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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

THE REPUBLIC OF CONGO

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**Country Management Unit (AFCC2)
Africa Region**

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AfDB	African Development Bank
AFD	Agence Française de Développement (French Development Agency)
CEMAC	Communauté Economique et Monétaire de l'Afrique Centrale (Central African Economic and Monetary Community)
CFCO	Chemin de Fer Congo Océan (Congolese Railway)
COMEG	Congolaise de Médicaments Essentiels Génériques (Congolese Agency for Essential Generic Medicines)
CPS	Country Partnership Strategy
EU	European Union
EITI	Extractive Industry Transparency Initiative
FCFA	Central African Franc
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
IMF	International Monetary Fund
MDG	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MTEF	Medium Term Expenditure Framework
MSME	Micro, Small and Medium Enterprises
PER	Public Expenditure Review
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
RTA	Reimbursable Technical Assistance
SNDE	Société Nationale de Distribution d'Eau (Congolese National Water Distribution Company)
SNPC	Société Nationale des Pétroles du Congo (Congolese National Oil Company)

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REPUBLIC OF CONGO
COUNTRY PARTNERSHIP STRATEGY – PROGRESS REPORT

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REPUBLIC OF CONGO

COUNTRY PARTNERSHIP STRATEGY – PROGRESS REPORT

I. INTRODUCTION

1. This Progress Report assesses implementation of the Bank's FY10-12 Country Partnership Strategy (CPS) for the Republic of Congo at mid-term. The CPS' primary objective is to make a critical contribution to promoting diversified and inclusive economic growth in addition to improving social outcomes. To ensure effective implementation in both priority areas, the CPS also supports governance and institutional capacity building as a cross-cutting theme. The CPS' main themes are fully in line with the new World Bank Strategy for Africa, namely: competitiveness and employment, and vulnerability and resilience, underpinned by good governance and capacity building.

2. There has not been a profound shift in the country context to merit a radical strategic shift on the Bank's part. However, there are new imperatives that call for a sharper focus on certain areas of our support moving forward. For instance, persistent youth unemployment calls for suitably adapted professional training programs. Similarly, growing oil revenues and the Government's recent rapid acceleration of its investment program requires an intensified focus on greater investment selection, management, and maintenance requirements. These new dimensions will be at the center of the Bank's attention and support during the remainder of the CPS period and beyond.

3. The Republic of Congo reached HIPC Completion Point in January 2010. Reaching the Completion Point has emboldened the authorities and the Congolese people to envisage a more ambitious phase of Congo's development. This has helped strengthen the dialogue with the Bank which has become more mature, and has heightened the prospects for deepening the reforms.

4. In the following sections, this CPS Progress Report: (i) reviews progress to date toward achieving the CPS' objectives and outcomes; (ii) provides a brief update on the new contextual imperatives within the country with a view to drawing implications for the continued relevance of the Bank's strategy, including defining a plan of activities over the next two fiscal years; and (iii) updates the assessment of the principal risks facing the CPS' implementation.

II. PROGRESS TOWARDS CPS OUTCOMES AND PORTFOLIO PERFORMANCE

A) Progress toward Achieving CPS Outcomes

5. Overall progress toward attaining the CPS outcomes is *satisfactory*. A series of reforms have been undertaken, especially in the final drive to attain the Completion Point under the HIPC initiative in January 2010. The following is a succinct summary of the progress so far attained for each CPS outcome. A more detailed evaluation at mid-term is provided in the results matrix (Annex1).

