure 2.D. Efficiency frontier (physical access to infrastructure)**



Source: IMF data and IMF staff calculations. The graph highlights the amounts of public capital stock per capita (x-axis) and a synthetic index that aggregates the data for physical access to infrastructure presented in Figure 2.A. When a country is located on the frontier, this means that it has maximized physical access relative to other countries, given the level of investment. However, the efficiency frontier loses its relevance for countries with very low levels of capital stock.

### III. Public investment management assessment

#### A. OVERVIEW OF THE ASSESSMENT

**14. This section assesses the institutional design and effectiveness of the 15 public investment management institutions in the DRC using the PIMA methodology (Figure 3.A).** The institutions are spread across three stages of the public investment management cycle. (i) ensuring sustainable levels of public investment through a sound planning process; (ii) allocating resources to the right sectors and projects; and (iii) implementing the investment projects within the specified periods so as to deliver productive and sustainable assets. The following sections aim to assess the institutional design (“on paper”) of each institution, based on the laws, regulations, and manuals/guides, as well as its effectiveness (“in practice”) based on the study of actual practices in the DRC. The assessment is based on meetings with the main parties involved and on the data and documents gathered during the mission. The assessment is focused on the central government’s practices in terms of planning, allocation of resources, monitoring of projects, and coordination with the other public sector entities, such as the subnational governments - SNGs (provinces and ETDs) and the public corporations.

**Figure 3.A. The PIMA assessment framework**



Source: IMF staff

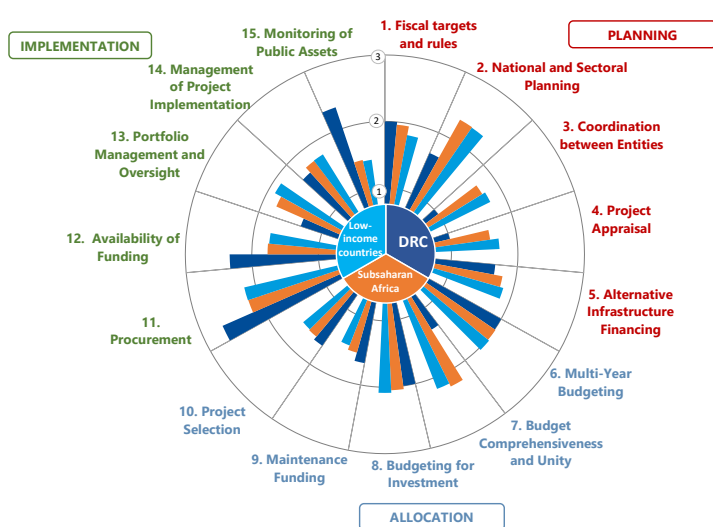
**15. There are significant deficiencies in the public investment management institutions in the DRC, both on paper and in practice.**

- Institutional design in the DRC is better in the project implementation stage than in the planning and allocation stages (Figure 3.B). That is also true relative to regional averages and countries with the same level of income, with the strengths lying in public procurement (institution 11), cash management and asset management (institutions 12 and 15), while the main weaknesses are in national and sectoral planning (institution 2), coordination between public sector entities (institution 3), project appraisal (institution 4), and budget comprehensiveness (institution 7).
- In practice (Figure 3.C), the *effectiveness* of public investment management institutions in the DRC is often lower than the legal framework suggests; this is particularly true in the areas of public procurement (institution 11), cash management and asset management (institutions 12 and 15). Effectiveness is slightly higher than institutional design in some cases, thanks to practices for the appraisal and oversight of externally-financed projects (institutions 4 and 13) and to budget transparency initiatives going above and beyond legal obligations (institutions 3 and 7). Finally, the effectiveness of public investment management practices in the DRC is, more often than not, far below that of its comparator groups

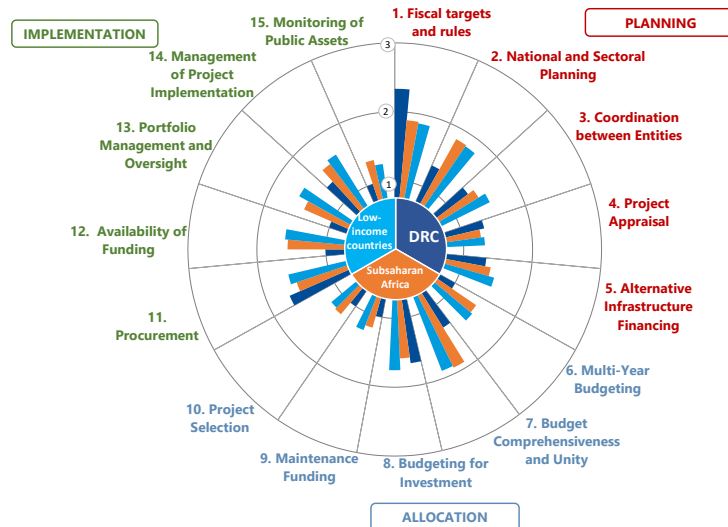
**Figure 3.B. DRC: Strength of public investment management institutions and comparison with regional averages and countries of similar income level**

**Figure 3.C. DRC: Effectiveness of public investment management practices and comparison with regional averages and countries of similar income level**





Source: Mission



Source: Mission

## B. PLANNING SUSTAINABLE LEVELS OF PUBLIC INVESTMENT

### 1. Fiscal Targets and Rules (*Institutional design: Medium; Effectiveness: Medium; Priority of reform: Low*)

16. The purpose of this institution is to ascertain the existence of fiscal targets or rules to facilitate medium-term planning of public investment spending and to ensure long-term public debt sustainability. Excessive volatility in investment spending undermines the efficiency of public investment. The assessment focuses on the existence of fiscal objectives; it does not emphasize a preference for any specific fiscal policy or the share of spending that public investment should occupy. This first institution aims to ensure that (i) a target or limit is set to enable the Government to ensure long-term debt sustainability, (ii) fiscal policy is framed by one or more fiscal rules, and (iii) a medium-term fiscal framework (MTFF) is in place to align fiscal policy and preparation of the annual budget.

17. The government has no permanent quantitative target or limit for public debt that would help ensure its sustainability, even though it is *de facto* constrained by commitments made under the program with the IMF. As part of its membership in the Southern African Development Community (SADC), one of the objectives of which is to ensure macroeconomic convergence among its member countries, the DRC must formally avoid having a high percentage of government debt to GDP.<sup>9</sup> High-level macroeconomic convergence criteria, including a public debt limit of 60 percent, were adopted by the member countries in 2003 in a regional indicative strategic plan. In the absence of an explicit reference to this limit in the documents produced by the government, this criterion does not, however, constitute a formal constraint on DRC's debt sustainability. In practice, the General Directorate of Public Debt (DGDP) of the Ministry of Finance attends to debt sustainability by setting a medium-term debt strategy, which provides annual debt targets set in accordance with investment needs, while taking into account refinancing and foreign exchange risks. However, the DGDP has not completed a debt sustainability analysis since 2017. As things stand, the government's financial and economic program established with the support of the

<sup>9</sup> Articles 2 and 7 of the memorandum of understanding of 2011 and Articles 2 and 7 of the Annex on Finance and Investment of 2006.

IMF's Extended Credit Facility since 2021, instills effective discipline with regard to debt by committing the country to maintaining a moderate level of risk of external debt distress, and setting ceilings on non-concessional external borrowing entered into or guaranteed by the public sector, as well as ceilings on total borrowing.

**18. The law on public finance (LOFIP) sets a fiscal rule on the current deficit of the central and local government, from which the authorities have deviated somewhat in recent years.**

The only fiscal rule currently in force in the DRC, according to the IMF definition,<sup>10</sup> is described in Article 15 of the LOFIP. This article requires the central government, and each province and ETD to implement their budgets while balancing their current expenditure with domestic resources.<sup>11</sup> In other words, this “golden rule” enables borrowing solely to finance investment.<sup>12</sup> However, this rule was not complied with in 2019 and 2020 with a current balance deviating from equilibrium by 0.5 percentage point of GDP, according to the mission's calculations.

**19. A multiyear macro-fiscal framework is prepared every year, enabling distinctions between current and capital spending.** As set forth in the LOFIP (Article 13), the Ministry of Budget sets a three-year MTF (including the ongoing year and the two following years) covering the whole general government. It is based on macroeconomic assumptions supplied by the Ministry of Planning. The MTF provides aggregate projections for revenues, expenditure, balance, and debt. It distinguishes between current and capital spending but does not distinguish expenditure on ongoing projects from expenditure on new projects. In practice, the MTF has helped to delineate the overall amount of investment spending which gets approved in the budget. In the past three years, capital appropriations approved in the budget laws have been on average 4 percent higher than the amounts projected a few months earlier in the MTFs. This gap was only 1 percent for the 2022 budget, suggesting that the MTF investment envelopes have served as effective ceilings for the budget.

**20. Strengthened oversight of medium-term public debt is important, but is a low reform priority.** The discipline in practical terms imposed by the program with the IMF in force until end-2023 means that actions in this area are less urgent than other reforms covered by the PIMA framework. Nevertheless, several actions could allow the authorities to ensure that planning and budgeting for investment are consistent with the objective of public debt sustainability: (i) carrying out a public debt sustainability analysis with a broad perimeter including the debt of public corporations, as well as alternative scenarios incorporating all the debt instruments, the natural resource operating profiles, the demographic projections, and contingent liabilities<sup>13</sup>; (ii) the explicit verification, in the MTF and the budget execution reports, of compliance of the projections with the fiscal rule set by Article 15 of

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<sup>10</sup> A fiscal rule is a long-lasting formal constraint on public finances through predetermined numerical limits to broad fiscal aggregates. The convergence criteria of the SADC and of the Common Market for Eastern and Southern Africa (COMESA), which are indicative in nature, are not considered as fiscal rules.

<sup>11</sup> The rule excludes internal borrowing, grants, and repayment of loans and advances.

<sup>12</sup> The experience of golden rules has shown that they have not always been able to maintain public investments at high levels (see IMF paper, 2020. [Well Spent](#), Chapter 7). Moreover, in the absence of an explicit limit to the debt, such rules have often encouraged excessive indebtedness to finance investment projects, frequently leading to unsustainable levels of debt and potentially requiring significant reductions in public investments to support a fiscal adjustment that has become inevitable.

<sup>13</sup>Such an analysis, carried out by the DGDP in cooperation with the Ministries of the Portfolio, Budget, and Planning, could also be conducted when debt is planned for major infrastructure projects, in order to ensure sustainability.

the LOFIP; and (iii) the provision in the MTF of the overall distinction between investment spending on ongoing projects and on new projects.

## **2. National and Sectoral Planning** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: High*)

**21. Public investment should be guided by national or sectoral strategies or plans with clear, realistic priorities, cost estimates and precise sectoral objectives.** This institution looks, first and foremost, into whether national and sectoral investment strategies covering all public investment projects, whatever their source of funding, are prepared and published. It underlines the importance of quantification of the costs of public investment plans and assesses whether sectoral strategies identify measurable targets for public investment outputs and outcomes.

**22. The National Development Strategy Plan (PNSD) and the various existing sectoral strategies contain little precise information about major projects in their published versions.** The 2019-2023 PNSD (prepared in 2019 and in the process of being reframed) constitutes the main development strategy of the DRC and is published. The PNSD was prepared by integrating the priorities of each sector, broken down into strategic pillars, programs, subprograms, and actions to be implemented, and retaining the strategic objectives set forth in the sectoral strategies when these are available.<sup>14</sup> Among the major sectors of economic and social infrastructure usually taken into account in the assessment, only two sectoral strategies - the 2019-2022 National Health Care Development Plan (PNDS); and the 2016-2025 sectoral strategy for education and training - have been published recently. There is no recent strategy relating to the economic infrastructure sectors.<sup>15</sup> Although the published versions of the PNSD and the sectoral strategies considered here describe the actions by major pillar or strategic objective, they do not identify clearly a portfolio of investment projects to be implemented. The 2019-2023 Priority Action Program underlying the PNSD does indeed identify investment projects in some sectors (for example, transport, electricity, housing, etc.), but it is not published. By contrast, the 2021-2023 Government Program identifies a list of priority infrastructure projects, in particular in the sectors of transport, electricity, and water. In practice, some major projects identified in the Government Program or the PAP may be found in the 2022 budget law; the absence of a comprehensive list of projects annexed to the strategies prevents more in-depth checking. However, the standard project fiche that monitors every investment project from its identification to its implementation (see institution 4) requires a relationship with the PNSD and the sectoral strategies to be established, suggesting the existence of a link between the initiation of a project and its inclusion in planning.

**23. The majority of the national and sectoral strategies do not present information on underlying costs of investments, whether in total or at individual project level.** The PNSD estimates that the total cost of the strategy over five years would be US\$47.6 billion, taking all sources of funding combined (including funding to be identified). Nevertheless, neither the PNSD, nor

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<sup>14</sup> The PNSD is also supported by sectoral thematic groups created by a decree in 2013, which serves as a framework for consultation and harmonization of sectoral actions among the Government, donors, civil society, and the private sector. These groups also aim to ensure ownership of the sectoral strategies by the various parties involved as well as to mobilize the necessary financing for their implementation.

<sup>15</sup> The authorities have also pointed out strategies that have not been updated in the transport and energy sectors. In addition, some subsectors less directly linked to public infrastructure (industrial development plan, 2025 national digital technology plan) are covered by a strategy.

its underlying PAP,<sup>16</sup> although it is more detailed, present the total cost of investments attached to the strategy. The Government Program does not provide any information on the costs of investment, either at the total or the individual project level. The 2016-2025 sectoral strategy for education and training is the only one to present annual costs of investment by education cycle, but without providing any information on the costs of individual projects. For these various reasons, it is not possible to appraise the overall consistency between the total amounts of investment spending in the strategies and those recorded in the successive budget laws.

**24. The sectoral strategies taken into consideration include measurable targets for their outputs and outcomes, but the effectiveness of monitoring and evaluation (M&E) of these targets seems weak.** The sectoral strategies for health and education mentioned above are associated with M&E frameworks specifying the monitoring indicators, their data sources, and annual target values. Accordingly, the two strategies propose measurable indicators that allow progress in terms of access, fairness, and efficiency to be measured relative to target values.<sup>17</sup> The system of assessment also provides for the completion of surveys enabling the ongoing collection of data and results by the departments and ministries involved. For these two strategies, interim reviews are planned to measure progress achieved and to assess the relevance of the actions carried out, as well as, if necessary, to review the value of the targets set out at the start of the strategy. It is worth noting that within its sectoral pillars, the 2019-2023 PNSD indicates objectives, outcomes, and indicators for the monitoring process, making the link with the various objectives of sustainable development, but it does not present any quantified target. The efforts to reframe the PNSD already underway aim to strengthen M&E by including quantified targets.

**25. Improving information on the nature, costs, outputs, and outcomes of the investment projects underlying planning is a high priority for reform.** The main planning documents - PNSD and sectoral strategies - should therefore also include the total and annual amounts of investment needed to achieve these strategies. When it is reframed, and for the next cycles, the PNSD should include a list of major investment projects, regardless of their sources of funding, as well as their expected costs. This will require sectoral ministries to carry out an exercise to identify their needs for major projects, using their sectoral planning mechanisms. The formulation and publication of sectoral strategies in the major economic infrastructure sectors (transport, water, energy) would be helpful in this regard. Finally, the PNSD should attach quantified targets to its indicators to enable its performance to be monitored. The transition to program-based budgeting will provide the opportunity to strengthen the links between planning and budgeting, for example by having some performance indicators in common.

### **3. Coordination Between Entities** (*Institutional design: Weak; Effectiveness: Weak; Priority of reform: Medium*)

**26. The various levels of government and agencies should coordinate their public investment actions with a view to achieving consistent planning and implementation.** First this institution assesses the level of coordination between the Government and the provinces and ETDs, and whether the Government uses a transparent, rules-based system to make capital transfers to the regional, provincial and local authorities. It also analyzes the framework set up to monitor and publish

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<sup>16</sup> Costs are associated with the investment projects identified in the PAP, but not according to an economic classification that would distinguish operating from capital expenditure.

<sup>17</sup> As an example, for education: gross school enrollment rates, average scores in standardized tests, and school dropout rates; for health: maternal and neonatal mortality rates, and rates of tuberculosis or malaria.

the Government's exposure to major fiscal risks relating to public investment projects carried out by other government agencies (public corporations and PPPs).

**27. The harmonization conferences between the central government and the provinces planned in the legal framework are no longer organized in practice, and there is no joint publication of investment plans.** The memorandum of understanding of March 29, 2013 sets forth the practical arrangements for joint management of capital appropriations in five sectors under the exclusive jurisdiction of the provinces.<sup>18</sup> According to Articles 8 and 10 of the memorandum, investment spending funded by transfers to the provinces and ETDs are planned in accordance with all the programs and projects of the country as whole, in the context of annual project harmonization meetings coordinated by the Ministry of Planning. Transfer-funded capital spending is budgeted in the budget law, but no multiyear provincial investment plans are published. Further, in practice, the coordination mechanisms are only partially functioning. The investment harmonization meetings in advance of budget formulation have not been held since 2018, as there has been a lack of financing for organizing them.<sup>19</sup> New practices emerged in 2021 as part of preparation of the local development plan in the 145 territories (PDL-145T), with planning meetings being held focusing, however, only on the PDL projects. The effectiveness of the coordination is, in the final analysis, called into question by the significant gap between capital transfers approved by vote in the budget and those actually executed, both in terms of projects and amounts (Table 3.A).

**28. The calculation formula used to determine the transfers is not known to provincial governments, and effective transfers deviate significantly from the amounts planned.** The basic rules for establishing the transfers to the provinces and the amounts allocated to the National equalization fund (*Caisse nationale de péréquation*) do exist,<sup>20</sup> but the calculation formula used by the Ministry of the Budget to establish the base, the horizontal distribution among the provinces and the ETDs, and among the three categories of transfer,<sup>21</sup> is not known by the provinces. According to the fiscal calendar, the provisional transfer envelopes are communicated in September of year n-1, which is six months before the start of fiscal year n. In practice according to the authorities, this communication is made in November, after the vote on the budget law. The amounts transferred for investment differ significantly from those planned, with an average execution rate of 5.3 percent in 2016-2021.<sup>22</sup> In 2020, according to the accounting law and the Court of Accounts, transfers to the provinces had been budgeted for 858 projects, only 13 of which made use of their funds during the year. In that same year, for the province of Kinshasa, four projects were executed with amounts on

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<sup>18</sup> Health, education, rural development, infrastructure, and other sectors under the exclusive jurisdiction of the provinces (memorandum of understanding dated March 29, 2013 on the procedures for the application of investment appropriations in the sectors under the exclusive jurisdiction of the provinces.)

<sup>19</sup> In practice, according to the Ministry of Planning, planning is carried out to a large extent by redirecting unexecuted appropriations to the following year, and on the basis of written communication with various provinces.

<sup>20</sup> The LOFIP sets the main principles for the base of transfers to the provinces and ETDs. It is expected that they will receive 40 percent of the total amount of national revenues. These revenues are distributed among the provinces according to their contribution capacity and their demographic weight, and potentially the need to compensate for environmental damage related to extractive industry. In addition to this transfer the Constitution set up a National equalization fund, receiving 10 percent of national revenues.

<sup>21</sup> Investments, remunerations, operation.

<sup>22</sup> Calculation by the mission based on the data provided by the DGPPB of the Ministry of the Budget.

average 20 times higher than budgeted (Table 3.A).<sup>23</sup> Finally, although the respective sums have been budgeted, in actual fact, the Caisse nationale de péréquation has never been supplied with funds.

**Table 3.A. Kinshasa City-Province projects executed using central government transfers, 2020**

Name of projects in Kinshasa	Forecasts, in CGF	Execution, in CGF	Difference, in CGF	Overrun
Development of access to the Kimbanguiste / Ngafani Selembao site	230,305,902	8,012,939,600	7,782,633,698	33.8
Restoration of Avenue de la Paix Kinsenso Matete	289,746,989	8,346,340,090	8,056,593,101	27.8
Construction of the N'djili loop	343,891,932	12,419,823,700	12,075,931,768	35.1
Purchase of complete water drilling systems for the hinterland	522,617,585	1,159,828,258	637,210,673	1.2
<b>Total</b>	<b>1,386,562,408</b>	<b>29,938,931,648</b>	<b>28,552,369,240</b>	<b>20.6</b>

Source: Court of Accounts, report on the 2020 accounting law Table 14 using data from the Directorate for Preparation of the Accounting Law.

**29. The analysis and publication of the contingent liabilities arising from major projects of the provinces, public corporations, and PPPs still need to be institutionalized.** The legal framework does not ensure for either the provinces,<sup>24</sup> the public corporations,<sup>25</sup> or the PPPs that their contingent liabilities are systematically reported to the Ministries of the Budget and Finance. For the PPPs in particular, a decree providing a framework for granting the guarantees provided by the 2018 law on PPPs is still not available.<sup>26</sup> Despite these obstacles, in 2021 the General Directorate of Fiscal Policies and Programming (DGPPB) of the Ministry of the Budget prepared, with the help of FAD, and published an initial fiscal risks statement (*Déclaration sur les Risques Budgétaires*, DRB). Specifically, it covers the fiscal risks linked to public corporations and PPPs, but not those related to the provinces. In light of the conversations with the various entities holding information, the analysis remains at an embryonic level, in particular because the information is often only partial. For public corporations, for example, the DRB does not state the contingent liabilities arising from their major investment projects. For the PPPs, the DRB prepares a partial list of the PPPs in progress, without any analysis of the fiscal risks associated with the guarantees granted to these projects.

**30. Improved coordination of capital spending between the provinces and central government and analysis of fiscal risks are medium priorities for reform.**

- *The reestablishment of annual harmonization conferences on investment spending between the provinces and the central government should provide a more realistic estimate of the projects to be financed, and enable coordination that takes into account all sources of financing. This should ultimately contribute to a more precise estimate of the expected expenditure for the fiscal year. In*

<sup>23</sup> Coordination problems between central government and the provinces, limited capacities of the provinces to follow the procedure for the execution of transfers, and cumbersome administrative processes all contribute to the weakness of execution rates. In particular, the provinces do not have public procurement units; they depend on the central ministries to carry out the procurement procedures and management of the expenditure chain.

<sup>24</sup> The provinces' debt is governed by Article 15 of the LOFIP, which sets forth rules for the amounts and nature of the borrowing. However, there is no implementing regulation or formal mechanism establishing that the DGDP of the Ministry of Finance supervises compliance with these rules.

<sup>25</sup> The DGDP has information on the loans onlent to the public corporations that it supervises. Nevertheless, neither the DGDP, nor the Ministry of the Budget has an overview of the financial health of the enterprises or their investment projects. This is a result of there being a single authority of financial supervision, specifically the Ministry of the Portfolio, without setting up any channel of communication with the Ministries of the Budget and Finance.

<sup>26</sup> The 2018 law on PPPs provides for a broad range of guarantees, likely to generate considerable fiscal risks. Article 15 provides for sovereign guarantees for the effective execution of contracts, whereby the terms for granting them must be established by decree. Moreover, the PPPs are eligible for balancing subsidies without their calculation or verification methods being set out.

addition, preliminary notification of the envelopes to the provinces, more in advance of the fiscal year, for example after the preparation of the MTFP planned in June, would be preferable to enable the provinces to plan ahead for the preparation of their investment budgets.

- *Managing fiscal risks arising from the PPPs assumes particular significance in light of the substantial guarantees that may be attached to them.* That requires the urgent adoption of the decree operationalizing Article 15 of the law on PPPs. It would also be advisable for the Ministry of Finance, through the DGDP, to play a strong role in the system for validating all guarantees before they are issued. A veto power should be given to the Ministry so that it could oppose any PPPs considered to be too risky during their review by the new Standing Committee on Project Validation. It will also be important to strengthen the capacity of the Ministry in terms of analysis of the risks attached to projects.
- *The first DRB of 2021 is a significant step forward, and the underlying fiscal risk analyses should be expanded and deepened in the future,* in particular to include a review of contingent liabilities arising from major investment projects and public corporations, as well as an analysis of the guarantees granted to the whole portfolio of ongoing PPPs. Challenging actions include the establishment of mechanisms to transmit information on risks from the various entities to the DGPPB, and the strengthening of the tools for analysis and supervision of risks.

#### 4. Project Appraisal (*Institutional design: Weak: Effectiveness: Weak: Priority of reform: High*)

**31. Good practice in the area of appraisal aims to ensure that projects are analyzed using a rigorous methodology before being selected and budgeted.** The PIMA methodology requires that major investment projects be subjected to rigorous financial, economic, and technical analysis using a standard methodology with the support of a central authority and incorporating a risk analysis.

**32. Besides donor-funded projects, in the absence of a legal framework imposing limits and with the lack of resources, rigorous preliminary appraisal of public investment projects is rare.** There is no legal,<sup>27</sup> or even documentary<sup>28</sup> framework setting as principles the systematic submission of large-scale investment projects to rigorous financial, economic, and technical analysis, and the publication of the results of the analysis. In practice, even though externally financed projects are generally assessed,<sup>29</sup> those using their own funds are rarely subjected to rigorous appraisal due to the lack of resources. The existence of a preinvestment fund,<sup>30</sup> with the purpose of financing feasibility studies for major projects using own funds, is a good practice. According to the Ministry of Planning, the amount allocated to the fund would enable it to finance 10 appraisals a year. However, the budget data analyzed by the mission for the 2018-2022 period, while not comprehensive, suggest a very low level of execution (or even zero, depending on the year) of the appropriations allocated to this fund. Overall, the ministries with which the mission met stated the frequent absence of appraisals for domestically funded projects. According to the IGF, the poor quality of analyses, or absence

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<sup>27</sup> The order dated July 19, 2019 establishing the Commission for identification and selection of public investment projects (CISPIP) lays down that technical subcommittees analyze and assess the project feasibility studies without stipulating that they be systematic.

<sup>28</sup> The public investment selection manual of the Directorate of Planning and Budgeting of the Ministry of Planning (June 2018) specifies the process for feasibility studies, without mentioning anything about it being a systematic process, or referring to their publication. The former procedures manual on preparation, execution, and M&E of the PIP of November 2002 is obsolete.

<sup>29</sup> The procedures of donors, especially multilateral, systematically include mandatory preliminary appraisals and publication of their main results.

<sup>30</sup> Interministerial order of May 20, 2013 establishing the organization and operation of the preinvestment fund.

thereof, explains in part the delays and cost overruns found during implementation. Lastly, very few appraisals are published on line and there is no single entry point for appraisals of externally financed projects. The Central Coordination Office (BCECO) does expect for the future, however, to publish the studies about its projects on its website.

**33. The absence of standard methodology and of a central support structure for appraisal compromises the capacity of the authorities to select the most mature projects.** There is no standard methodology or central support structure for the appraisal of major investment projects that would ensure a consistent basis of the analytical process. The procedures of donors provide for their own appraisal methodologies and are, thus, by definition, not standardized. The BCECO has a methodology, which is, however, only applied to its own project portfolio; the mission was informed that the Congolese Agency for Major Works (ACGT), which manages significant road infrastructure projects does not have a standard appraisal methodology. The regulatory framework specifying the powers of the technical secretariat of the Commission for identification and selection of public investment projects (CISPIP) or of the BCECO does not explicitly task them with providing technical advice about appraisals and cannot therefore be considered as central support agencies for appraisal of major projects.

**34. The absence of an institutional framework for risk assessment in the preliminary studies has a negative impact on risk management during the implementation stage.** There is no legal framework requiring a systematic risk assessment during the appraisal of projects. In actual fact, risk analysis remains too limited at the appraisal stage to enable active management of risks during the implementation stage. Outside the externally financed projects,<sup>31</sup> according to the ministries met during the mission, appraisal of domestically funded projects and PPPs does not systematically measure the associated risks. The grid used during identification of projects (see §63) provides a summary appraisal of whether the risks and the mitigation measures have been properly identified, without, however, entering into an extensive analysis. According to the IGF, the risks inherent to the projects mentioned by the ministerial departments, such as those in connection with securing of land, provision of funds within specified periods, delays in execution, and cost overruns, very often arise at the time of project implementation.

**35. The strengthening of the preliminary project appraisal process is a high priority of reform to support the selection of the best projects.** The future decree on public investment management will have to lay down the basic principles (i) of systematic submission of all major investment projects, regardless of their method of funding, to a rigorous environmental, financial, economic and technical appraisal using a standard methodology; (ii) of the publication of the results of the analyses; and (iii) of the consideration of the risks in the appraisal and the need to provide for mitigation measures. Standard appraisal methodologies will have to be prepared in the short term, based on what is already available and on the various initiatives currently in progress. The financial resources allocated to the prefinancing fund will have to be rationalized, and a central support committee or agency for project appraisal should be set up, ideally at the Ministry of Planning, tasked with producing advice to those responsible for projects and to the appraisers on the required analysis.

**5. Alternative Infrastructure Financing** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: High (PPP)*)

**36. This institution aims to assess the regulatory framework for mobilization of private investments on economic infrastructure markets, PPPs, and investments by public**

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<sup>31</sup> In December 2021 the BCECO prepared a draft project management manual incorporating risk management, which has to be validated at a workshop at a later date.



**corporations.** The assessment focuses on the existence of a legal and regulatory framework that facilitates the participation to investment of the private sector, public corporations, and autonomous organizations. It aims to ascertain that (i) a regulatory framework supports competition on the contestable markets for economic infrastructure; (ii) a strategic and legislative framework guides the preparation, selection, and management of PPP projects; and (iii) there is a framework for the oversight of investment plans of public corporations and autonomous organizations, as well as of their financial results.

**37. The majority of major infrastructure sectors have been deregulated in law, but there is only effective competition in the telecommunications market.** The regulatory frameworks of the electricity, telecommunications, and water sectors opened these markets to competition and participation of the private sector.<sup>32</sup> Two regulatory authorities, the Electricity Sector Regulatory Authority (ARE) and the Post and Telecommunications Regulatory Authority, have been set up and given administrative and financial autonomy to oversee, among other things, the promotion of competition. In practice, only the telecommunications market experiences effective competition between several private operators. In the other two sectors,<sup>33</sup> the public corporations responsible for the production, transport, and distribution of electricity and water - SNEL and REGIDESO - continue to be *de facto* monopolies; the private operators are mainly present in the areas that are poorly served by these two companies, such as the east of the country, or are used to overcome limits in production capacity.<sup>34</sup> The role of the economic regulators also remains limited. For example, according to the World Bank, the ARE is not able to maintain price competition, as the SNEL offers its customers subsidized rates (below cost), which makes it difficult for the private operators to market their electricity at reasonable prices. Transport, in particular road transport, is dominated by private operators working in the informal sector.

**38. As they are governed by a new legal framework that is in the process of consolidation, the PPPs are still not covered by a clear national policy, although the PPP project portfolio is already expanding.** Law 18/016 of July 9, 2018 sets forth the procedures for identification, selection, validation, and oversight of the PPPs. The law provides for strict separation between the functions of management, regulation, approval, and oversight, and sets forth in particular the key role of the Public Contracts Regulatory Authority (ARMP), which is responsible for the selection and appraisal of PPP projects as well as their oversight both *ex ante*<sup>35</sup> and *ex post*. In application of the law, Decree 21/04 of October 2, 2021 creates the PPP Advice and Coordination Unit (UC-PPP) as a new public establishment under the supervision of the Ministry of Planning. Among other tasks, the UC-PPP is responsible for implementing the national policy relating to PPPs, maintaining a PPP database, assisting with the preparation of projects, and reporting to the Government on the PPP

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<sup>32</sup> For electricity: Law 14/11 of June 17, 2014 on the electricity sector, which does not apply to power stations with power of less than or equal to 50KW, and Decree 16/013 of April 12, 2016 on the creation, organization, and operation of the Electricity Sector Regulatory Authority. For water: Law 15/026 of December 31, 2015 concerning water For telecommunications: Framework Law 013/2002 of October 16, 2002 on telecommunications and Law 014/2002 of October 16, 2002 establishing the Post and Telecommunications Regulatory Authority.

<sup>33</sup> Several World Bank reports are used to support effectiveness in this dimension: *Increasing Access to Electricity in the DRC: Opportunities and Challenges*. 2020; *Democratic Republic of Congo Systematic Country Diagnostic: Policy Priorities for Poverty Reduction and Shared Prosperity in a Post-Conflict Country and Fragile State* 2018.

<sup>34</sup> In the electricity sector the mining companies have built their own electric power stations to overcome SNEL's production capacity limits.

<sup>35</sup> By conferring oversight before the fact to the ARMP, the law on PPPs complicates the regulator's role, as it would be better for oversight before the fact to be the responsibility of the DGCMF, as provided in the law on procurement and the decree on that directorate's powers.

projects implemented every year. The UC-PPP also takes care of the technical secretariat of the Standing Committee on Project Validation tasked with the technical approval and analysis of the appraisals, requests for bids, and contracts. In this way this decree redistributes the functions that were the responsibility of the ARMP in the 2018 law; in practice the decree is in the process of operationalization. In addition, other implementing regulations are still needed for the full implementation of the legal framework.<sup>36</sup> The DRC has no national policy to guide the use of PPPs<sup>37</sup> that the UC-PPP is responsible for applying. Until full application of the law on PPPs, the institutional procedures underlying PPPs suffer from fragmentation among various agencies (in particular the ARMP and the ACGT), and there is no centralized, consolidated oversight of the whole portfolio of ongoing projects.

**39. The legal framework for the oversight of public corporations does not require review of their investment plans by the government, even if this is done in practice.** The Ministry of the Portfolio is responsible for financial oversight of public corporations, which includes monitoring their financial performance (in cooperation with the ministries in charge of the technical oversight).<sup>38</sup> The public corporations are required to submit their annual financial statements to the financial oversight authority and to publish them, in accordance with the rules of the Organization for Harmonization of Business Law in Africa (OHADA). The purpose of the High Council of the Portfolio (CSP), positioned under the direct authority of the Minister of Portfolio, is to carry out the tasks of monitoring, oversight, and assessment of the enterprises in the portfolio, as well as to put forward, if necessary, financial recovery or restructuring plans proposed by the Public Corporation Reform Steering Committee (COPIREP).<sup>39</sup> It is also responsible for preparing the consolidated financial statements of the government's portfolio and producing the activity reports, albeit without any explicit requirement to publish them, and to advise the Minister on the investment and financing programs of the corporations, in cooperation with relevant line ministries. Nevertheless, there is no explicit legal obligation for the public corporations to submit their investment plans to the Ministry of the Portfolio for review. In practice, according to the CSP, the public corporations submit their investment plans to the CSP, however. By contrast, no consolidated report on these plans or on their financial statements is published. The 2022 statement of fiscal risks does, however, contain information on the level of debt and the financial performance of the corporations in the portfolio.

**40. The clarification of the legal framework for PPPs is a high priority for reform.** Given the political will of the authorities to make significant use of PPPs to develop infrastructure, it is urgent to finalize the implementing decrees of the PPP law, and to settle conflicts between the various legal

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<sup>36</sup> The other implementing regulations must specify, among other things, the model project fiche, the approval procedures, and the various categories of approval authorities and the procedures for granting this Government guarantee. An order is also expected setting forth the approval authorities and establishing the approval thresholds for PPP procurement, as well as a regulation establishing the response period of the contracting authority to requests for clarification by candidates.

<sup>37</sup> A PPP policy is an official document, often adopted by the government, which aims to explain and delineate the conditions for the use of this method of financing and which indicates the infrastructure markets open to PPPs, the principles for risk-sharing, the PPP financing objectives to be achieved, the type of contract, a list of viable projects able to be completed with a PPP, as well as information on the project selection, oversight, and reporting criteria, among other things.

<sup>38</sup> Law 08/010 of July 7, 2008 establishing the rules on the organization and management of the Government portfolio.

<sup>39</sup> Decree 13/036 of September 3, 2013 on the creation, organization, and operation of the High Council of the Portfolio and Decree 9/15 of April 24, 2009 on the creation, organization, and operation of the COPIREP.

texts by clarifying the distribution of roles<sup>40</sup> among the various committees and agencies (in particular the ARMP, UC-PPP, and DGCMF). The Ministry of Finance (DGDP) must also play a key role as guarantor of the financial viability of the projects, in particular at the stage of their appraisal and adoption. A national PPP policy should be set up, specifying the infrastructure markets open to PPPs, the risk-sharing principles, the PPP financing objectives to be achieved, a list of viable projects that could be implemented as PPPs, information on the project selection criteria, their oversight, and the role of the public authorities throughout the process. An effort should also be made to enable the ARMP and the UC-PPP to keep an up-to-date register of the whole PPP portfolio, including PPPs currently managed by other agencies (such as the ACGT). Further, in light of the significance of public corporations in the provision of basic public services, the transparency of their financial relationships with the government, as well as their good governance and efficient oversight by the government are critical. Although it may be a lower priority in terms of the PIMA, the authorities should publish a consolidated annual report on the financial position of the public corporations, which would include information on the amounts they are investing. The preparation and publication of documents providing a portfolio strategy, covering the aims of the public shareholders and the investment and performance targets of the corporations, would also be helpful.

## C. ALLOCATING INVESTMENTS TO THE RIGHT SECTORS AND PROJECTS

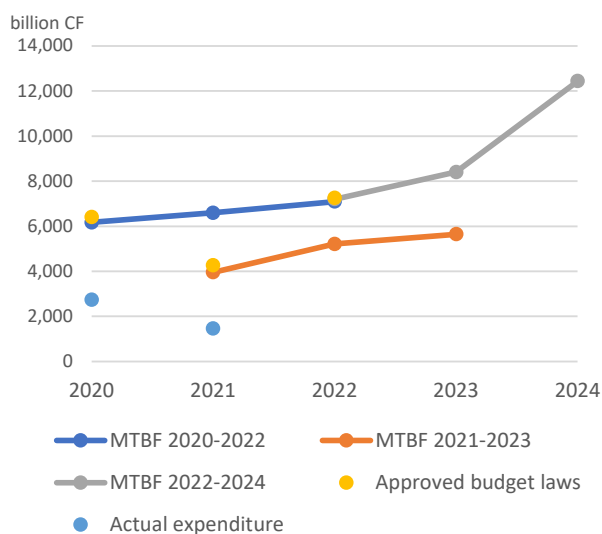
### 6. Multiyear Budgeting (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: High*)

**41. Major public investment projects have a fiscal impact spread over the medium term.** It is important to know the total costs and the forecast schedule of payment obligations relating to execution, in order to ensure, at any time, the sustainability of the investment expenditures in relation to the macro-fiscal framework. The amount of expenditures required for ongoing projects and new projects must comply with the expenditure ceilings imposed by the macro-fiscal framework. Multiyear forecasts of investment spending should appear in the budget documentation, even though the budget system is annual. The three dimensions of this institution aim to check that the multiyear perspective is taken into account in public investment planning. The first dimension reviews whether there are any multiyear projections of investment spending and the degree of detail of such projections. The second dimension assesses whether the ministries are notified of the multiyear investment spending ceilings to enable them to prioritize their projects effectively. The third dimension identifies whether the total costs estimated for each project and the expenditures required for each year in this total are known and accessible by the public.

### Figure 3.D. Capital budgets successively planned and voted by parliament (billions of CGF)

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<sup>40</sup> As expressed in the 2021 FAD report on the emergence of a fiscal risk management function, under an ideal system, the Ministry of Planning would be involved in the identification of projects and their selection in accordance with the development plan; the sectoral ministries would be in charge of steering contract negotiations and entering into contracts under the regulation of the ARMP, which would be advised by the technical unit attached to the Ministry of Planning, and with the active involvement of the Ministries of Finance and the Budget for the financial approval of projects after their appraisal, including the analysis of fiscal risks. *The approval of contracts would be submitted to the approval units that would be created by decree, with the Ministry of Finance having to play a key role as guarantor of the financial sustainability of the projects.* Oversight of contracts would be carried out by the ARMP, the sectoral authorities, and the Ministry of Finance for fiscal risks.



Source: MTF 2020-2022, 2021-2023, 2022-2024, LFI (Titles VII and VIII) of 2020, 2021, 2022, Cour des Comptes: 2020 report on the accounting law, DGPPB: Fiscal Oversight Statement (ESB) of expenditure by heading as at December 31, 2021

**42. The multiyear capital spending projections broken down by ministry are published, but the appropriations in the approved budget differ significantly from them.** The MTF prepared each year by the Government in accordance with Article 76 of the LOFIP contains the projection of the capital spending envelopes for the next three years (see Institution 1). The Medium-Term Expenditure Frameworks (MTEF), flowing from the MTF, break down the capital expenditures over three years by section (ministry) and heading.<sup>41</sup> Nevertheless, there are significant gaps between these multiyear capital spending projections and the initial budget laws (LFIs) approved by vote, which reduce the usefulness of the exercise for planning. The investment budgets of the last three LFIs thus differ significantly (by up to nearly 40 percent) from the forecasts for n+1 and n+2, contained in the MTFs published previously (Figure 3.D).