1) CPS Theme 1: Economic diversification and growth agenda

Outcome 1.1: Rendering the management of oil revenue and public expenditure more effective

6. Progress to date on oil commercialization reforms initiated in 2009 includes restructuring the state oil company to streamline its operations, to put in place a new analytical accounting system to enhance transparency of its accounting practices, and to continue the independent certification of quarterly data on oil revenue. The remaining agenda includes completing the restructuring process of the

state oil company, the full application of the new accounting system (adopted in September 2009), and the timely production of independent financial audits by a firm of international reputation (the 2009 and 2010 audits are still outstanding). Regarding EITI, Congo has produced two reports, although these are yet to be validated due to their insufficient scope. Corrective actions as specified by the EITI Board consist of, among other things, taking steps to ensure that all entities that make or receive material payments are included in the reporting process. The EITI stakeholders are currently working on remedial actions that would lead to the preparation of a third EITI report.

7. On the other hand, progress has been made on public expenditure management, particularly on budget planning, public investment management, and procurement reforms. Consolidating the above gains will require more capacity building and a broader commitment across Government. Further support to implementing reforms in these areas is envisaged under the new Governance Project (FY12), as well as continued country dialogue.

Outcome 1.2: Enhancing agricultural production and productivity in high potential zones

8. The principle vehicle for supporting this outcome is the Agriculture Project. Progress has been slower than anticipated due to the Government's slow release of counterpart funding and poor project management and coordination, both of which have now been resolved. Achievements so far include production of planting materials and rehabilitation of rural roads.

Outcome 1.3: Putting in place tools for improved forestry management

9. The Government has adopted a package of legal and regulatory instruments to improve sector transparency and social and environmental performance. Congo has also made significant progress in the preparation of its Readiness Plan for Reduced Emissions from Deforestation and Degradation (REDD)¹. The Republic of Congo, together with Democratic Republic of Congo, is at the forefront of defending the African position on forest management issues in international fora. Further support will be provided through a forestry project currently under preparation (FY12), as well as trust-funded REDD activities.

Outcome 1.4: Laying the foundation for the growth of micro, small, and medium enterprises

10. In a bid to improve the business climate, Government adopted an action plan in late 2009 aimed at, among other things, improving public-private dialogue and promoting business development services for enterprise development. The Bank's support to this outcome will be provided through the Economic Diversification Project. IFC is also supporting Congo in improving its Doing Business ranking, among other things (see Section V).

Outcome 1.5: Improving the services from Government's ongoing/planned infrastructure program

11. The Government has carried out critical reforms in the *telecommunications sector*, including liberalization of the international gateway and establishment of an independent telecommunications regulatory authority, which should help maximize benefits from its ongoing investments in a fiber optic cable network. The remaining agenda includes strengthening policy and regulatory capacity, undertaking local and regional network connections, and promoting a local information technology industry. Bank support to this effect will primarily be provided through the Regional Telecommunications Project (FY11).

12. Government is heavily investing in the *energy sector*, where significant generation capacity has been installed, and work on transmission infrastructure is ongoing. Preparations for complementary

¹A mechanism to reward developing countries engaging in halting deforestation and in promoting afforestation and reforestation that could become a significant source of funds for investment in rural development and of government revenue.

sector reforms to make the national utility capable of managing these new investments and deliver quality services to its customers are underway.

13. Regarding the *water sector*, the Government is already implementing an action plan for strengthening the national water utility's commercial and financial performance. Both the energy and water reforms are being supported under the Urban, Water, and Energy Project.

Outcome 1.6: Laying the foundation for increasing its market share in regional transit services

14. The Bank helped Congo with a prioritization framework for investments along the principal transportation corridors through a seminal study on "*Prioritizing Infrastructure Investments: A Spatial Approach*" completed in October 2009. A key result of this analysis was the importance of the Pointe Noire – Brazzaville railway (*Chemin de Fer Congo Océan* (CFCO)). The Bank is assisting the Government through the Economic Diversification Project to implement a reform program for CFCO, including establishing a Private-Public Partnership. The Bank is also facilitating the dialogue between Congo, DRC, and Central African Republic to examine options for developing the Congo Basin-Atlantic Corridor.