**43. Three-year capital spending ceilings are applied to each ministry on an indicative basis, but they diverge strongly from the approved budget laws.** The budget circular communicated in June provides these indicative capital spending ceilings, broken down by ministry and heading in the MTEF.<sup>42</sup> There are nonetheless significant gaps between these ministerial ceilings and the approved budget laws, just as there are gaps between the MTEFs associated with the MTFs and the budget laws. The comparison of ceilings for four infrastructure-intensive ministries (budget circular of 2022) with the amounts approved by vote in the 2022 LFI show significant overshoots, with gaps in both directions, of over 15 percent (Table 3.B).

**Table 3.B. Comparison of the ministerial capital spending ceilings presented in the MTEFs and envelopes approved by vote in the 2022 budget law**

Sections - ministries	Estimate 2022, MTEF 2020-2022, in	Estimate 2022, MTEF 2021-2023, in	Ceiling in LF 2022 circular, in	Budget law voted in 2022, in billions of CGF	Gap (%)

<sup>41</sup> There are three headings relating to investment: externally financed investments, investments financed from own funds, and investments funded by transfer to the provinces and ETDS.

<sup>42</sup> According to the 2022 budget preparation circular, the determination of the needs of each sector should take into account the budget constraint, in particular the sectoral envelopes as notified in the annex to the circular (presenting the MTEFs).

	billions of CGF	billions of CGF	billions of CGF		
42 - Infrastructure and public works	673	360	257	1,063	314%
37 - Public health, hygiene and prevention	373	822	1,001	946	-5%
38 - Primary, secondary, and technical education	949	821	796	624	-22%
51 - Transport and communication channels	485	365	276	388	40%

Sources: Budget circular for the preparation of the 2022 budget, 2022 LFI, 2020-2022 MTEF (October 2019), 2021-2023 MTEF (July 2020)

**44. The projections for total construction costs for major investment projects are neither published, consolidated, nor kept up to date comprehensively, even internally.** The Ministry of Planning manages the Public Investment Program (PIP), the purpose of which is to ensure the linkage over a rolling three-year time horizon between planning and budgeting.<sup>43</sup> The PIP<sup>44</sup> is broken down by ministry and includes the total costs of the projects as well as the annual expenditures planned for the next three years. The PIP seems, however, no longer to have been published with the budget documentation since the 1990s.<sup>45</sup> The version kept internally does not comprehensively encompass all the projects, thus totaling overall amounts that are well below those budgeted each year. Moreover, it is not kept up to date regularly. In practice, the link between the PIP, a tool managed by the Ministry of Planning, and the budget formulation process is weak. The Ministry of the Budget only has access to the PIP on request, and the PIP is not currently used in the budget formulation process.

**45. The use of the PIP as a central tool linking planning with budgeting is a high priority for reform.** The role of the PIP as a basis for planning, multiyear budgeting, and selection of projects should be included in the future decree on public investment management. The publication of a multiyear PIP in the budget documentation showing total project costs over a multiyear horizon is considered to be international good practice. This would imply introducing a more systematic and more frequent provision of information on total costs (and their development) of planned and current projects by line ministries to the Ministry of Planning. Accordingly, it is important to ensure automated sharing of this information with the Ministries of the Budget and Finance, the incorporation of the review of the PIP in the budget formulation process, and its publication with the budget documentation alongside the budget law. In the short term, a PIP, in which the total amount is aligned with the budget and the MTFF, could be produced and published with the 2023 LFI. An update of the current PIP will be necessary to ensure that it encompasses all ongoing projects and those about to start.

## 7. Budget Comprehensiveness and Unity *(Institutional design: Weak; Effectiveness: Weak; Priority of reform: High)*

**46. The purpose of this institution is to assess the comprehensiveness and unity of the investment budget.** Only a presentation of all capital spending in the context of the budget and the coordination of capital spending with the corresponding current expenditures enable optimal budget decisions to be made. Accordingly, the following must be ensured: (i) capital spending is carried out for the main part within the budget framework, (ii) all investment projects, regardless of source of

<sup>43</sup> The 2009 PIP manual details the procedures for preparation, execution, and follow-up assessment of the PIP. The manual is not formally covered at present by any legal text, but it draws its origins from Law 86/001 of March 7, 1986 on the approval of the first five-year plan of 1986-1990.

<sup>44</sup> The analysis here is mainly based on the most recent version of the PIP submitted to the mission, covering the period 2021-2023.

<sup>45</sup>Source: Ministry of Planning, Public Investment Programming Conference report 2020-2022

funding, are presented in the budget documentation, and (iii) the capital and current budgets are prepared and presented together in the budget documentation.

**47. While the legal framework allows significant capital expenditures to be made by means of extrabudgetary entities and without parliamentary authorization, a large part of their expenditure using Treasury financing is included in the budget.**<sup>46</sup> Extrabudgetary entities supporting investment projects exist in the form of public establishments, such as the Highways Office (OR) and the Office of Roads and Drainage (OVD), and public services, such as the ACGT. They are not under the obligation to obtain parliamentary authorization for their investment spending financed by the Treasury or to register them in the general budget. The authorization of their budgets and their oversight are the responsibility of their oversight ministry (the Ministry of Infrastructure and Public Works in all three cases).<sup>47</sup> Nor does the LOFIP provide for their expenditures to be included in the LFI, even for information purposes. The mission was not able to verify the annual investment budgets of these entities, but it is likely that they are significant.<sup>48</sup> In practice, the capital expenditures of the OR and the OVD are at least partially included in the budget documentation, but not the expenditures of the ACGT.<sup>49</sup> According to the mission's estimates, over 75 percent of the extrabudgetary entities' domestically-funded capital expenditures are presented in the budget.<sup>50</sup> Despite this positive practice for some, it is worth noting that the failure to register projects in the budget law is a frequent occurrence for all types of projects, including those of budgetary entities, which hence poses a problem of credibility of the budget (Box 3.A).

**48. There is no obligation to include the investment projects of public corporations or PPPs in the budget documentation, even though some do appear in it.** The LOFIP sets forth externally financed capital expenditure as a heading in the budget law, even though donor-funded projects are often executed by extrabudgetary entities that are exempt from registering their budgets in the budget law (such as the ACGT or the BCECO). For PPPs and for public corporations' investment projects, the LOFIP only provides for their inclusion in the budget documentation for information. The analysis of the 2022 LFI nevertheless shows that in practice the budget documentation covers projects in all three categories. It is not possible, however, to ascertain that the majority of the projects are included, as there is no consolidated list of projects in any of the three categories.

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<sup>46</sup> This paragraph (dimension 7a of the assessment) focuses on the extrabudgetary entities that execute expenditures using Treasury financing. The externally funded projects and PPPs are covered by the following paragraph (dimension 7b). Even though the ACGT was created first and foremost to manage externally financed projects, its role has changed to also manage Treasury-financed projects.

<sup>47</sup> Law 08/009 on public establishments does not provide for their budgets to be included or annexed to the LFI, or authorized by the National Assembly. Public services, in turn, enjoy financial and administrative autonomy pursuant to the decrees that established them (see Decree 08/17 of August 26, 2008 on the creation, organization, and operation of the ACGT). Here, too, the oversight ministry approves the budget, without a mandatory parliamentary authorization or inclusion in the budget law.

<sup>48</sup> The ACGT states that it manages a budget of US\$2.3 billion (website). By comparison the capital expenditures of the annual budget of the DRC in the 2022 LF total US\$3.6 billion.

<sup>49</sup> Some capital expenditures of the OR and the OVD are registered in the annual budget of the 2022 LF under investment by the MITP (Ministry of Infrastructure and Public Works). As for the ACGT, although its budget appears in the budget law, the investment projects that it manages are outside the general budget.

<sup>50</sup> Very approximate estimate, based on the 2022 LF (figures for the OVD and the OR), and the 2017 annual report of the ACGT.

- *Externally financed projects are included in the LF, in principle, even though some - in particular the projects of the ACGT financed by Chinese partners and some other projects executed by the BCECO<sup>51</sup> - do not appear in the LF. Also, it is often the case that projects are executed without being registered in the budget in advance (Box 3.A).*
- *Some PPP projects have appeared in the budget documentation since the 2022 LFI. The DRB in effect includes a list of the ACGT's PPPs, but omits other PPPs, such as those supported by the OVD or the Banana deep water port.<sup>52</sup>*
- *Some projects supported by public corporations are also included. The respective oversight ministries supervise the capital expenditures and their potential recording in the LFI.*

### Box 3.A. Gap between investment projects registered in the budget and those executed

The Public Expenditure and Financial Accountability report estimates that only 31.6 percent of the projects executed in 2018 had been registered in advance in the budget. The latest accounting law for fiscal year 2020 highlights a similar finding:

- Overruns of budgetary investment appropriations are significant (with an execution rate of over 120 percent).
- A significant number of projects not initially registered in the LF are executed, above all externally financed projects (292 projects executed, whereas 153 had been registered).
- Conversely, a large number of projects registered in the LF are not executed, particularly projects financed by own funds (41 projects executed as opposed to 708 registered).

Investment projects	Number of projects	Amount, in CF	Execution rate
<b>Externally financed capital expenditure</b>			
Total identified	399		
Included in the budget law	153	2,037 billion	
Executed (with or without forecasts)	292	2,446 billion	120%
<b>Capital expenditure financed by own funds</b>			
Included in the budget law	708	160 billion	
Executed (with or without forecasts)	41	201 billion	126%

Source: Court of Accounts: Report on fiscal year 2020, Section 3.2.1.2. N.B.: execution rate comparing execution with the supplementary budget.

**49. The capital and current budgets are presented together in the LFI, but prepared relatively separately.** According to Article 77 of the LOFIP, the Ministry of the Budget prepares the draft budget law for the year (covering both the capital and the current budget), which is submitted in the form of a consolidated document to the National Assembly. The transition toward program-based budgeting is underway and should be completed in 2024. The budget contains a presentation by

<sup>51</sup> According to the BCECO, it only acts as an agency executing such projects, in the capacity of delegated contracting authority. The responsibility for registering such projects in the LF lies with the project manager.

<sup>52</sup> The 2022 LFI includes appropriations for the deep-water port of Banana for the Société congolaise des transports publics (Congolese public transport company). However, it appears that there has been a mistake in the registration, given that this entity was removed from the management of the PPP.

functional classification, but, as it is not crossed with the economic classification, it is not possible to know how the capital and current budgets complement each other. In fact, there is significant duality in the preparation of budgets. The preparation of the capital budget is coordinated by the Ministry of Planning, which gives specific instructions to the sectoral ministries.<sup>53</sup> The result of this process is presented to the Ministry of the Budget at the budget conferences. Although the project fiches shared by the sectoral ministries include information on the needs for current appropriations flowing from capital projects, the Ministry of the Budget has no procedure to check that the estimates are reliable or that the concomitant appropriations are registered in the current budgets. Furthermore, classification by chapter (*titre*) is not fully adhered to; Chapters VII and VIII, which normally constitute capital expenditures, comprise some current expenditure in practice.<sup>54</sup>

**50. The inclusion in the budget law of all capital expenditure is a high priority for reform and the strengthening of the integration between capital and current budgets is a medium priority.**

- *The inclusion in the budget documentation of all capital expenditure, all types of management, and sources of financing combined, is a high priority for reform.* Significant work is necessary to strengthen the credibility of the budget, and this work is provided for under the Priority Action Plan for the implementation of the updated Strategic Public Finance Reform Plan. As things stand, a significant portion of the capital spending comes under exceptional management rules, often managed by extrabudgetary entities. The rules will have to be strengthened to make sure projects are systematically included in the budget documentation, thus ensuring transparency and creating the basis for appropriate fiscal reporting. The future decree on public investment management should contain the principle that all public investment projects should be included in the budget.
- *A second reform priority, of medium importance, is to better integrate the preparation processes for capital and current budgets (Box 3.B).* The coordination could be strengthened, in the first instance, in the sectoral ministries, through mechanisms for communication between the Directorates for Research and Programming (DEPs) and the staff responsible for preparation of the current budgets, and, in the second instance, through procedures for checking the consistency of the two budgets by the Ministry of the Budget ahead of and during the budget conferences. The transition to program-based budgeting should help to better integrate the capital and current budgets. A commented version of the Government Chart of Accounts would be helpful to effectively ensure the appropriate economic coding of expenditures. Over the seven-year horizon of the Public Financial Management Reform Program, more advanced unification of the capital and current budget preparation procedures should be sought, so as to align the DRC

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<sup>53</sup> The Ministry of Planning has organized investment planning conferences, with the participation of the sectoral ministries and the Directorate of Preparation and Monitoring of the Budget (DPSB) of the MB (Ministry of the Budget) until 2018.

<sup>54</sup> The presentation of the investment projects in the budget law does not include any coding that would break down project expenditures by economic type. The totality of the amounts associated with the projects is considered as investment, while the annual budgeted work plans (PTBAs) of the projects do contain a description of expenditure of all types (goods and services, operation of project units, etc.). Other projects, judging by their name, only seem to cover current expenditures (consultants' fees, etc.) The DRC should move toward having a coding of projects by type of expenditure, so as to isolate, within each project's expenditure, the part representing gross fixed capital formation from operating expenditure.



with international best practice and to ensure optimal coordination of the various categories of spending.

### **Box 3.B. Country examples for the joint preparation of the capital and current budgets**

#### **Indonesia**

- Recent reforms of the budget planning and formulation process promote allocation of resources based on outcomes, regardless of whether it is a matter of capital or current appropriations. To ensure integration of capital and current spending, many sectoral ministries have created integrated planning and budgeting divisions within their directorates. For example, within the Ministry of Education, the General Directorate of Schools has five divisions, each of which has a planning and budgeting division covering both infrastructure and current expenditure. This organizational structure promotes communication and coordination.
- The capital and current spending proposals are presented under one and the same activity program and function, and are discussed jointly when annual work programs and budgets are formulated. In addition to this integration of the budget formulation and planning processes, harmonized budget classifications are used in the information systems.

#### **Jordan**

- The capital and current budgets are formulated by the General Directorate of the Budget and are presented in the same document. The Ministry of Planning plays a key role, in particular, in the selection of public investment projects, but does not participate in the process of preparing the consolidated budget.

#### **Mauritius**

- The process for preparing the public sector investment plan (PSIP), the annual budget, and the MTFP are well coordinated and closely integrated. The budget includes information on capital and current spending classified according to a program structure (with over 200 programs). Details on the investment projects are provided in the PSIP, presented each year with the budget documentation to the Parliament.
- Sector Ministry Support Teams, (SMSTs) at the Ministries of Finance and Economic Development (MOFED) carry out reviews of the sectoral plans of the ministries and their budget proposals. The MOFED is also involved in the process of appraisal and selection of public investment projects.

Source: Mission, information from previous PIMA missions

## **8. Budgeting for Investment** (*Institutional design: Medium; Effectiveness: Medium; Priority of reform: Medium*)

**51. Budget procedures should aim to facilitate the availability of appropriations over the multiyear construction cycle of projects.** The three dimensions under this institution are focused on three procedures. The first dimension assesses whether future commitments linked to the investment projects are reflected in the budget documents. Decision makers should always be aware of the total cost of a project and the amount that has to be allocated in the future. The second dimension relates to the possibility of reallocating funds from capital expenditures during the fiscal year. The capital budget may be reduced if the investment appropriations can be transferred to the current budget, which can make the implementation of the capital budget more difficult. Finally, the third dimension relates to the prioritization of ongoing projects over new ones. If ongoing projects do not receive sufficient funding to cover the expenses planned in the budget year, these projects will suffer from implementation delays that lead to inefficiencies and cost overruns.

**52. Budgeting based on commitment authorizations (*autorisations d'engagement* AEs) and payment appropriations (*crédits de paiement* CPs), which allows to monitor future payments associated with investment projects, is not yet applied.** Articles 42 and 78 of the LOFIP provide for budgeting based on AE-CP, as well as the production of an annex to the draft budget law presenting the AEs and their consumption, in order to produce information on total costs of projects, the amounts committed, and the amounts disbursed. In practice, this reform is underway,

which means that at this stage, the budget documents only contain the payment appropriations associated with the projects for the first year. The PIP prepared internally by the Ministry of Planning shows the total cost of the investment projects, as well as a projection of the payment appropriations for the next three years. However, the PIP is not fully comprehensive and is not part of the budget documentation submitted to the parliament (see Institution 6). In all, the budget documentation sent to the parliament does not contain information on the total or multiyear costs of investment projects.

**53. Transfers of appropriations from capital to current expenditure are possible by way of ministerial order; this is however not done in practice.** Article 47 of the LOFIP provides that transfers of appropriations may be made between chapters (*titres*) by order of the Minister in charge of the budget; that indicates therefore that the Minister of the Budget may allow transfers of capital appropriations to current appropriations. The LOFIP does not provide any ceilings on the amount of such transfers. In practice, however, no transfers of capital appropriations to current appropriations have been applied in recent years.<sup>55</sup> This is related, among other things, to the fact that a module for managing movements of appropriations was developed by the Interministerial Information Technology Coordination department (C2I) in the PREPABUD software to apply a “lock” on transfers of appropriations.

**Ongoing projects are not prioritized in the allocation of budget resources to guarantee their completion in due time.** The annual circular on the preparation of the budget and the letters from the Minister of Planning, which frame the preparation of the capital budget, recommend that the sectoral ministries prioritize ongoing projects in their requests for appropriations. However, there is no other more stringent mechanism to prioritize the allocation of appropriations to the execution of ongoing projects. Consequently, some projects that are in the process of implementation are sidelined from one year to the next in favor of new projects; then they eventually reappear in the budget for subsequent fiscal years, depending on the choices and decisions of the sectoral ministries, with no oversight by the Ministry of Planning, or the Ministry of the Budget (see the case of the Ministry of Mines in Box 3.C). This situation prolongs the duration of projects and actually increases their final cost of completion due to the interruptions in implementation, in the absence of budget appropriations.

### **Box 3.B. Budgeting in the medium term for the investment projects of the Ministry of Mines**

From 2019 to 2022, there was a discontinued decrease from six to three in the number of projects budgeted for the Ministry of Mines; this shows that inclusion in the budget is no guarantee that the project will stay in the subsequent budgets until full completion.

- Three of the six projects budgeted in 2019 were not budgeted in 2020.
- Two of the three projects budgeted in 2020 were not budgeted in 2021.
- One project budgeted in 2019 that was not budgeted in 2020 was revived in 2021.
- In 2022, three new projects were budgeted and all the other projects underway were put on hold, one of which was revived in the end with a different coding, with a total cost significantly revised upward, which classified it as a new project.

Source: Mission, using the database of the Ministry of Mines.

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<sup>55</sup> This was said by the ministries met by the mission and verified by the mission on the basis of an extract from the appropriation transfers produced for the 2021 supplementary budget.

**54. The reform on safeguarding capital appropriations is of medium priority and should be included in the transition to program-based budgeting.** The scope for improvement lies above all in the full implementation of AE-CP budgeting by 2024 and in communicating the PIP to parliament, which would enable better knowledge and monitoring of the total cost and the multiyear commitments relating to each project (Institution 6). The procedures guide to AE-CP budgeting should, in particular, specify that reports on the consumption of AEs should contain a breakdown by project. This information would also help to enable ongoing projects to be prioritized before financing new ones, a general principle that could be formally established in the future decree on public investment management.

**9. Maintenance Funding** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: Medium*)

**55. An infrastructure asset cannot offer the benefits promised at the time of its design if it is not maintained correctly.** This institution focuses on whether maintenance needs are known, and how these maintenance needs are reflected in the budget and in planning. The first dimension relates to the existence of a methodology enabling the determination of the need for routine maintenance. Barring exceptions, routine maintenance is financed by the current budget. The second dimension covers the existence of a methodology enabling the determination of the need for capital maintenance (major improvements, restoration, and reconstruction). In principle, expenditures linked to this type of maintenance are included in the capital budget. The third dimension relates to the availability of information to establish the amount of maintenance funding included in the national or sectoral plans, and allocated in the budget.

**56. The estimation of routine maintenance needs is hindered by the lack of standard methodologies to assess them, except in the road sector.** According to the ACGT, a standard methodology is used to support road maintenance; however, the mission did not have access to this methodology. There is no methodology in other sectors, including maintenance of buildings. In the road sector, the maintenance processes are well established; they are taken care of by the road management agencies (OR, OVD, and the Office for Farm Roads) and funded by the National Road Maintenance Fund (FONER). Despite this institutionalization, the needs are greater than the financing available. The financial needs to cover routine maintenance of the DRC's road network are estimated by the FONER at US\$340 million a year.<sup>56</sup> By contrast, the Annual Road Maintenance Program for 2020, formulated on the basis of the needs expressed by the road management agencies, was only US\$108 million, or 32 percent of the actual needs; and only 73 percent of these amounts were effectively allocated to routine maintenance (Table 3.C).

**Table 3.C. Comparison between the routine maintenance needs and funding available (in U.S. dollars)**

Road management agencies	Actual needs	Needs expressed	Resources allocated
Highways Office	-	64,109,631	27,507,280
Office of Roads and Drainage	-	33,323,492	42,322,209
Office for Farm Roads	-	11,416,034	3,000,000
Infrastructure unit	-	-	4,673,456
Protection of road assets	-	-	500,000
Other FONER activities	-	-	1,000,000
<b>Total</b>	<b>340,000,000</b>	<b>108,849,157</b>	<b>79,002,945</b>

Source: Mission using the database of the 2020 FONER Annual activity report

<sup>56</sup> FONER, 2020 Annual activity report

**57. The estimation of financing requirements for renovation and restoration is not based on standard methodologies, except for the road sector.** According to the ACGT, as in the case of routine maintenance, a standard methodology is used to support the assessment of needs for restoration and renovation of roads; however, the mission did not have access to this methodology. In practice, several restoration and renovation projects can be found, in particular in the road sector, mentioned and included in the PNSD and the Government Program, as well as in the budget laws. Nevertheless, it is not clear whether that is enough to meet infrastructure restoration needs. The mission was not able to verify the financial coverage of needs relating to renovation work registered in the Government budget, as it did not receive an account of the budget requests discussed in planning and budgeting conferences.

**58. Routine maintenance and major improvement expenditures can be distinguished precisely from each other, but there is no such distinction in the budget documentation.** The DRC's Government Budget Classification (2015) allows routine maintenance to be distinguished from maintenance which increases the value of assets.<sup>57</sup> The central government budget is based on this classification, which codifies routine maintenance work as current expenditure and renovation and restoration work as capital expenditure, accordingly. The information system is able to provide this data with all the details by government department and economic type, in terms of both forecast and execution. Nevertheless, the budget documentation submitted to the parliament does not provide this distinction, thus preventing the parliament from holding more in-depth discussions on the consistency of the policy for the preservation of the value of government assets.

**59. The reforms needed to maintain the assets in good condition and to improve their durability and value are of medium priority.** First, infrastructure asset managing authorities should be provided with standard methodologies for the estimation of routine maintenance, renovation, and restoration needs; then, sufficient resources should be allocated in the budget, for example by requesting that the sectoral ministries identify and prioritize their requirements for routine maintenance and restoration in their budget proposals (Box 3.D). The future decree on public investment management will have to express the principle of systematic inclusion of project maintenance at the time of project design, budgeting, and implementation.

#### **10. Project Selection** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: High*)

**60. Project selection based on objective, transparent criteria and procedures is a key factor in the efficient management of public investment.** The selection of projects consists in choosing public investment projects, taking into account the financing constraints, based on a plan or a set of projects, appraised against the relevant political, environmental, social and economic conditions, to ensure perfect coordination between stages of the investment cycle. The PIMA methodology takes into account (i) the existence of a review of the appraisal of major projects before including them in the budget; (ii) the publication of standard selection criteria and processes and compliance with them; and (iii) the existence of a list of appraised projects, pending inclusion in the annual budget.

#### **Box 3.D. Example of inclusion of project maintenance costs: South Africa**

<sup>57</sup> Current maintenance is recorded in Title 5 (expenditure on services), categories 5-615 (maintenance and repair of materials and equipment) and 5-617 (maintenance, decoration, and repair of works and buildings). Capital maintenance works are included in Title 8 (construction, repair, restoration, addition of works and buildings, purchase of real estate), categories 8-233 (restoration, repair, addition of works and buildings).

In **South Africa**, procedures for annual estimation of maintenance costs by type of infrastructure have been established, as well as those relating to the needs for renovation or replacement, with a view to effective budgeting to ensure the durability of nonfinancial government assets.

Type of infrastructure	Average Annual Maintenance Budget as % of Replacement Cost	Key Assumptions	Replacement or Major Rehabilitation over and above the Annual Maintenance Budget requiring specific capital budget
Bulk water storage	4-8%	Mostly for periodic repair of electrical and mechanical works, storm damage repair, routine maintenance and periodic maintenance	every 30 to 50 years
Water treatment works	4-8%	Mostly for electrical and mechanical equipment	every 20 to 30 years
Water reservoirs	2-3%	Generally low maintenance mostly of telemetry and electrical equipment, storm damage repair, pipe work repair, safety and security, routine maintenance and periodic maintenance	every 20 to 30 years
Water reticulation	4-8%	Mostly for telemetry and pumping equipment, emergency leak repair and ongoing leak repair due to degradation, storm damage repair	every 20 to 30 years
Sewage treatment works	4-8%	Mostly for electrical and mechanical equipment, storm damage and periodic maintenance.	every 20 to 30 years
Sewer reticulation	4-8%	Mostly for pumping equipment, emergency leak repair and ongoing leak repair due to degradation, blockage removal, storm damage repair,	every 20 to 30 years
Roads and storm water	5-10%	Mostly for emergency repair, storm damage repair, and periodic maintenance (resurfacing every 7 to 10 years).	every 20 to 30 years
Public buildings	4-6%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting and cosmetic upgrades every 5 to 10 years).	every 30 to 50 years
Hospitals	5-8%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting every 3 to 5 years, and cosmetic and operational upgrades every 7 to 10 years).	every 20 to 30 years
Schools	4-6%	Mostly for emergency repair, storm damage repair, and periodic maintenance (e.g. repainting every 5 to 7 years,).	every 30 to 50 years
Electricity generation	5-8%	Mostly for electrical and mechanical equipment and dependent on age and technology of works	every 30 to 50 years
Electricity reticulation	10-15%	Mostly for emergency repair, storm damage repair, safety and security, routine maintenance and periodic maintenance (e.g. every 7 to 10 years).	every 20 to 30 years

Source: Mission

**61. The regulations confer upon the CISPIP the responsibility for reviewing preliminary appraisals, but the CISPIP does not meet in practice, and the review of project fiches remains superficial.** The 2019 order on the CISPIP<sup>58</sup> gives it the role of analyzing and assessing the feasibility studies of projects before their potential selection for inclusion in the PIP and the budget. Within the CISPIP, four technical subcommittees relating to the four sectors of planning are in charge of the work of analysis and assessment of the feasibility studies of projects using own funding and the counterparties of projects that are externally funded.<sup>59</sup> Nonetheless, the regulatory framework does not provide for the review of all major projects with the contribution of independent experts or an independent organization. In practice, the CISPIP is not in operation. Although projects are reviewed by the Ministry of Planning, this review only looks into whether project fiches have been filled in. This review is carried out during the CPIP, which meets annually in June<sup>60</sup> under the auspices of the Ministry of Planning. According to the various departments consulted during the mission, there is no review of externally financed projects, given the difficulties in obtaining comprehensive information

<sup>58</sup> Order of the Minister of Planning dated July 19, 2019: many DEPs of the ministries spoke of their lack of knowledge of this order, which has not really entered into force.

<sup>59</sup> Article 4 of the order provides for the presence within the CISPIP of the director of coordination of external funding, the director or a representative of the PGAI, and the adviser in charge of the CSPP to gather information on financing conventions and agreements entered into with donors for cofinanced projects.

<sup>60</sup> As part of the CPIP, domestically funded projects are reviewed by the DPB and the sectoral directorates, with the experts from the DEPs of the sectoral ministries.

from the Aid and Investment Management Platform (PGAI),<sup>61</sup> in the absence of a framework for consultation between the government and donors. During the budget conferences, the Ministry of Budget relies on the information contained in the project fiches, validated by the Ministry of Planning, without undertaking any review of the assessments. With regard to the review of appraisals of PPP projects, the Standing Committee on Project Validation provided for in the laws and regulations (see Institution 5) is not yet in operation.

**62. There are no published specific criteria for the selection of appraised projects to be included in the budget, and the criteria used in practice are not appropriate.** The budget circular mentions superficially some standard criteria to assist the sectoral ministries with submitting their capital budget proposals, but it does not say anything about the criteria used by the Ministries of Planning or the Budget to guide the decisions made at the CIP or at the budget conferences. The (unpublished) 2018 project selection manual of the Ministry of Planning proposes a grid of criteria and a scoring template to ensure objective selection and transparency, but the mission had no evidence that this grid was used in practice. It emerged from meetings held by the mission that project selection does not systematically pay attention to the benefits of the project and the realism of the implementation plans. In practice, at the time of budgeting, the Ministry of Budget prioritizes ongoing projects and those with a nonobjection opinion from the DGCMP.<sup>62</sup>

**63. The Ministry of Planning can draw up a list of appraised projects, but, in the absence of a formal obligation to use this pipeline, many projects seem to be selected from outside the list.** The Ministry of Planning has a project database, stored in Access, which includes the information mentioned in the project fiches. Although the mission did not have access to this database, the Ministry of Planning indicated that it was possible to draw up a list of appraised projects from it. Nevertheless, there is no formalized requirement to select projects from this pipeline of appraised projects.<sup>63</sup> In practice, many projects seem to be selected from outside the list. Indeed, this finding was articulated by several sectoral ministries,<sup>64</sup> as well as by the IGF.

**64. The development of a more transparent process for the selection of projects prior to their inclusion in the budget is a high priority for reform.** The future decree on public investment management should incorporate the basic principles guiding project selection, that is, selection based on objective, transparent criteria, and only among projects that have been appraised and are ready to be budgeted. The criteria should be published in the annual circular of the Ministry of Planning on the preparation of the PIP, and in the annual budget circular of the Ministry of Budget. Annex 6 presents an illustration of a list of relevant selection criteria, including specific criteria relating to climate change. Finally, the effectiveness of the selection process would benefit from the gradual creation of a bank of projects, supported by an integrated information system, which could follow the projects throughout their life-cycle.

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<sup>61</sup> As provided in Article 2 of Ministerial Order°002/CAB/MIN/PL/2011 of February 7, 2011 establishing the PGAI.

<sup>62</sup> The mission is of the view that these criteria are not appropriate, as, logically, the request for a statement of nonobjection can only be made at the end of the budgeting process. This means, therefore, that, in principle, only ongoing projects are covered by these criteria, and not new projects,

<sup>63</sup> The Ministry of Planning indicated that the budgeting process was derived strictly from the decisions made at the budget conferences and that its role stopped before that, thereby highlighting a certain degree of compartmentalization of the committees and agencies, whereas, in essence, public investment management should be a cycle jointly engaged in by several participants.

<sup>64</sup> In this regard, the ministerial departments specifically mentioned the existence of projects attributed to their appropriations, but which do not come from their portfolio.

## D. DELIVERING PRODUCTIVE AND DURABLE PUBLIC ASSETS

### 11. Procurement (*Institutional design: High; Effectiveness: Medium; Priority of reform: High*)

**65. This institution aims to assess the degree to which the national procurement management system promotes and implements good practice.** The procurement system is assessed in relation to the implementation (i) of open, competitive, transparent procedures; (ii) of an appropriate system for monitoring the contracts awarded; and (iii) of a fair and diligent mechanism for the review of claims made by procurement bidders.

**66. The law on procurement and its implementing regulations lay down principles of competition and publication within a reasonable timeframe, but significant exemptions reduce their significance in practice.**<sup>65</sup> Article 17 of Law 10/010 of April 27, 2010 on procurement establishes tendering as the basic procedure for awarding public contracts; direct awards are an exception subject to strict conditions laid down in Articles 42 and 43. As for publication, Article 34 of said law stipulates the publication of all tenders, subject to the penalty of being declared void, where the amount is greater than or equal to the tendering thresholds; Articles 35 and 36 set the publication deadlines, as supplemented by Article 88 of Decree 10/22 of June 2, 2010 on the procedures manual of the law. The minimum deadline for bidding is 30 days, subject to a reduction to 15 days in duly substantiated urgent cases, with special authorization by the DGCMP. Tenders are published on the ARMP website. In practice, according to the assessment carried out by the World Bank in 2020,<sup>66</sup> just under half of the processes (48 percent) are conducted in compliance with the law. Almost all public service contract awards involving a high financial value found in the ACGT portfolio were directly awarded, based on special authorizations given to avoid entering into competition. As for the publication principle, albeit well established in the legal framework, it is only partially applied, as it is not fully complete, and, in particular, because of the piecemeal communication by the contracting authorities of the initiatives taken by them and the lack of publicity about the cases dealt with in the office of the Minister in charge of the budget.

**67. Monitoring of procurement remains patchy, relying on partially complete databases and analysis that is still largely conducted manually.** The data entry and management tools currently employed by the ARMP and the DGCMP do not cover all of the contracts and do not enable automated analytical monitoring reports to be produced. The analytical reports are said to be produced manually, but the mission did not obtain any examples of these reports and was thus not able to verify their periodicity and timely production. To remedy these weaknesses, the authorities have developed an Integrated Procurement Management System (SIGMAP) with the support of the PROFIT Congo project financed by the World Bank), but this has not yet been brought into operation, even in the pilot ministries. Development of the e-Procurement process is planned, with the support of the World Bank's ENCORE project, in order to improve further the efficiency of the procurement management system.

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<sup>65</sup> According to the laws and regulations, those involved in the management, awarding, and monitoring of procurement contracts are the contracting authorities, the authorities granting approval, the agency conducting *ex ante* controls (DGCMP), and the agency for regulation and *ex post* control (ARMP).

<sup>66</sup> Assessment of the Public Procurement System in the Democratic Republic of the Congo - MAPS II, June 2020, p. 14

**68. The legal framework provides for a swift and fair process of investigation of procurement-related complaints, which is largely applied in practice.** The laws and regulations<sup>67</sup> organize the handling of disputes and nonjudicial appeals about procurement that come under the jurisdiction of the contracting authorities and the ARMP. Within the ARMP, these functions are the responsibility of the Dispute Settlement Committee (CRD), which issues its decisions either in a disputes commission or in a disciplinary board.<sup>68</sup> To ensure the fairness of its decisions, the CRD jointly represents the government, the private sector, and civil society. Article 158 of the procurement law orders the CRD to issue its decisions within 15 days or, in exceptional cases, within 30 days of a complaint being filed. In practice, these deadlines are respected, to the satisfaction of the private sector operators met by the World Bank during its assessment of the public procurement system in 2020.<sup>69</sup>

**69. Procurement reforms are a high priority.** It will be a matter of reducing the number of special authorizations, which open the way to direct awards, encouraging competition for major investment projects, in order to improve the price and quality of acquisition of nonfinancial assets, and developing a unified, comprehensive database that enables analytical reports to be produced automatically. Access by the DGCMP to the budget information system should ensure that appropriations are available during the approval process and reserved until completion to meet the expenditures. These reforms are included in the Priority Action Plan for public finance reforms (Annex 1).

**12. Availability of Funding** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: High*)

**70. The purpose of this institution is to verify whether the systems, procedures, and tools are in place to ensure the availability of cash for timely payments for investment expenditure.** Payments to firms during the construction phase are often significant and the dates of payment may be difficult to estimate accurately, as they will depend on the completion of intermediate tasks. These aspects increase the risk that liquidity will not be available when the payment authorizations are made based on invoices received from the contractor. Payments not made on time generate arrears, accumulation of which leads to an increase in government debt. This institution aims to ensure that (i) ministries and agencies are able to plan and commit expenditure for investment projects in advance, based on reliable cash flow forecasts; (ii) the funds allocated to financing project expenditure are disbursed on time; and (iii) external financing (from donors) for investment projects is fully integrated in the main structure of the government bank accounts.

**71. Inconsistencies between the cash flow forecasts, which are regularly updated, and commitment plans produced on a quarterly basis, prevent ministries from planning their**

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<sup>67</sup> Article 73 of the 2020 law on procurement and Articles 4 and 49 of Decree 10/21 of June 2, 2010 on the organization and operation of the ARMP.

<sup>68</sup> Litigation on allocation and execution of contracts is the responsibility of the contracting authorities and instructed in the second instance by the CRD, in the event of appeal. Further, the ARMP is responsible for imposing administrative sanctions for regulatory noncompliance in procurement.

<sup>69</sup> According to the MAPS II report, the majority of private sector operators recognize that the process works well, but that it must be more widely popularized, as it is not well known. 57 percent of the decisions were decided in favor of the plaintiff, while 43 percent of the decisions went in favor of the contracting authorities. In 2016, out of 13 claims, 13 decisions were issued and all were made enforceable. The private sector estimates that the CRD performs its role well and states that it is satisfied with the CRD's actions, but is disappointed that the contracting authorities do not always comply with the enforceable decisions.



**investment expenditure in advance.** The cash flow planning committee<sup>70</sup> prepares cash flow forecasts on an annual basis adjusted to a monthly rate and updated monthly, or even weekly, during the course of the year. By contrast, the commitment plan does not provide at the start of the year a full commitment outlook for the whole of the year. The commitment plan is prepared on a quarterly basis and is aligned with the levels of appropriations voted in budget laws, which have suffered in the past from a lack of credibility after submission to parliament (see Section 5). At the beginning of the year, only the ceilings for the first quarter are known and quarterly updates are not made until the start of each quarter. As a result, there is insufficient consistency with the cash flow forecasts. In addition, the commitment plan only partially incorporates the provisional procurement plans; the plans, as well as nonobjection notices are not issued sufficiently early to be taken into account in planning.

**72. Investment project expenditure files are subject to rationing according to the availability of cash, and are not treated as a priority.** The cash flow planning committee sets the priorities for settlement of the expenditure files, but without taking into account the payment deadlines established in the project contract letters. The document providing details on the priorities for settlement does not include enough information on the expenditure files relating to investment projects for them to be taken into account in the cash flow forecasts. The expenditures are thus subject to rationing and may fall into arrears, or indeed be sent back at year-end for recommitment by originating ministries. Accordingly, the cumulative position of domestic debt from budget outlays as at end-2021 includes substantial amounts of arrears, totaling US\$187 million for procurement of works (0.3 percent of GDP).

**73. The legal framework stipulates that funds for donors' projects be placed into the Treasury Single Account (TSA) at the Central Bank, but in practice these funds are held at commercial banks.** Articles 110 and 124 to 126 of the LOFIP, as well as Articles 156 and 157 of the General Public Accounting Regulation (RGCP) provide for the deposit of all government liquid assets in the TSA at the Central Bank. Accordingly, this rule applies all the more to funds for donor-financed investment projects - in accordance with the Paris Declaration on Aid Effectiveness of 2005. However, the effectiveness of this legal framework is flawed in two respects. First, the TSA is not fully effective given the scattering of government resources and the formation of pockets of "idle money" in the financial system. Second, under the terms of the agreements signed with the various donors, there is an obligation for them to open accounts at the commercial banks. That damages the Treasury's ability to follow the movement of funds related to externally financed projects, and thus to track budget execution and the financial operations of the Government on a frequent and comprehensive basis.

**74. The reforms relating to improvement of the availability of funds to cover investment project expenditures are of medium priority.** An effort should be made to adopt the methodological guides for the preparation of cash flow plans and commitment plans to strengthen the consistency between the two tools, as well as taking into account the provisional procurement plans. In addition, it is important that the commitment plan be prepared before the start of the fiscal year on an annual basis with a quarterly sequence and that the commitment ceilings be communicated in advance to the sectoral ministries. In light of the parliament's constant upward revision of revenues without supporting new measures, it would also be advisable to strengthen fiscal regulation by having the commitment plan at the beginning of the year based on the draft budget law appropriations, as

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<sup>70</sup> Ministerial Order 053/CAB/MIN/FINANCES/2011 of September 25, 2011 establishing the organization and operation of the CPT.

presented by the Government. These reforms are included in the Priority Action Plan for public finance reforms (Annex 1).

**13. Portfolio Management and Oversight** (*Institutional design: Weak: Effectiveness: Weak: Priority of reform: High*)

**75. This institution aims to assess how well management and oversight of the entire public investment portfolio are conducted in satisfactory fashion.** This assessment is carried out using: (i) the system for monitoring the physical and financial implementation of major projects; (ii) the mechanisms for transferring funds from one project to another during the process of implementation; and (iii) the procedures for *ex post* review of projects that have reached the end of the implementation stage.

**76. The legal framework does not provide for any systematic, consolidated oversight of the project portfolio and the reports that are produced do not provide any information on delays and cost overruns.** The Ordinance of March 27, 2020 establishing the powers of the Ministry of Planning gives it an automatic role in the oversight of inter-ministerial projects, without specifying that it should be systematic. This responsibility of the Ministry of Planning in terms of oversight of investment plans or execution is specified as part of the implementation of the PNSD. The legal framework governing the BCECO,<sup>71</sup> the CSPP,<sup>72</sup> and the Coordination of External Financing and Project Oversight (CRESP) unit of the Office of the President<sup>73</sup> also set forth the powers in terms of oversight of their respective externally financed project portfolios. In all, no framework specifically stipulates the preparation of a consolidated information report on the state of progress of projects, regardless of their source of funding. In practice, the reports produced do not provide systematic data on delays and cost overruns of the project portfolio<sup>74</sup> given the fragmentation of the parties involved, the weakness of the information systems, and the lack of resources to conduct implementation oversight missions. Oversight of externally financed project implementation follows the procedures set by donors, but there are still problems with the periodic collection and the centralization of information by the PGAI, the technical entity tasked with monitoring and evaluation of these projects (see Paragraphs 62 and 125). The Control and Oversight Directorate (DCS) of the Ministry of Planning, the BCECO, the CFEF, the CSPP, the DGDP, and the Directorate for Preparation of the Accounts Settlement Law of the Ministry of Finance produce reports at varying periodicities, sometimes with delays,<sup>75</sup> basically focusing on the financial and sometimes the physical implementation of projects. The information is not consolidated. The few reports consulted by the mission show significant gaps between physical and financial implementation of projects, as well as cases of financial over-execution, which are not sufficiently well explained or justified.

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<sup>71</sup> Article 3 of the Decree of August 8, 2001, establishing the organization and operation of the aforementioned BCECO.

<sup>72</sup> Article 5 of the Ministerial Order of December 5, 2011, establishing the organization and operation of the CSPP.

<sup>73</sup> Article 2 of the Ordinance of July 25, 2019, establishing the organization and operation of the CRESP.

<sup>74</sup> Specifically due to the lack of information that the DEPs are supposed to provide. Even so, the DEPs are still dependent on the resources allocated to them and suffer from a lack of capacity and poor sharing of information from the donors.

<sup>75</sup> This finding relates particularly to the DCS.

**77. The reallocation of funds across projects, which is possible under the legal arrangements, is not carried out in practice.** The LOFIP provides that appropriations may be transferred from one project to another during the implementation stage, across the expenditure chapters (*titres*) within any given program (Article 47), across programs of any given ministry / institution (Article 48), and across programs of different ministries / institutions (Article 49). However, the legal framework does not explicitly stipulate a systematic monitoring process or formalized transparent procedures, which would enable such transfers to be assessed and justified. In practice, funds are not reallocated from one public investment project to another during implementation. The implementation of program-based budgeting is part of the reforms underway. As part of the conversations held, the IGF stated that it could “occur that funds were transferred from one investment project to another without any monitoring and hidden from sight more or less across the board”.

**78. The systematic *ex post* review of major projects is not formally required and, in practice, the government’s reviews cover very few large-scale projects.** The legal framework<sup>76</sup> gives automatic power to the IGF to conduct such *ex post* reviews without any formal requirement to carry them out. There is no formal rule in the legal framework covering the obligation to produce a completion report and to adjust project implementation policies and procedures accordingly. In practice, *ex post* reviews by the government are neither systematically required, nor frequently carried out, given the little resources available and the absence of technical expertise in the relevant ministries. According to the IGF, the Ministry of Budget limits itself to conducting financial evaluations based on budget execution reports without, however, adopting a comprehensive approach. The mission was only able to analyze a single externally financed project completion report, submitted by the CFEF, which was of notably high quality.

**79. Strengthening the project portfolio management and oversight capacities to support decision-making for subsequent budgets is a high priority of reform.** The principles of periodic monitoring of implementation of all major projects, of centralization of information, and of systematic *ex post* review should be incorporated in the future decree on public investment management. In the longer term, the practical procedures for these processes should be revised and streamlined with the establishment of an integrated bank of projects, supported by a project monitoring information system, whereby projects would be identified by a unique code lasting the whole of their life-cycle. Annex 7 presents the major principles guiding the establishment of this integrated project bank. In the short term, project fiches should include information on the physical and financial monitoring of domestically-financed projects; they should be consolidated in the database of the Ministry of Planning and pooled; additionally, a simplified structure of liaison form (“*fiche-navette*”) could be formalized with donors to gather information on externally financed projects. In order to prepare the future information system, a consultation framework between the Ministry of Planning and the C2I should be set up and operational specifications should be drawn up and validated before developing any software.

**14. Management of Project Implementation** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: Medium*)

**80. This dimension focuses on the management and control of public investment programs during implementation.** It is assessed by way of the following: (i) the existence of an

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<sup>76</sup> Article 121 of the Law of 2011, on government finance mentioned above, and Articles 138 to 140 of the General Public Accounting Regulation.

efficient project management system; (ii) the enactment and application of rules, procedures, and guidelines on project adjustments; and (iii) the completion of *ex post* external audits.

**81. Although the framework for project management arrangements is weak, neither providing for the appointment of senior responsible officers nor for the preparation of implementation plans, responsible officers are appointed in practice.** There is no legal or regulatory basis, including in the texts establishing the powers of the Directorates for Research and Programming (DEPs) of the sectoral ministries or those of the procurement and project management units, stipulating that the implementing ministries and entities should systematically appoint senior responsible officers to manage major investment projects.<sup>77</sup> In practice, the ministries and entities tasked with project implementation met during the mission stated that they do appoint project officers, mostly reflecting good practice set up by donors. The preparation of implementation plans before the start of projects is, however, not institutionalized. According to the IGF, the patchy definition of outputs and activities of projects is a factor that helps to explain the difficulties in completing projects on time and on budget.<sup>78</sup> The BCECO has a draft project management manual which prescribes the preparation of project payment schedules.

**82. There are no standard rules on adjustments to projects during their implementation, and adjustments are consequently not documented.** There is no manual setting standard procedures and rules for the adjustment of costs, implementation deadlines, or outputs of projects, according to the Ministry of Planning. This finding is reflected in practice; the mission was not able to identify any specific practices to adjust projects and document the adjustments. According to the IGF, these adjustments are frequent, however. The estimation of costs at the time of a project's start-up is considered often not to be based on sound analyses, and significant adjustments to projects take place during implementation - these factors are thought to be among the key factors that explain the observed budget overruns.

**83. The Court of Accounts has the mandate to audit investment projects, but it does not perform this task due to its limited financial independence.** Under Organic Law 18/024 of November 13, 2018, the Court of Accounts is given the mandate to audit any and all investment projects carried out with government funds.<sup>79</sup> In practice, specifically due to the limited financial independence of the Court of Accounts, these audits – meaning an in-depth investigation of a major investment project - are not performed. However, some audits by the Court of Accounts do relate to public investments. For example, it is currently in the process of auditing the procurement procedures within several national and provincial entities. It also performs spot inspections on projects that are

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<sup>77</sup> The DEPs' task is to coordinate and ensure the follow-up assessment of the government projects and programs developed (Decree 15/043 of December 28, 2015) The procurement and project management units have responsibilities primarily in connection with public contracts without clarifying whether they are systematically responsible for the operational implementation of the projects (Decree 10/32 of December 28, 2010).

<sup>78</sup> According to the IGF the weakness in initial project planning, often without any stable element covering total cost, deadline, or expected outputs, is an aspect that contributes to this finding.

<sup>79</sup> The Court of Accounts is empowered to inspect major investment projects using various types of audit: judicial review (of the accounts), budget inspection (of the general budget, annex, and special accounts), and management audit (of finances to assess their performance). The specific reports of management inspections are published, as well as an annual report, and the audit reports are sent to the National Assembly (Article 84 of the LOFIP).

unfinished, and provides in its annual report<sup>80</sup> a list of projects without physical execution that however have received payments. These findings have not been followed up by any in-depth audits.

**84. The strengthening of the management of project implementation is a medium priority reform** In particular, the future decree on public investment management will have to lay down a framework for project management arrangements and provide for the appointment of project officers, the systematic preparation of project implementation plans, and the adjustment of projects during implementation. A guide issued by the Ministry of Planning could establish a procedure for adjustment of projects during implementation. Greater financial autonomy of the Court of Accounts should be provided under the general reforms covered by the Priority Action Plan for public finance reforms (Annex 1).

**15. Monitoring of Public Assets** (*Institutional design: Medium; Effectiveness: Weak; Priority of reform: Low*)

**85. This institution checks whether government assets are well monitored and their value properly accounted for and reported in financial statements.** This is assessed looking at (i) the regular updating of asset registers based on an analysis of the stock, their value, and their state; (ii) the recording of the value of these nonfinancial assets in government financial accounts; and (iii) the recognition in the government's income statement of depreciation of the fixed assets.

**86. For lack of comprehensive registers, the government does not have detailed information on its nonfinancial assets.** The formats for government asset registers were established in the General Public Accounting Regulations (RGCP) of 1952, but these structures have not been updated since then, even to support the establishment of inventory accounting required by the LOFIP. In summary these registers are no longer kept, let alone updated. A small number of administrative entities<sup>81</sup> have registers of their assets, but their format does not enable to document relevant information, such as the identification of the asset, its location and the organization responsible for it, the date of acquisition, the historic cost, and the current value. Furthermore, these registers are not regularly updated, due to the fact that no inventories are carried out. Finally, there is no consolidation process that could provide government with inventory accounts.

**87. Despite a very specific legal obligation to register nonfinancial assets in the financial statements, neither the asset accounting, nor the inventory accounting are effectively carried out.** Articles 98 to 100 of the LOFIP, as well as Articles 118 and 119 of Decree 13/51 of November 8, 2013 on the Government Chart of Accounts (PCE) require the production of the financial statements (balance sheet, income statement, statement of cash flows, and attached notes) in accordance with international rules and standards. Ordinance Law 89/017 of February 18, 1989 on the revaluation of fixed assets also applies to nonfinancial assets of the government based on coefficients issued each year by the Minister of finance, based on a proposal of the Standing Council of Accounting of the Congo (CPCC). However, general accounting as prescribed by the provisions mentioned above is not effectively carried out.

**88. The regulatory framework sets forth rules relating to accounting for depreciation of nonfinancial assets, but these rules are not actually applied.** Articles 33 and 38 to 44 of the

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<sup>80</sup> Public report on fiscal year 2019, section 1.3.1. Results of investigations into projects financed using own funds and not implemented in 2015-2016 [*sic*].

<sup>81</sup> This refers to the case of the Ministry of Urban Planning and Housing, which updates the registers of the real estate assets of the Government's private estate and government institutions, which carry out asset-based accounting.

decree on the PCE require depreciation to be recorded, broken down by type of asset, and booked to the income statement in the form of a depreciation charge. However, depreciation is not calculated, as the income statement has not yet been set up.

**89. The reforms relating to monitoring nonfinancial assets of the government are not a priority relative to the other public investment management reforms in the DRC.** These are large-scale reforms that will take time. They should start with the production of a full inventory, which should be carried out using a gradual approach based on a clear asset valuation methodology. The development of an information system is also necessary to enable inventory accounting to feed into general accounting and ensure that the accounting of fixed assets and stocks is of good quality. It would be advisable to establish the institutional framework of inventory accounting and to develop its regulatory framework. These reforms are included in the Priority Action Plan for public finance reforms (Annex 1).

## IV. PIMA CLIMATE CHANGE ASSESSMENT MODULE (C-PIMA)

### A. CLIMATE CHANGE AND PUBLIC INVESTMENT IN THE DRC

**90. The DRC is particularly vulnerable to climate change due to its specific geographical characteristics.** The annual average temperature has increased by 0.2 degree per decade over the last thirty years and is expected to continue to increase by 1 to 2 degrees by 2050 with a potential rise of 5 degrees by 2100.<sup>82</sup> Although the DRC has exceptional natural resources (river system, arable land, biodiversity, tropical forest, and minerals), it is vulnerable to a very large variety of climate risks, particularly due to its huge land mass (2.4 million km<sup>2</sup>) and the fact that it spans three climate zones (equatorial, tropical, and high-altitude). The main risks attached to climate change are torrential rain, coastal erosion, earthquakes, flooding, heatwaves, and also seasonal drought. The scale of deforestation, combined with periods of heavy rain and with urbanization, also leads to particularly frequent landslides, especially in the Kivu region. The ranking of the DRC (177<sup>th</sup> out of 181 countries) in relation to the Notre Dame University index,<sup>83</sup> which measures both vulnerability to climate change (degree of exposure, sensitivity, and adaptation ability) for six key sectors<sup>84</sup> and the degree of preparation (economic, institutional, and social), illustrates the magnitude of the challenges ahead. Natural disasters linked to climate change will become more and more frequent in the coming years due to the rise in temperature and precipitation, which will have automatic consequences for health, biodiversity, access to water, agriculture, and employment.

**91. The quality and resilience of infrastructure in the DRC are crucial to mitigate the socio-economic cost of climate change and the risk stemming from natural disasters.** Floods and drought are the natural disasters with the heaviest impact on the Congolese people and economy. Indeed, agriculture is the most vulnerable sector, as it represents a very large part of GDP (40 percent) and employs almost three out of every four people within the DRC's labor force. Transport infrastructure is also considered to be an essential asset to be adapted given its

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<sup>82</sup> WBG Climate Knowledge Portal (CCKP, 2021). DRC Projected Future Climate.

<sup>83</sup> University of Notre Dame (2020). Notre Dame Global Adaptation Initiative.

<sup>84</sup> These sectors are: food supply, water, health, ecosystem protection, housing and infrastructure.

vulnerability to flooding (roads, bridges, and ports<sup>85</sup>). The energy sector will also be heavily impacted by the rise in extreme weather events, due to the fact that national energy production is almost exclusively from hydroelectricity (thanks to two dams) and is thus sensitive to disruptions to river flow.<sup>86</sup> Finally, the water sector is of prime importance to the DRC, which has one of the largest fresh water basins in Africa (62 percent of the Congo basin) and where, at the same time, access to drinking water and sanitation is limited (50 million people lack drinking water out of a total Congolese population of nearly 90 million). Investing in the infrastructure related to water quality and access (water supply infrastructure, in particular) will thus be a major challenge for the next few decades in the DRC; this challenge will be made more complicated to address by the impact of climate change. Investment carried out in this sector will also have multiple impacts on other sectors, such as health, food security, and agriculture.

**92. The government has committed to ambitious low-carbon emission development targets with, in particular, more resilient and greener infrastructure.** Following the ratifications of the United Nations Framework Convention on Climate Change (UNFCCC) in 1997, the Kyoto Protocol in 2005, and the Paris Agreement in 2017, the DRC has committed to participating in limiting the increase in global temperature with an emissions reduction target of 21 percent by 2030. Accordingly, the DRC presented a Nationally Determined Contribution (NDC) in 2017 relating to mitigation and adaptation which was revised at end-2021. The NDC relies on the full set of information available, in particular the Third National Communication on Climate Change (2015), the sectoral policies available, such as the national framework strategy REDD+ (2012),<sup>87</sup> the PNSD 2019-2023, and the National Adaptation Plan to Climate Change (NAP) 2022-2026. The NAP has nine priority objectives in terms of adaptation: manage forest ecosystems and biodiversity; strengthen resilience of the agriculture sector, manage climate risks in small-scale farming, reduce the risk of disasters; provide management of water resources and environmental sanitation; strengthen the resilience of the health sector; guarantee access by the populations to energy; protect energy production infrastructure; and improve energy efficiency.

## **B. PIMA CLIMATE CHANGE MODULE ASSESSMENT FRAMEWORK**

**93. The PIMA climate change module (C-PIMA) assesses five key dimensions of public investment management from the climate change perspective and constitutes an extension of the existing PIMA framework.** The C-PIMA institutions strongly resemble the corresponding institutions of the PIMA, although some of the C-PIMA institutions combine several dimensions appearing in separate PIMA institutions, and Institution 5 of the C-PIMA (risk management) has no equivalent in the PIMA. Figure 4.A describes the main elements of the C-PIMA and illustrates the relationship between the PIMA and C-PIMA frameworks. However, unlike the PIMA, the C-PIMA framework only formally assesses institutional design, given the lack of historical hindsight on effective practices, as this is such a new topic.

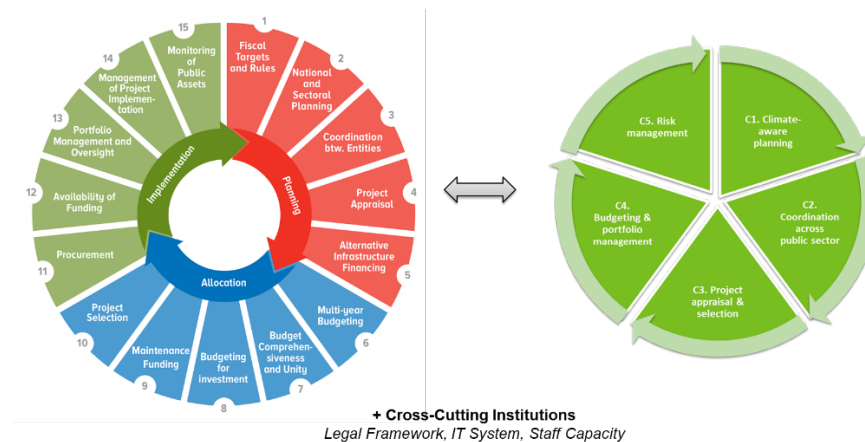
### **Figure 4.A. The C-PIMA assessment framework**

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<sup>85</sup> Plan organisation de la réponse de la sécurité civile (ORSEC) en RDC (2012) - Civil security response organization plan (ORSEC) in the DRC (2012)

<sup>86</sup> Climate Risk Country Profile, DRC, World Bank (2021)

<sup>87</sup> The REDD+ program will support projects in the forest areas located in the provinces, and plans consultation forums bringing together the Government, local authorities, and civil society.



Source: IMF Staff

### C1. Climate-aware Planning (*Institutional design: Weak; Priority of reform: High*)

**94. The first C-PIMA institution assesses the extent to which public investment is planned while taking into account climate change.** Accordingly, the first dimension of this institution assesses whether the national public investment plans and strategies are consistent with the objectives of the authorities and the expected outcomes. The second dimension considers whether the Government or the provinces require that the rules regarding land use and construction take climate risk into account. Finally, the third dimension covers the existence of centralized guidance promoting climate-aware public investment planning.

**95. The national and sectoral strategies are not aligned with the climate targets and objectives described in the NDC, except for the forestry sector strategy.** The PNSD and the 2021-2023 Government Program include pillars that focus on protection of the environment and combating climate change, but they do not allow for easy cross-referencing with the targets and objectives of the NDC. Although climate change awareness in the national planning documents is a good practice in itself, climate targets and objectives are not reflected in a cross-cutting way in the other areas of the PNSD and in the other sectoral documents. As for sectoral strategies, the great majority of the documents reviewed (health, education, and mines, in particular) make no reference to climate change. The Reduction of deforestation and forest degradation (REDD+) strategy and its investment plan (PIREDD) are an exception, with consistency between the detail of the actions (draft, preliminary budget, and impact / effect indicators) and the DRC's commitments on sustainable forest management with the aim of participation in combating climate change. The NAP was also prepared with UNDP support, covering the 2022-2026 period and focused on four sectors: forest, agriculture, coastal areas, and health. The forthcoming update of the PNSD will provide an opportunity to incorporate climate issues more closely in national public investment planning.

**96. The central and provincial regulations relating to spatial planning and construction do not reflect the risks linked to climate change.** Current national regulations on land management and construction standards are obsolete. The most recent law specifically concerning spatial and urban planning and construction dates from 1973<sup>88</sup> and therefore does not include any climate change consideration. The DRC's body of legislation on land management is, however, in the process of renewal, thanks to the initiative of the Ministry of Land Management, with the completion

<sup>88</sup> Law 73-021 of July 20, 1973 establishing the general regulations for assets, land and real estate regulations, and regulations on guarantees, known as the "loi foncière" (land law).



of a draft national law on land management due to be submitted in the very near future to the parliament; this represents an opportunity to incorporate climate change concerns. In addition, a land management strategy and a land use strategy are currently being finalized and include references to the risks associated with climate change, including with a dedicated strategic pillar. Finally, even though the mission was not able to find any examples of provincial regulations on spatial planning and construction taking climate risks into account, a notable good practice is the production in April 2021 of a methodological guide for the completion of participatory zoning of village land and regional entities as part of the PIREDD, which refers to environmental constraints.

**97. So far, there is no centralized support for the preparation and costing of climate-aware investment strategies.** In effect, there is no dedicated unit to support the sectoral ministries, which could provide technical support to take into account climate issues when they prepare and assess the costs of public investment strategies. The Ministry of the Environment and Sustainable Development (MEDD) and the Congolese Environment Agency (ACE) concentrate the expertise on environmental and climate issues within the government and are in charge of the preparation, oversight, and assessment of the national plans for sustainable environmental management.<sup>89</sup> However, the MEDD has no explicit mandate to provide technical support for the preparation and costing of sectoral planning strategies taking climate issues into account. The involvement of local participants will also be necessary at the sectoral ministries, in particular in relation to land management (soil and subsoil).

**98. The reflection of climate change impacts in public investment planning is a high-priority reform.** To that end, it is important to align the PNSD and the sectoral strategies with the NDC's climate objectives, in order to provide a sectoral breakdown of climate-related objectives, targets, and outcomes. Training for the sectoral ministries could be provided by the MEDD and the ACE to promote the integration of climate issues in investment strategies. A national strategy for combating climate change would be helpful in the medium term. Moreover, the adoption as soon as possible of the new law on land management and the publication of its dedicated strategy are necessary prerequisites for climate-sensitive planning.

## **C2. Coordination across Public Sector** (*Institutional design: Weak: Priority of reform: Medium*)

**99. This institution targets the coordination of climate-related public investment decision-making across the entire public sector.** The emphasis is placed on the need to adopt a comprehensive approach to climate change. Alongside the government, both provinces / ETDs and public corporations effectively play a significant role in carrying out public investment in response to climate change. This is the reason why the three dimensions of this institution assess in turn whether climate-related investment decisions are coordinated across (i) central government, (ii) general government (including local authorities), and (iii) the public sector in its entirety, including public corporations.

**100. Sectoral thematic groups have promoted the coordination of public investment decisions across central government in connection with climate issues.** These sectoral groups,<sup>90</sup> created to support the operationalization of the PNSD, consist of technical committees and policy steering committees, chaired by the various sectoral ministries concerned. Their composition, specified in an operational framework,<sup>91</sup> promotes a cross-cutting approach to sectoral topics, involving ministries, technical and financial partners, civil society organizations, and the private

<sup>89</sup> Order 20/017 of March 27, 2020 establishing the powers of the ministries.

<sup>90</sup> Decree 13/011 of April 9, 2013 establishing the organization and operation of sectoral thematic groups.

<sup>91</sup> New operational framework of sectoral thematic groups (October 2020).

sector. One thematic group is specifically dedicated to climate matters, the environment, water and sanitation, and biodiversity; its membership includes the MEDD (chair) and the Ministries of Water resources, of Planning, of Agriculture and of Mines. These thematic groups enable coordinated choices to be made, including in relation to public investment, at the central government level. These committees do not yet, however, include extrabudgetary entities and PPPs.

**101. Mechanisms coordinating project investment relating to climate change between the central government and the provinces are emerging, but the information on these projects is not consolidated.** The 2011 environmental law (Article 48) gives the provinces and ETDs, in the same way as the central government, the power to adopt climate change adaptation measures. The legal framework does not explicitly provide, however, for the provinces' investment spending on combating climate change to be planned and implemented in coordination with central government.<sup>92</sup> The supporting structures for such consultation are nevertheless starting to emerge. For example, the NAP emphasizes the significance of decentralization in the operationalization of adaptation strategies and lays the foundations for coordination in this area.<sup>93</sup> In addition, the local development plan for the 145 territories (PDL-145T)<sup>94</sup> and the REDD+ strategy provide for consultation and coordination mechanisms between the central government and the provinces on climate change issues, which are not yet operational. Further, the thematic groups mentioned above are also provided for at the provincial level as a space for dialog between the center and the provinces. However, finally, provincial investment plans are not published (see Institution 3) in general or for climate change-related investments.

**102. According to the current legal framework, public corporations are not encouraged or required to make their climate-related investments compliant with national climate policies.** There is no mention of climate change in the legal framework on the oversight of public corporations and their investment plans. There is also no formal incentive by the central government for public corporations to take climate change into account in their investment projects, in the absence of a portfolio strategy or guidelines on governance. It is worth noting that the 2011 environmental law requires all private and public entities, and thus all public corporations, to carry out social and environmental impact studies for their investment projects, to be subsequently validated by the ACE, but the effects of climate change are not explicitly part of such studies (see Institution C3).

**103. Strengthening the formal coordination of investment decisions relating to climate change is a medium reform priority.** The existence of sectoral thematic groups is a sound basis for improving cross-cutting awareness of climate change in public investment decisions. An amendment to the decree relating to these groups could help extend them to include public corporations. The frameworks for consultation between the central government and the provinces provided under the 2013 memorandum could be expanded to take the climate change dimension into account. The mechanisms planned under the PDL-145T relating to the REDD+ and the provincial sectoral thematic groups could be operationalized. Finally, the Government as shareholder could insist on the

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<sup>92</sup> Specifically, the 2013 memorandum establishing investment planning coordination mechanisms between the central government and the provinces (see dimension 3a of the PIMA) remains silent on climate change issues.

<sup>93</sup> A guide for the inclusion of adaptation in provincial development plans was prepared in 2019. The NAP also proposes the formation of provincial committees on climate change to monitor implementation. These groups are not yet operational.

<sup>94</sup> The PDL-145T specifically considers climate change adaptation and mitigation as dimensions cross cutting its implementation and provides for coordination mechanisms between central government and the provinces.

importance of public corporations taking climate change into account in their investment projects in a future portfolio strategy.

### **C3. Project Appraisal and Selection** (*Institutional design: Weak; Priority of reform: Medium*)

**104. The C-PIMA methodology assesses whether the appraisal and selection of projects include climate-related analyses and criteria.** The first dimension checks the existence of a climate-related analysis using a standard methodology. The second dimension assesses whether climate-related challenges are taken into account in PPPs. The third dimension measures whether climate-related factors are included in the project selection criteria.

**105. The legal framework requires environmental impact studies to be carried out and reviewed by the ACE, but without explicitly stipulating coverage of climate change.** Article 19 of the 2011 environmental law provides that any policy, plan, or program prepared by the central government, provinces, ETDs, or public institutions, where their implementation is likely to have significant effects on the environment, must be subject to a prior environmental assessment following the procedure laid down in an implementing decree.<sup>95</sup> The bylaws of the ACE<sup>96</sup> stipulate that it is responsible for assessing and approving all such assessments carried out by authorized research agencies as well for monitoring their implementation. However, there is no reference at all to climate change in this legal framework on environmental assessments. There is no standard methodology established for these assessments or any instructions guiding the review of assessments carried out by the ACE. Nevertheless, in December 2021, as part of its accreditation process with the Green Climate Fund, the BCECO prepared a draft environmental and social procedures manual, including a climate change vulnerability analysis procedure, which shall be validated at a forthcoming workshop. In practice, major infrastructure projects are often submitted to a climate impact analysis. In all, the ACE conducted over 300 reviews of environmental impact assessments in 2021, and publishes the assessments on its website.<sup>97</sup>

**106. The legal framework covering PPPs does not address climate change challenges, but the law on water does address the climate dimension in the granting of concessions.** Beyond the requirements of the private partners, the 2018 law on PPPs does not explicitly take into consideration climate change in terms of risk allocation or contract management. Nevertheless, Article 30 of the 2015 law on water specifically requires climate data to be taken into account in the environmental and social impact studies relating to the granting of operating concessions in the public domain of water. In practice, the mission was not able to analyze any contracts underlying PPP projects so as to appraise whether climate change was explicitly taken into account in terms of risk allocation or contract management.

**107. The central government does not use any criteria relating to climate change to guide the selection of projects that have been appraised.** As described in the assessment under Institution 10, there is no specific published criterion, either linked to climate or not, for the selection of

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<sup>95</sup> Decree of August 2, 2014, establishing the operating rules for environmental protection procedural mechanisms.

<sup>96</sup> Article 3 of the decree of November 18, 2014, establishing the bylaws of a public institution under the name of ACE.

<sup>97</sup> As an example of good practice, the mission was, in particular, able to analyze the final report, submitted by the ACE, on the environmental and social impact study of August 2019 for the construction project of feeder roads linking with the road-rail bridge over the Congo River, supported by the infrastructure unit of the Ministry in charge of infrastructure, public works, and reconstruction. This study includes a specific point on climate change forecasts and the associated problems.

projects that have been appraised for inclusion in the budget. The project appraisal schedule presented in the project selection manual of the Ministry of Planning includes environmental criteria that make it possible, albeit in very summary fashion, to assess whether the project is mindful of the environment, whether the impact on the environment is correctly identified, and whether mitigation actions are provided for and appropriate, but without making any explicit reference to climate change.

**108. The inclusion of climate considerations in the project appraisal and selection process is a medium priority reform.** In the future decree on public investment management, as in practice, preliminary appraisal of major infrastructure projects should systematically include a climate-related analysis following a standard methodology supported by the MEDD. That would make it possible to assess whether the potential impacts of projects on greenhouse gas emissions, and the exposure of projects to damage caused by climate-related disasters have been identified and analyzed, before the projects are included in the project bank and in the next PIP, or before they are selected for financing in the budget. The legal framework for PPP projects should reflect climate-related risks appropriately. Given that PPPs commit the government over the whole term of the contract, which is generally 20 to 30 years or more, climate change adaptation or mitigation risks are likely to arise at any time during the term of the contract. Lastly, at the key moment of project selection, factors linked to the climate should be explicitly included in the list of decision-making criteria used by the government.

#### **C4. Budgeting and Portfolio Management** (*Institutional design: Weak; Priority of reform: Medium*)

**109. This institution relates to the ability of the budgeting and project portfolio management frameworks to take climate change into account.** The C-PIMA methodology checks the capacity to guide climate-related efficacy and efficiency in budget choices made, in particular, by: (i) identifying in the budget and budget documentation the specific expenditures and funding in favor of climate-related investments; (ii) carrying out *ex post* external audits to measure the impact of projects in terms of climate change adaptation and mitigation; and (iii) taking climate risks into account in asset management policies.

**110. To date, there is no identification of public investment spending relating to climate change within the budget.** Among the various nomenclatures, the budget uses a COFOG functional classification, which, once it has been crossed with the classification by type, makes it possible to assess investment spending relating to environmental protection, but not spending relating to climate change. Another practice worth noting, more specifically in connection with the climate, is the existence of indicators focused on climate change in the provisional annual performance project (*projet annuel de performance*), in particular for the forestry, water, and the environmental sectors; at this stage, they are not reported because of lack of available data and because the transition to program-based budgeting is not complete. These practices are, however, not sufficient to identify climate-related investment spending in a cross-cutting fashion and across the various sectors.

**111. There is no explicit legal basis for carrying out *ex post* reviews or audits on the outcomes of investment projects in terms of climate change mitigation and adaptation.** There is no legal basis providing a framework for carrying out internal audits and reviews of major investment projects (see Institution 13), let alone for the assessment of the contribution of projects to climate objectives. With regard to external auditing, in its 2021-2025 strategic plan the Court of Accounts aims to conduct one audit report on the environment each year, without any explicit link with public investment. Moreover, *ex post* reviews of major projects financed by donors are supposedly carried out, but they were not able to be consulted by the mission. Interesting initiatives aimed at

strengthening the monitoring of the climate performance of projects are underway, for example the implementation of the Measuring, Reporting and Verification system<sup>98</sup> for the REDD+ strategy.

**112. The asset management and maintenance policies do not take climate risks into account.** According to the road management agencies met by the mission, the standard road maintenance methodologies (the only maintenance methodologies available, see Institution 9) do not take climate aspects into consideration. The legal framework on asset management and monitoring (see Institution 15) also fails to reflect the effects of climate risks on the valuation of assets or their depreciation. The MEDD told the mission that it plans to work in the near future with the sectoral ministries on specific studies to assess these impacts on the assets concerned.

**113. Taking climate change issues into account in budgeting and in the management of the project portfolio is a medium priority.** The future decree on public investment management could lay the legal foundations for monitoring and *ex post* assessment of the impacts of investment projects on climate change, but that would necessitate setting measurable monitoring targets, starting from the planning stage. The full transition of the DRC to program-based budgeting will be an opportunity to establish appropriate monitoring indicators. In addition, the authorities should assess the impact of climate change on the maintenance needs of projects, in order to allow for the allocation of the necessary resources. Finally, setting up a tagging system for climate-related investment spending requires the preparation of nomenclature and information systems, but could be envisaged in the medium term (Box 4.A).

#### Box 4.A. Climate budget tagging

**Tagging expenditures according to their impact on the climate when budgets are being prepared, is a practice that is relatively new internationally.** This practice, which has developed in the past decade, provides an overall picture of budget spending and tax expenditure relating to climate; it emphasizes the significance of climate change concerns in the allocation of resources, and enables their development over time to be monitored. Tagging allows each component of the budget to be assessed based on its climate-related (and/or environmental) impact by giving it a “label” according to whether it is helpful or harmful to green objectives. Thanks to the intensive technical support of several development partners, climate budget tagging has gained ground in developing and low-income countries (for example, Bangladesh, Indonesia, Nepal, and the Philippines). It is also increasingly recognized as a significant tool within the OECD countries and the European Union (for example in France and Ireland), despite the methodological limits relating to the lack, at this stage, of a generally accepted classification of expenditure.

**Three significant issues must be addressed at the time of defining tagging methodologies within the climate expenditure budget.**

- First of all, it is necessary to **define the relevant climate-related expenditures in terms of both mitigation and adaptation.** This definition may be based on the expected impact of expenditures (*objective-based definition*) or based on their identification relying on national documents relating to climate change (*policy-based definition*).
- Next, it is necessary to draw up **a level of coverage for these expenditures within the public sphere.** Almost all the methodologies used to date cover both current and capital budgets of

<sup>98</sup> This system is a set of procedures to enable the gathering of factual information (mainly data), and the assessment and verification of the achievement of climate change objectives.

central governments. Some countries have expanded their identification to local government, to transfers to public corporations, and sometimes even to fiscal spending.

- Finally, the issue of **how to estimate the amounts of climate-related spending** remains to be decided. Three approaches are generally used. The first is limited to the identification of programs that have climate change as their main objective. The second also estimates spending associated with all climate-related activities. The third applies weightings to estimate the portion of spending of the program or project that is related to climate.

Sources: "Climate change budget tagging: a review of international experience" World Bank (February 2021) and "Climate-sensitive management of public finances – green PFM" IMF (August 2021)

## **C5. Risk Management** (*Institutional design: Medium; Priority of reform: Low*)

**114. This institution assesses how fiscal risks related to climate change affecting infrastructure are identified and managed.** Natural disasters are persistent sources of macro-fiscal risk and therefore require significant attention. Fiscal risks arise just as much from climate change adaptation as from climate change mitigation. The first dimension of this institution assesses whether the authorities publish a national disaster risk management strategy incorporating the exposure of public infrastructure to climate-related disasters. The second dimension considers whether the government has set up financing mechanisms to deal with the costs of climate-related damage to public infrastructure. Last, the third dimension focuses on the existence of fiscal risk analysis that includes climate risks to public infrastructure.

**115. In addition to the civil security response organization plan (ORSEC) produced in 2012, there is a draft national natural disaster risk management strategy, but it has not yet been endorsed by the Government.** The implementation of the ORSEC plan is applicable to the climate disaster response, as it aims to mobilize and coordinate the parties involved in civil security. However, it does not satisfy this dimension of the C-PIMA assessment, as the plan does not identify the specific risks to infrastructure from climate change (data on location of the risk, exposure of assets, or emergency procurement procedures). This essential information is typically integrated in a national natural disaster management strategy. A draft national risk management strategy over a period of four years has reportedly been produced by the Ministry of Humanitarian Actions and Affairs (MAAH) and apparently is in the process of being updated again for publication by end-2022. Finally, the recent creation<sup>99</sup> of a National Solidarity Fund for Disaster and Humanitarian Management attached to the MAAH, which is both a new institutional structure and a funding mechanism (see next paragraph), is aimed at mobilizing and channeling all financial flows and equipment necessary to cover humanitarian crises, to take efficient emergency care for victims of disaster and other catastrophic events, and to provide coordination of humanitarian actions and interventions.

**116. There are two mechanisms for ex ante funding - one budgetary and one extrabudgetary – of infrastructure exposure to climate risks.** The MAAH budget, within the budget law, includes a specific budget allocation to disaster risks entitled "reserve for accidents and disasters" and is executed each year according to the occurrence of unforeseen events, including disasters related to climate change. This represented CGF 65 million in the 2021 LFI and CGF 90 million in the 2022 draft budget law. At the same time, the CSNGHC aims to enhance coverage for the costs of damage related to natural disasters, principally due to a strategic resource mobilization plan which is currently being finalized. The mission did not have access to this document, but it should contain a survey of the planned resources for this public institution, which could be assembled

<sup>99</sup> Decree 21-05 establishing the organization and operation of a public institution under the name of the National Solidarity Fund for Disaster and Humanitarian Management in the DRC (CSNGHC).

from budget allocations, national and international donations, parafiscal charges, and contributions from donors.

**117. The fiscal risk statement does indeed mention climate change-related risks, but not the specific impact on public infrastructure.** The fiscal risk statement, published for the first time in September 2021, categorizes the main risks for public finances (macroeconomic, public debt, public sector other than central government, financial sector, and other risks). Although some of these risks are quantified, those relating to natural disasters are presented only briefly and qualitatively, and the impacts on infrastructure are not assessed. Elsewhere, the MAAH keeping a summary table of natural disasters and their financial impacts over a long period is a good practice, but the table is not published and was not forwarded to the mission.

**118. Providing better coverage of climate-related risks that affect public infrastructure is a low priority for reform, in relation to the other reforms proposed in this report.** The foundations for sound climate-related risk management have recently been laid - the creation of the CSNGHC - or are about to be put in place - the draft disaster management strategy and the strategic resource mobilization plan for the national fund. It is therefore important to operationalize these various processes in the next few months and years. Supplementary efforts could also be made to analyze and publish the climate change risks that affect infrastructure, in particular to feed into the fiscal risk statement.

## V. CROSS-CUTTING ISSUES

**119. The following section presents the main issues relating to IT support, the legal and regulatory framework, and staff capacity, which are relevant to all areas of public investment management.** They are addressed in the PIMA and C-PIMA institutions presented above, but it is nevertheless sensible to also address them separately and from a cross-cutting point of view in order to assess their strengths and weaknesses. They aim to appraise (i) consistency and comprehensiveness of the legal and regulatory framework for the purposes of effective public investment management; (ii) the existence of a comprehensive digital information system covering projects, supporting decision-making and monitoring; and (iii) staff capacity.

### A. LEGAL FRAMEWORK

**120. The legal framework for public investment management (PIM) is fragmented (Table 5.A).** Key aspects of PIM are covered by the legal framework for government finance management in the broad sense. The 2011 LOFIP, revised in 2018, covers investment spending by the Government, the provinces, and the ETDs, issuing basic rules for its budgeting and execution. The 2010 law on procurement organizes public procurement in all its aspects, in particular as it relates to public works contracts. Moreover, some types of investment are better regulated than others by the existing texts. The 2018 law on PPPs laid down the principles of identification, selection, validation, and monitoring of PPP projects, but lacks certain implementing decrees to achieve full application. Some investment project execution and oversight entities are subject to regulations establishing their powers, such as the BCECO, ACGT, CSPP, and CFEF, but these regulations only apply to the portfolios each entity manages.

**121. In all, there is no high-level law or regulation that encompasses PIM over the whole project investment cycle.** In particular, the procedures for appraisal, selection, monitoring of physical / financial implementation, and *ex post* assessment of projects are not covered by a clear legal framework and are often guided by manuals compiled over many years, generally with the

support of donors, the application (and knowledge by staff) of which is often uncertain. Budget circulars guide the budgeting of investments without, however, guaranteeing any stability in the procedures from one fiscal year to the next. There are several cases of laws and regulations that have established project management structures that have, nevertheless, remained inactive, such as the 2019 order establishing the CISPIP. Lastly, there are cases of conflicts between standards, such as, for example, between the law on PPPs and the law on procurement regarding the jurisdiction of the ARMP, and also between these two laws and the decree on the powers of the UC-PPP regarding the issuance of nonobjection notices.

**Table 5.A. Legal texts underlying the PIM procedures in the DRC**

Laws	Regulations
<ul style="list-style-type: none"> <li>● Law 11/011 of July 13, 2011 on public finance (LOFIP)</li> <li>● Law 18/016 of July 9, 2018 on public-private partnerships</li> <li>● Law 10/010 of April 27, 2010 on procurement</li> <li>● Law 11/009 of July 9, 2011 establishing fundamental principles for protection of the environment</li> </ul>	<ul style="list-style-type: none"> <li>● Ordinance of July 25, 2019, establishing the organization and operation of the CRESP</li> <li>● Decree 13/050 of November 6, 2013 establishing the General Public Accounting Regulation.</li> <li>● Decree 21/04 of October 2, 2021 establishing the organization and operation of the PPP Advice and Coordination Unit</li> <li>● Decree 08/017 of August 26, 2008 establishing the organization and operation of the ACGT</li> <li>● Decree of August 8, 2001 establishing the organization and operation of the BCECO.</li> <li>● Decree 10/22 of June 2, 2010 establishing the procedures manual for the law on procurement</li> <li>● Decree 10/21 of June 2, 2010 establishing the organization and operation of the ARMP</li> <li>● Decree 10/32 of December 28, 2010 establishing the organization and operation of the procurement and project management units (CGPMP)</li> <li>● Decree 13/51 of November 8, 2013 establishing the Government Chart of Accounts (PCE)</li> <li>● Decree of August 2, 2014 establishing the operating rules for environmental protection procedural mechanisms</li> <li>● Decree of November 18, 2014 establishing the bylaws of a public institution under the name of ACE.</li> <li>● Ministerial order of December 5, 2011 establishing the organization and operation of the Project and Program Oversight Unit</li> <li>● Ministerial order of July 19, 2019 establishing the Commission for identification and selection of public investment projects (CISPIP)</li> <li>● Interministerial order of May 20, 2013 establishing the organization and operation of the preinvestment fund</li> <li>● Ministerial order of February 7, 2011 establishing the Investment and Aid Management Platform</li> <li>● Memorandum of understanding of March 29, 2013 on the procedures for the application of investment appropriations in the sectors falling under the exclusive jurisdiction of the provinces</li> </ul>

Source: Mission

**122. The legal framework for PIM does not explicitly take climate change into account.**

The 2011 law on the protection of the environment represented a significant step in awareness of environmental issues in project appraisal. The obligation to conduct an environmental impact study for every investment project in the DRC is well known by all departments. This law does mention climate change in a specific article (Article 48), but it is too general to be operable. An update of the 2011 law or the adoption of a new law specifically focusing on climate change are under consideration. Finally, the decree on PIM could set the principle of involvement of the MEDD and the ACE in all stages of the investment cycle to ensure climate change is considered.

**123. The adoption of a decree on PIM is a high priority.** The adoption of such a decree covering all stages of the project cycle, would make it possible to define the responsibilities of the various parties involved in each of these stages, to structure the institutional framework, and to provide guidance for the development of indispensable tools to optimize the management of investment projects.

**B. IT SUPPORT**

**124. The authorities have no effective institutional framework to guide, support, and implement the computerization of PIM.** The IT functions of the main ministries in charge of managing public investments suffer from limited coordination and a lack of staff with the required



capacities. There is no IT master plan to provide a consistent, coordinated strategy for development and operation of computer software supporting PIM, from planning through to accounting for assets. Nevertheless, the inter-ministerial coordination unit is aiming to build its capacity under the auspices of the Ministry in charge of Digitization, which has recently been set up. The current picture is as follows:

- Within the *Ministry of Planning*, the DPB has an IT division that manages the public investment database with a staff composed solely of IT specialists. Additionally, the Aid and Investment Management Platform (PGAI) established by Ministerial order on February 7, 2011 is the technical agency tasked with strengthening its information system, set up to ensure monitoring and evaluation of all stages of management of external funding. In this regard, the PGAI serves as a single window and is designated by the government as the official source of information on aid flows in the DRC. In practice, the PGAI is having difficulties in gathering reliable information, particularly with regard to bilateral partners.
- At the *Ministry of the Budget*, the Interministerial Information Technology Coordination department (C2I) (staff of 69) coordinates the IT work of the Ministries of the Budget and Finance. The Ministry's IT function faces many challenges in terms of the financial resources allocated, having sufficient, competent staff and of motivation, given, in particular, the lack of a dedicated IT career path. There is no formal coordination mechanism between the IT function of the Ministry of Planning and the C2I.
- In the absence of a dedicated IT stream and sufficient resources, the IT capacities of the *Ministry of Finance* are equally weak. The ministry is in charge of chairing the integrated human resources and public finance management system digitization steering committee (the "Committee"), which still has to come into operation. The recent updating of the General Operation Plan (POG) for the computerization of the system of management of public finance and general government, managed by the Public Finance Reform Orientation Committee (COREF), does not cover the area of public finance management, and the Ministry of Planning is not involved in the work.

**125. There is no comprehensive, computerized information system for public investment projects to support decision making and oversight.** The Ministry of Planning has a project database (in Access format), following the structure of the project fiches, held in Excel. The PGAI administers its external resources management information system. The Infrastructure Directorate of the Ministry of Planning has developed a mapping<sup>100</sup> of infrastructure projects in the DRC. Specifically, the information on projects is presented by type of financing, by sector, by location, and by implementation agency, but the data are not comprehensive and do not contain the amounts of funding. The Ministry of Planning's information systems have no interface with the "Expenditure chain", which consists of a number of separate applications ("*Préparation du Budget*" (PREPABUD - budget preparation), "*Gestion des Dépenses*" (GESDEPENSE - expenditure management), and COMPTA, in particular) that, in some cases, are not fully operational. Further, the "*Système Intégré de Gestion des Marchés Publics*" (SIGMAP - integrated procurement management system) is in the deployment phase, and the development of an e-procurement (E-GP) project is being prepared with the support of the World Bank. Finally, the Ministry of Finance is preparing a data warehouse project.

**126. There is no specific information system for monitoring climate change.** The MEDD did not mention any system or database in this area beyond the data relating to forests and to weather published on its website. However, the need to gather data on climate change and to have IT systems to manage such data is growing, both to feed into planning and improve the quality of assessment and analysis and to monitor the climate performance of the various investment projects.

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<sup>100</sup> <https://www.cartoinfrardc.org/gis/>.

The NAP prepared at end-2021 stipulates that to assess vulnerability to climate change and impact of adaptation measures, the DRC should rely on the collection of data from the various national institutions, in particular the *Agence nationale de météorologie et télédétection par satellite* (national meteorological and satellite weather monitoring agency), the *Institut national d'études et recherches agronomiques* (national institute of agronomic research), the Ministries of Energy, Agriculture, Rural and Urban Development, Land Management, Scientific Research, and the universities, as well as from international and non-governmental organizations, and other agencies, from both the public and private sector.

**127. The development of an integrated bank of projects, which follows them throughout their life-cycle, is a high priority for reform.** Many processes of the PIM cycle must be supported by an information system. These systems are often separate from the applications for budgeting, public procurement, and accounting, finance and budget execution, hence necessitating a pooling and sharing of information among all the parties involved. Depending on the maturity of the information systems, this can take place through the establishment of standard data exchange procedures, the implementation of software interface plans, or posting in a data warehouse, feeding into a decision-making dashboard. The major principles of a project bank are set forth in Annex 7.

### C. STAFF CAPACITY

**128. Administrative fragmentation leads to dilution of public investment management capacities.** Public administration in the DRC is very fragmented and compartmentalized. Institutional complexity, legal uncertainty, the multiplicity of parties involved, the unproductive use at times of existing capacities, the lack of coordination, and the absence of comprehensive, consistent circulation of information blur the roles and responsibilities, and significantly limit the effectiveness of public investment management. The cumulation of *ad hoc* project portfolio management and oversight committees and agencies of variable size, often created to circumvent ineffective procedures, sometimes at the behest of donors, weakens the technical capacity for sound management of projects. The information flows among these parties are often nonexistent, or, at best, fragmented and redundant, leading to suboptimal use of human and information technology (IT) resources. The pooling of skills and knowledge (and information) of these various committees and agencies could make a leap forward possible in terms of analysis and monitoring capacities.

**129. The majority of ministries and organizations involved in project management indicate that they need to build capacity.** Training or technical assistance needs have been pointed out at all stages of PIM at both the central and the provincial level: planning, enhancing the appraisal, selection, and preparation of projects; budgeting, producing a more reliable financial estimate of the spending that the Government must take on; monitoring of project implementation, and *ex post* evaluation of projects. For PPPs, capacity building will be crucial to enable the DRC to control the fiscal risks associated with that modality of project financing.

**130. The authorities also point out the need for capacity building in relation to considering climate change throughout the entire investment cycle.** As the inclusion of climate change issues is an aspect that will gain momentum in coming years, awareness-raising and training of the parties involved will be a significant, or even necessary first step. The central and provincial governments must be made aware as quickly as possible of the impacts of climate change on public investment and infrastructure. The sectoral ministries need technical support to incorporate climate issues in their planning and projects, as well as to analyze and assess costs and risks associated with climate change. Given their technical competence in environmental and climate-related issues, the MEDD and the ACE are best placed to offer this support.

**131. A training and technical assistance plan, with financial backing by technical and financial partners, will support the authorities' reform strategies.** As set in the Priority Action Plan for the implementation of the Strategic Public Finance Reform Plan (PSRFP) for 2022-2028 (Annex 1), a training plan will be developed, adopted, and implemented to support the authorities' capacities. This plan should also strengthen PIM capacity. A training program for PIM could, as a priority, enhance the skills and knowledge associated with the planning, monitoring and evaluation of projects, as well as risk analysis, including those associated with PPPs and in connection with climate change.

## Annex 1. Actions from the draft 2022-24 Priority Action Plan in connection with public investment management

**Note:** The amendments proposed by the PIMA mission are indicated in **red**. The actions in **yellow** are priority actions under the Priority Action Plan.

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RISKS
SPECIFIC TARGET										
ACTION										
<b>Strategic pillar 1: Budget reform</b>										
<b>Specific target 1.1: Strengthen the macro-fiscal function</b>										
<b>Action 1.1.1: Strengthen the institutional framework of the macro-fiscal function</b>	CPCM and macro-fiscal unit operational  The MTFF including the provisional Government Flow-of-Funds Table (TOFE) is consistent with the macroeconomic forecasts.  Macro-fiscal analysis in the budget documents is improved.	X	X			Public Expenditure and Financial Accountability (PEFA) PI-14 and PI-15.  MTFF includes full, provisional TOFE consistent with the macroeconomic forecasts.  <b>PIMA 1</b>	1. Signature of the Interministerial order for the restructuring of the CPCM, including a TOFE subcommittee (2022). 2. Signature of the Ministerial order establishing the macro-fiscal unit (2022) 3. Adoption of the internal regulations for the functioning of the CPCM (2023). 4. Production of a procedures manual for the preparation of the macro-fiscal framework. <b>Revision of the presentation of the MTFF to (i) verify explicitly the compliance of the projections with the fiscal rules (Article 15 LOFIP), (ii) distinguish between capital expenditure on current projects and capital expenditure on new projects (2023).</b>	MINPLAN; MINBUD.	<b>Medium</b>	
<b>Specific target 1.2 Develop the fiscal risk management function</b>										
<b>Action 1.2.2: Gradually complete the list of fiscal risks of all general government departments and quantify them in the DRB.</b>	The credibility of the budget is improved.	X	X	X	X	PEFA PI-10.  <b>PIMA 3c</b>  <b>C-PIMA 5</b>	1. Strengthen the macroeconomic risk analysis tools and methods 2. Complete the list of specific and institutional fiscal risks and classify them according to impact and probability of occurrence. 3. Quantify the specific and institutional risks and formulate mitigation measures, <b>after strengthening the tools and capacities for analysis, particularly relating to the viability of PPP projects, debt levels of the provinces, and climate-related risks (2024).</b> 4. <b>Progressively expand and deepen the DRB, in particular to cover a review of risks arising from major investment projects of the provinces and public corporations, as well as guarantees granted to the PPPs, and scenarios involving climate change risks (2024).</b>	MINBUD (DGPPB); MINPLAN; ST-CPCM; CCDMT-RB (GTRB)	<b>High</b>	
<b>Action 1.2.4: Improve the oversight of public corporations (EPs) and administrative public entities (établissements publics administratifs - EPAs) and the transparency of the financial flows between the central government and these organizations to aid the analysis of fiscal risks.</b>	The Government has an overview of the fiscal risks associated with the EPs and EPAs.		X	X	X	PEFA PI-10.  <b>PIMA 3c, 5b.</b>  <b>C-PIMA 2</b>	1. Adoption of a portfolio strategy document <b>covering the objectives of public shareholders and the investment and performance objectives of corporations, including the importance of taking climate change into account in their investment projects (2023).</b> 2. Signature of a circular from the Prime Minister instructing the EPs and EPAs to produce financial reports with a standard financial reporting model attached within six months of the year-end, <b>and to share them with the Ministries of Finance and the Budget (2023).</b> 3. Attach to the draft budget a consolidated report of the financial position of the EPs and EPAs, <b>their investments</b> , and the financial flows between the Government and these organizations (2024). 4. Strengthen the computerization of the EPs (2022-24).	Ministry of the Portfolio/ High Council of the Portfolio; MINPLAN; MINBUD	<b>High</b>	
<b>Specific target 1.3: Introduce budget management based on performance</b>										

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RISKS
SPECIFIC TARGET										
ACTION										
<b>Action 1.3.4: Gradually increase the number of ministries that have up-to-date strategies and adopt the finalized and updated model of program budgets.</b>	The targets and indicators of fiscal programs reflect government policies.	X	X	X	X	The number of ministries that have up-to-date strategies has increased.  PIMA 2b, c, 7c  C-PIMA 2, 3	1. Publication of the presidential order to confer powers on the ministries (2022). 2. Completion of the reclassification and streamlining of government organizations and signature of the related decree (QIV 2022) 3. <b>Enhance the information on the objectives in the priority action plans, in particular those relating to climate change. Strengthen the sectoral thematic groups to ensure greater cross-cutting awareness of climate change in public investment decisions (2023).</b> 4. Finalize the fiscal program models, <b>including</b> for the special accounts, supplementary budgets and operators, and their adoption by the Council of Ministers. <b>The models should reinforce the links between planning and budgeting, for example through the sharing of various performance indicators, and should establish the indicators for monitoring investments in relation to climate change (2023).</b>	Council of Ministers; MINPLAN; MINBUD Sectoral ministries	High	
<b>Action 1.3.5: Implement the technical and educational tools for the implementation of budgeting in program mode.</b>	The capacities for budgeting by program are strengthened.	X	X	X		Regulatory framework for the transition to program mode adopted.  PIMA 7c, 8	1. Identification of new fiscal management actors, within a framework establishing their respective roles (2022). 2. Validate the following guides: (i) appointment of persons responsible for programs and procedures for delegation of the payment authority function, preparation of the program budget, framework for management dialogs (2023); (ii) budgeting and application through AE/CP (commitment authorizations/ payment appropriations), <b>in particular with the requirement to break down the status of consumption of the AEs by project (2023)</b> ; (iii) procedures for selection, steering, and governance specific to Government operators (2024); (iv) Audit of programs; practice of management supervision; (v) preparation of the MTEF, the overall MTEF, and the ministerial MTEFs; (2024).	COREF ; MINBUD ; DGGPB ; DGDSP) ; Ministères sectoriels.	Medium	
<b>Action 1.3.6: Improve the credibility of the budget.</b>	The Government budget is executed as planned in accordance with the preparation of the expenditures, and the gaps between forecasts and outcomes are reduced.	X	X	X	X	PEFA PI-1, PI-2, and PI-3  PIMA 6, 7, 8, 14	1. Forecast fiscal resources solely on the basis of technical considerations and ascertain that the execution of expenditures follows the provision of the LOFIP and the General Public Accounting Regulations (RGCP) (LF 2023). 2. Execute almost all the expenditures on the basis of normal procedures (2022 and subsequent years).	National Assembly and Senate; Council of Ministers; MINFIN; MINBUD;	High	
<b>Specific target 1.4: Improve budget documentation to promote transparency and boost parliamentary debate</b>										

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RI SKS
SPECIFIC TARGET										
ACTION										
<b>Action 1.4.1: Produce all the annexes to the draft budget law as provided in the LOFIP and supplement the documentation to enhance transparency and nourish parliamentary debate.</b>	The information provided by the annexes to the draft budget law (PLF) meets the requirements of the LOFIP and contributes to greater understanding of the fiscal issues.		X	X	X	PEFA PI 5  PIMA 6c, 8, 12	1. Prepare the budget documentation as required by the LOFIP, including the documents listed under Article 78 (6), (7), and (8) and the last four listed under Article 79 (5) (2023).  2. Fill in the budget documentation in addition to the requirements of the LOFIP (specifically, reports on fiscal expenditure, fiscal risk, the general position of public corporations and institutions, the status of collateral and guarantees granted by the Government, the annual cash flow plan adjusted to a monthly rate, the assessment of the stock of debt, and the list of PPPs in progress) and the Public Investment Program (PIP) (2024).	MINBUD (DGPPB)	Medium	
<b>Strategic pillar 3: Public expenditure management</b>										
<b>Specific target 3.2: Strengthen the predictability of public spending execution</b>										
<b>Action 3.2.1: Improve the methodology for preparing and updating commitment plans</b>	Steering of budget execution is improved.	X	X	X		PEFA PI-1, PI-2 and PI-3; PEFA PI-21  Rate of execution of the PEB  Level of RAPs in relation to expenditures (pending payments and arrears) PIMA 12a, 12b	1. Take up a text making preparation of the PEB and the PTR mandatory (Q4 2022).  2. Adopt the guide for the preparation of the PEBs and the PTR, which increases the consistency between the two tools (Q1 2023).  3. Strengthen in-year budget regulation by having the commitment plan at the beginning of the year based on the draft budget law appropriations, as presented by the Government (2023).  4. Establish the top-down and bottom-up approach in the preparation/ updating of the PEBs (Q2 2024).	MINBUD/D CB/ DGTCP	High	
<b>Specific target 3.4: Enhance the transparency and effectiveness of public procurement</b>										
<b>Action 3.4.1: Revise the legal and regulatory framework for public contracts using the MAPS II 2021 assessment.</b>	The governance of the procurement system is strengthened.		X	X	X	PEFA PI-24 (1 to 4) PIMA 11a, 11b, 12a, 12b	1. Revise the laws and regulations pertaining to public procurement on the basis of the MAPS II recommendations (ARMP, General Directorate for Procurement Supervision - DGCMP, and procurement and project management units - CGPMP) and, in particular, further restrict the possibilities of granting special authorizations, which open the way to private mutual agreements (Q4 2023).  2. Require the mandatory preparation of provisional plans for procurement contracts based on the draft budget law adopted in the Council of Ministers (Q1 2023).  3. Improve the format of the plan for public procurement to be submitted to the department tasked with the preparation of the commitment plan by incorporating the budget data in it.	MINBUD/A RMP/DGCM MP	High	

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RISKS
SPECIFIC TARGET										
ACTION										
							4. Authorize the DGCMP to access the budget information system to ascertain the availability of appropriations for the files on public contracts submitted to it for supervision (Q2 2022). 5. Interface the procurement management system with the budget execution system for embedded checks on the availability of appropriations (Q 4 2024)			
<b>Action 3.4.2: Make the DGCMP the only entry point at the Ministry of the Budget for requests for nonobjection notices on public procurement files (PPM, DAO, special authorizations, etc.) in accordance with the relevant provisions of the procurement code.</b>	The transparency of public procurement is improved.	X	X	X		PEFA PI-24 (1 to 4) PIMA 11	1. Draw up a form for transmission of requests for notices to the DGCMP for files entered at the office of the Ministry of the Budget (MINBUD) (Q1 2022). 2. <b>Gradually reduce the number of special authorizations granted by the DGCMP (2022).</b>	MINBUD/A RMP/DGC MP	High	
<b>Specific target 3.6: Strengthen public debt management</b>										
<b>Action 3.6.2: Keep and regularly update the register of collateral and guarantees granted by the Government.</b>	The management of public debt is strengthened.  Its viability and sustainability are regularly ensured.		X	X		PEFA PI-13 (1 to 3)  Number of notices on the viability and sustainability of debt agreements  PIMA 1a	1. Establish a database of all the agreements with collateral and guarantee clauses (Q2 2023). 2. Design markers for the collateral and guarantees likely to be called, so that they can be covered in the budget (Q4 2023). 3. <b>Conduct regular analyses of the viability of the debt, including alternative scenarios incorporating all debt instruments, natural resource operating profiles, demographic projections, contingent liabilities, and climate change (2023).</b>	MINFIN/DG DP	High	
<b>Strategic pillar 4: Public accounting and cash management</b>										
<b>Specific target 4.4: Prepare the implementation of inventory accounting</b>										
<b>Action 4.4.1: Implement the institutional framework for inventory accounting, as defined in the LOFIP.</b>	Inventory accounting meets the requirements of accrual and asset accounting.		X	X		The institutional framework is in place.  PIMA 15	1. Establish a consultation framework between the DGCTP and the agency tasked with the management of the Government's movable and immovable assets in order to strengthen the institutional framework for inventory bookkeeping (2023).	MIN FIN/DGTCP/ CPCC/MIN Transp/MIN BUDGET/DI G-CC	Medium	
<b>Action 4.4.2: Develop the regulatory framework for inventory accounting.</b>					X	PEFA PI-12  PIMA 15	1. Adopt the inventory nomenclature <b>and a clear methodology for asset valuation (2024).</b> 2. Adopt the procedures manual for managing inventory accounting (2024). 3. Incorporate inventory accounting rules in the book of accounting standards. 4. <b>Carry out gradually a full inventory of nonfinancial assets (2024).</b>	MIN FIN/DGTCP /CPCC/MIN Transp /MIN BUDGET /DIG-CC	Medium	
<b>Specific target 4.8: Strengthen the quality of cash flow forecasts and improve the practice of issuing government securities.</b>										

STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RI SKS
SPECIFIC TARGET										
ACTION										
<b>Action 4.8.1: Strengthen the quality of cash flow forecasts.</b>	Cash management plan forecasts are made reliable.	X	X	X	X	PEFA PI-16 and PI-21 Gap between cash flow forecasts and outcomes  PIMA 12a, 12b	1.Prepare a procedures manual for drawing up the cash management plan (2022).  2.Produce the cash management plan on the basis of actual inflows and disbursements affecting the Treasury General Account (TGA) at the Central Bank of the Congo (BCC) and the cash shown in the accounting items (2022).	DGTCP	High	
<b>Specific target 4.9: Set up the Treasury Single Account (TSA)</b>										
<b>Action 4.9.2: Progressively expand the coverage of the TSA</b>	The various parties involved comply with the reform.  The TSA is operational and covers all Government resources.	X	X	X	X	PEFA PI-21  Number of accounts that are included under the TSA again.  PIMA 12c	1. Adopt a communication and awareness-raising strategy for the various parties concerned on the benefits of consolidating resources in the TSA (2022).  2. Limit the procedure of exemption from the principle of mandatory deposit at the Treasury of all government liquid assets (2022).  3. With the support of the BCC carry out a comprehensive survey of government accounts open in the financial system (2022-23).  4. After a stress test of the impact on the financial system of returning to the Treasury the credit balances of public accounts residing in the financial system, determine an appropriate approach to a process of closing these accounts and gradually transferring the balances to the TSA (2023).  5.At the same time carry out discussions with the PTFs in order to proceed with the transfer of donors' accounts to the General Treasury Account (TSA) (2024).	MINFIN, BCC, project team, DGTCP, PTF		
<b>Strategic pillar 5: Public finance auditing</b>										
<b>Specific target 5.3: Strengthen external auditing</b>										
<b>Action 5.3.1: Strengthen the guarantees of the independence of the Court of Accounts</b>	An independent audit providing assurance of the appropriateness and compliance of the execution of public spending is assured.	X	X	X	X	PEFA PI-30.4  PIMA 14c	1. Appointment of the President of the Court of Accounts as of right (2022) 2. Judges take an oath before the President of the Republic, to ratify the appointment after receiving the opinion of the National Assembly (AN) (2022). 3. Production of the functional organization chart of the Court of Accounts (2022) 4. Signature of the Decree on the official regulations of the technical and administrative staff (2023) 5. Signature of an instruction authorizing the automatic transfer of budget allocations; appoint an accountant to the Court of Accounts who meets the requirements of independence of the Supreme Audit Institutions (SAIs) (2014) 6. Set up an automatic transfer mechanism for budget allocations. (2024) 7. Submit to the National Assembly a proposal to securely establish the formulation of the budget of the Court of Accounts (2025).	Court of Accounts National Assembly (AN) MINBUD MINFIN	High	
<b>Pillar 0: Accompanying measures</b>										
<b>Specific target 0.2: Build capacity</b>										



STRATEGIC PILLAR	EXPECTED OUTCOME(S)	2022	2023	2024	2025 2028	OUTCOME INDICATOR(S)	REQUIREMENTS	AREAS RESPONSIBLE	PRIORITY	POINTS TO WATCH/RISKS
SPECIFIC TARGET										
ACTION										
<b>Cross-cutting action 0.2.1:</b> <b>Develop, adopt, and implement a training plan to accompany the implementation of the Strategic Public Finance Reform Plan (PSRFP) 2022-28.</b>	The capacities of the various parties involved in GFP (public financial management) are strengthened.	X	X	X	X	Number of annual training courses	1. Adopt an updated public financial management training plan (2022). 2. Implement the training plan <b>thereby strengthening, among other things, the capacities for public investment management and capacities for analysis of the fiscal risks arising from PPPs (2022-28).</b>	COREF, MINFIN, MINBUD, Ministries, Supervisory authorities	High	

### Annex 2. Detailed PIMA assessment scores

The following colors are used to present the scores:

Score	Weak	Medium	Advanced
	1	2	3
Color			

I. PLANNING		
	Institutional design	Effectiveness
1.a.		
1.b.		
1.c.		
2.a.		
2.b.		
2.c.		
3.a.		
3.b.		
3.c.		
4.a.		
4.b.		
4.c.		
5.a.		
5.b.		
5.c.		

II. ALLOCATION		
	Institutional design	Effectiveness
6.a.		
6.b.		
6.c.		
7.a.		
7.b.		
7.c.		
8.a.		
8.b.		
8.c.		
9.a.		
9.b.		
9.c.		
10.a.		
10.b.		
10.c.		

III. IMPLEMENTATION		
	Institutional design	Effectiveness
11.a.		
11.b.		
11.c.		
12.a.		
12.b.		
12.c.		
13.a.		
13.b.		
13.c.		
14.a.		
14.b.		
14.c.		
15.a.		
15.b.		
15.c.		

### Annex 3. Detailed C-PIMA module assessment scores

The following colors are used to present the scores:

Score	Weak	Medium	Advanced
	1	2	3
Color			

<b>C1. Climate-aware Planning</b>	
<b>C1.a</b>	National and sectoral planning
<b>C1.b</b>	Land use and building regulations
<b>C1.c</b>	Centralized guidance on planning
<b>C2. Coordination between Entities</b>	
<b>C2.a</b>	Coordination across central government
<b>C2.b</b>	Coordination with subnational governments
<b>C2.c</b>	Oversight framework for public corporations
<b>C3. Project Appraisal and Selection</b>	
<b>C3.a</b>	Climate analysis in project appraisal
<b>C3.b</b>	PPP framework including climate risks
<b>C3.c</b>	Climate consideration in project selection
<b>C4. Budgeting and Portfolio Management</b>	
<b>C4.a.</b>	Climate budget tagging
<b>C4.b</b>	Ex post review of projects on climate outcomes
<b>C4.c</b>	Asset management
<b>C5. Risk Management</b>	
<b>C5.a</b>	Disaster risk management strategy
<b>C5.b</b>	Ex ante financing mechanisms
<b>C5.c</b>	Fiscal risk analysis including climate risks

**Annex 4. Setting up a single office for coordination and oversight of externally financed projects**  
**Management of the externally financed project portfolio in the DRC is fragmented.**

Indeed, several agencies within the Ministry of Finance, the Ministry of Planning, and other ministries cover various project portfolios, the features of which, in terms of sectors and donors, often depend on the historic circumstances of their inception.<sup>101</sup> The legal framework establishing the powers of some of these entities is often obsolete, or even no longer valid, as in the case of committees or agencies that had a closing date set in the laws and regulations. This poses several problems.

- *This situation complicates the consolidation of information on the projects.* As things stand, the authorities are not able to oversee on a regular basis and in real time the financial and physical flows relating to these projects. The reporting is either not comprehensive, or irregular or late.
- *This fragmentation tends to disperse management skills and knowledge among the various units,* in a situation where the authorities are lacking human and financial resources.
- *The discussions on the portfolio with the various donors are not optimal due to the lack of coordinated management.* It is therefore not easy to verify whether, overall, the actions of the various donors are well aligned with the DRC's strategic priorities and whether the various sectors are given balanced coverage.
- *The performance of this portfolio is thus mixed, as illustrated by the poor rates of uptake of resources.* Various reasons underlie the generally slow implementation of externally financed programs and projects; these reasons include the complexity and variability of the procedures required by different donors, and the use of funds for expenditure that is actually ineligible.
- *To continue to exist even when their portfolio has reached its end-date, the committees and agencies initially tasked with managing externally financed projects then also go on to implement projects financed by the central government's own funds.* This is specifically the case with the BCECO and the Infrastructure Unit, while their founding regulations tasked them solely with carrying out externally financed projects. That raises issues relating to the application of internal control procedures.

**To remedy this situation, it is important to work towards the establishment of a single office (the "Office") tasked with coordination and oversight of all externally financed projects.** Such an entity would allow to pool resources that are currently scattered among the various units. The Office should have the following three core functions:

- (i) A front office to organize the pitch for projects to be financed and ensure alignment with the strategic development priorities, participate in funding negotiations with the authorities, and gather information on banking flows.
- (ii) A middle office that would support the sectoral ministries carrying the budget appropriations in the preparation and implementation of projects. Tasks that could benefit from that support could include the conduction of project feasibility studies, the selection of projects to be entered in the PIP, the preparation of files for calls for bids, and the contract allocation process. The sectoral ministries could also choose to delegate the role of principal contractor to the Office, in return for fair compensation. In all cases an agreement should be entered into in advance between the sectoral ministry and the Office, in order to ensure clear allocation of responsibilities and strict compliance with the rules for budget management and control (in particular, the absolute adherence to recording the projects in the respective sectoral ministries' budgets) and the rules relating to procurement. The management fees received by the Office should be reported transparently in the budget law.

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<sup>101</sup> Among these agencies, it is worth noting the Central Coordination Office (BCECO), the Fragile States Finance Implementation Unit (CFEF), the Project and Program Oversight Unit (CSPP), the European Development Fund payment authority support unit, and the Aid and Investment Management Platform (PGAI).

- (iii) A back office, which would keep a comprehensive, consolidated database of the currently managed externally financed projects, draw up the various monitoring reports for each project and donor, and supply financial information to the institutional users, in particular the Ministries of Finance, Planning, and the Budget. As the sectoral ministries remain responsible for the appropriations allocated to their projects, the accounting function would be covered by the public accountants assigned to these expenditures under the auspices of the General Directorate of the Treasury and Public Accounting.

**The best option in the view of the mission with regard to the institutional form of the Office would be an *établissement public administratif* (administrative public entity) under the financial and technical oversight of the Ministry of Finance, and which would be the successor to the BCECO.**

The benefits of such a structure include financial and administrative autonomy and attractiveness for high quality experts. The Office would also benefit from the networks of local correspondents set up by the BCECO and the CFEF. The Board of Directors of the Office should include representatives of the Ministries of Planning and the Budget, as well as the sectoral ministries, in order to ensure good coordination and exchange of information. The Office should comply with the law on public institutions and be given a framework by a regulation setting forth, in particular, the functional relationships with the other authorities - specifically the Ministry of Planning (for the planning of public investment) and the professional experts located in the contracting authorities (for example the directorate of hospital, school, and roads and bridges infrastructure). As with any public institution, the Office would have an accounting section to take care of reporting on the operations relating to its activities.

**The other options available pose problems in terms of financing and potential effectiveness.** An internal entity at a ministry would suffer from a lack of institutional and financial autonomy and would not allow proper coordination with the authorities sponsoring the projects. An inter-ministerial committee placed under the joint authority of several ministries, with a permanent technical secretariat to deal with the work, could perform the tasks described above, but its implementation would be complex and its attractiveness for high-quality experts would be limited.

## **Annex 5. Guiding principles for preparation of a decree on public investment management**

**The adoption of a decree on public investment management is a high priority.** The adoption of such a decree covering all stages of the project cycle, would make it possible to define the responsibilities of the various parties involved in each of these stages, to structure the institutional framework, and to provide guidance for the development of indispensable tools to build optimal investment project management. This decree should specifically respond to the following basic elements:

- **Applying to all the projects borne by the public sector regardless of their sources of finance** – central government, public services and institutions, provinces and ETDs, public corporations, as well as PPPs (in accordance with the existing legal framework). The decree should stipulate the anchoring of the development programs and projects within the budget and the relationships between the development program and project management units and the budget program managers. It should lay down an institutional structure that includes all the relevant parties and provides regulatory responses to any potential areas of conflict among the parties. It must give indications on the rules of behavior of the parties involved in the various stages of the cycle (planning, allocation, and implementation).
- **Setting the framework for planning and budgeting of the projects recorded in the budget** by (i) stipulating the rules for the management of the portfolio/bank of projects, in particular the criteria for registration, completion, eligibility for the PIP, integration in the budget, and removal from the portfolio; (ii) detailing the activities of the planning and budgeting process, as well as the role of the parties involved as part of a unified budget process; (iii) specifying the format of the PIP; and (iv) requiring the register of guarantees to be kept, in particular for PPP projects. The text could also provide for the publication of comprehensive information on the whole of the public investment project portfolio, regardless of the source of financing and the management entity.
- **Laying down the main rules for appraisal and selection of projects** by (i) stipulating the approach for identification, appraisal, selection, and completion of projects, as well as the approach to eligibility for the PIP and inclusion in the budget from the perspective of informing the various guides and manuals on their content; (ii) organizing the budgeting and use of study funds to carry out feasibility studies. General selection criteria, including those giving explicit priority to projects combating climate change, could be set forth in the text.
- **Specifying the rules for monitoring project implementation**, particularly covering project management units financed both internally and externally, the heads of major projects, and their relationships with the technical and financial supervisors for information reporting.
- **Providing a framework for the process of closing projects and *ex post* evaluation** by requiring that inventories, completion audits, and *ex post* evaluations be carried out.
- **Establishing the principle of systematic inclusion of project maintenance** at the time of project design, budgeting, and implementation.

## Annex 6. Illustration of the list of relevant selection criteria

The list of selection criteria presented below includes various good practices used in several countries, including Benin, and adds specific criteria relating to climate change. Each evaluation criterion and subcriterion may be subject to an order of priority, or potentially weightings, in order to attribute overall grades to the various projects.

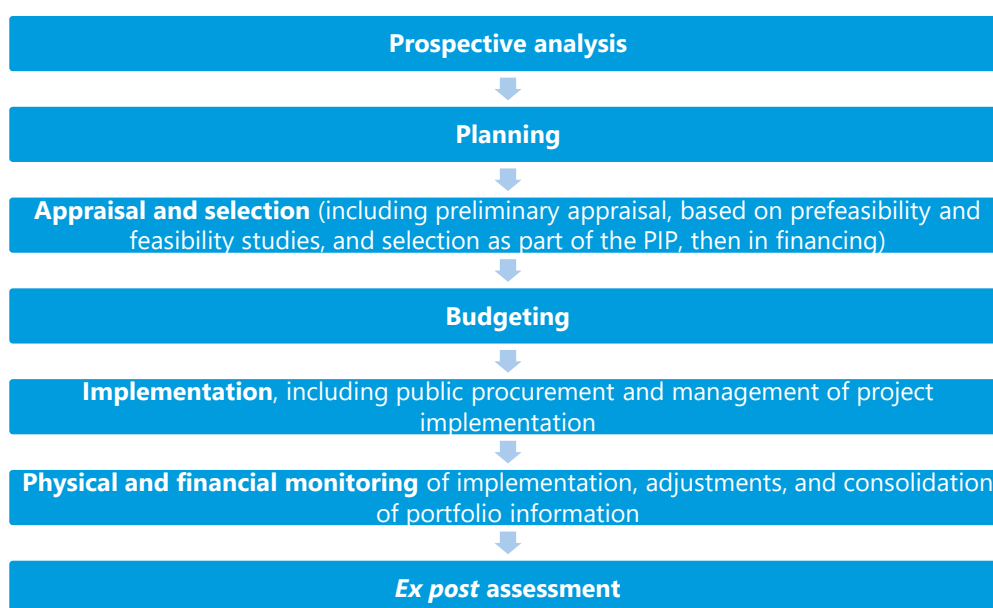
- **Existence of the project document: (Yes/ No)**
- **Degree of preparation of the project:**
  - *Have all the headings of the project fiche been filled in and are the associated documents attached?*
- **Relevance of the project:**
  - *Have social, economic, and environmental needs, including the aspect of climate and gender equity, been clearly identified?*
  - *Have the beneficiaries been qualitatively and quantitatively defined?*
- **Consistency of the project:**
  - *Do the project objectives comply with the strategic guidelines in terms of development?*
  - *Does the project comply with the strategic priorities for the sector?*
  - *Is the internal logic of the project (activities - outcomes - specific targets - general objective) coherent?*
- **Technical feasibility of the project:**
  - *Have the preliminary conditions for starting project implementation (agreements, procedures, organization, responsibilities, laws and regulations) been established?*
  - *Is the technical choice optimal, in particular with regard to climate change?*
- **Economic and financial feasibility of the project:**
  - *What is the assessment of internal return?*
- **Appraisal of the cost and financing plan:**
  - *What is the cost estimate for carrying out the project?*
  - *Is the project financing plan sustainable?*
- **Appraisal of risks, impacts and mitigation measures of the project:**
  - *Have the risks of the project, including climate change risk, been assessed, and have plans for mitigation of these risks been established?*
  - *Have the climate change impacts been assessed?*
- **Project implementation strategy:**
  - *Have the project implementation mechanisms (operating mode) been established and are they appropriate?*
  - *Has the project implementation plan been established and it is appropriate?*
- **Viability and sustainability of the project:**
  - *Have the recurring costs of the project been correctly identified and appraised?*
- **Monitoring and evaluation of the project: (Scale and grade).**
  - *What is the relevance of the indicators associated with the project?*

## Annex 7. Principles guiding the establishment of an integrated bank of projects

**Most African countries do not yet have fully developed practices in the area of information systems**, structured around a bank of projects that enables projects to be monitored, identified by a unique code, over their entire life-cycle from the initial idea for each project through to its completion.

**In short, however, many important principles remain to be applied with regard to computerization of the bank of projects, as follows:**

- Making available in advance an effective institutional framework providing steering, coordination, support, and implementation of the computerization process;
- Integrating the IT development of the bank of projects in a strategy formalized in an IT master plan;
- Allocating to each project in the bank a unique code following the project through its whole life-cycle using a registration system implemented by the Ministry in charge of planning;
- Integrating in the bank of projects functionalities that enable monitoring over the whole life-cycle of management, from project ideas to completions, according to the following sequence:



- Adopting a comprehensive approach to the bank of projects, including projects financed by own funds, external funds, and supported by PPPs, at both national and subnational level;
- Supporting the implementation of the computerized bank of projects with formalized tools, in terms of steering (project fiches, appraisal and selection framework, PIP, dashboards), monitoring, and transmission of information (standard forms) and reporting (standard reports);
- Identifying and facilitating, using keys (registration of projects, budget nomenclature, and registration of contracts and PPPs), charts of accounts (general accounting and inventory accounting), data interfaces, and management applications;
- Ensuring the sharing and pooling of information on the bank of projects among all parties involved;
- Promoting development, ownership, proper use, and autonomy among the users of the bank of projects.

**In terms of functionality, an information system supporting public investment management should enable the following:**

- Development of the project pipeline (identification, preparation, design, and presentation);
- Project appraisal and selection;



- An interface with the IT system for budgeting, with the establishment of a key between the coding of projects and the budget nomenclature;
- An interface with the IT system for procurement, with the establishment of a key between the coding of projects, the budget nomenclature, and the registration of contracts;
- An interface with the budget implementation system(s) and general accounting;
- Project management;
- Periodic monitoring of physical and financial implementation of projects and the centralization of information, to steer and monitor the portfolio;
- An interface with the inventory accounting system for management of assets.