2) CPS Theme 2: Basic service delivery agenda

Outcome 2.1: Improving the delivery of basic services

15. Although there has been some progress in achieving some of the CPS milestones, the health and education sectors are still struggling, and the country is indeed unlikely to attain the MDGs (Annexes 3 and 4). More generalized improvement in health service delivery continues to be beset by weak capacity and institutional inertia. Similarly, accelerated progress in the education sector will require more efforts in ensuring high retention rates and levels of learning; ensuring a deeper sense of ownership by all stakeholders of the education strategy; and a better match between skills training programs and market needs. It is critical that Government takes a much bolder approach in order to make significant progress toward the MDGs. The Bank is intensifying its support through the ongoing Health, HIV/AIDS and Educations Projects.

B) Portfolio Performance

16. The CPS is implemented through a series of operations: six in existence at the time of writing the CPS (Annex 5), and a set of new operations (Annex 6) and AAA (Annex 7) envisaged under the CPS.

Previously Existing Projects

17. Implementation performance of the existing portfolio has been mixed. Whereas progress on the HIV/AIDS and Governance projects has been satisfactory, the Agriculture project has experienced major disbursement delays. As indicated above, the Agriculture Project has been beset by poor management and slow release of counterpart funding. A better management team is in place, and Government has released all pending amounts, and has committed to timely releases in the future. The project has just been upgraded from problem status following the mid-term review completed in January, 2011.

18. The Health Project's complex reforms led to a slow start, which were compounded by the change of the Minister and the key staff, in particular the Project Coordinator, who had been present during project preparation. The team is working closely with the counterparts to improve the project's performance. An action plan has been agreed upon with the new health minister, and the project is expected to emerge from its unsatisfactory status by mid to late 2011. It is important to note that complex reforms of this nature require time, persuasion and close support from the Bank team, which is now fully based in the field.

19. Indeed, all projects are now managed from the field, with the Task Team Leaders either based in Brazzaville or Kinshasa. This, as well as close follow up from the Country Manager and the Country Director, has helped to enhance the quality of our dialogue beyond projects and toward much broader sector issues.

New Projects Envisaged under the CPS

20. Project delivery has proceeded as originally planned (Annex 6). The Urban, Water, and Energy Project, which became effective in October 2010, is off to a good start, thanks to the procurement process carried out during project preparation. The Economic Diversification Support Project is expected to become effective in May 2011. The pipeline for FY11 (the Regional Telecommunications Project) and for FY12 (the Forestry and Governance Projects) is expected to be delivered as planned.

Analytical and Advisory Activities

21. The Analytical and Advisory Activities planned in the CPS are proceeding well (Annex 7). The Public Expenditure Review (which included an oil sector review) has been completed and disseminated in the country, and its key findings, especially on public finance management will form the basis for deepening further economic reforms, supported mostly through the new Governance Project (FY12).

22. The Growth and Employment Study is being finalized and will, among other things, serve as one of the major inputs in structuring the Bank's support to promoting non-oil growth, and has particularly highlighted the issue of skills as a major constraint to the private sector. Support to the development of a national statistical strategy, as well as a strategy for information and communication was dully provided. The latter is underpinning the Regional Telecommunications Project (FY11). Support to the forestry sector has led to the development of the Forestry Project (FY12).

III. UPDATE ON ECONOMIC DEVELOPMENTS

23. The Republic of Congo has continued to grow its economy significantly since 2008 through improvements in fiscal discipline and debt management. According to the 2010 IMF World Economic Outlook Report, the Republic of Congo was the fastest growing economy in Africa in 2010. Real GDP is estimated to have expanded by 9.1 percent in 2010, compared to 7.5 percent in 2009, based on continued high growth in the oil-sector as well as accelerated growth in the non-oil sector (see Annex 8). Economic prospects remain favorable with a projected growth rate of 7.8 percent in 2011.

24. The macroeconomic resilience has increased despite the global economic downturn. The economic performance remained robust, backed by increasing oil production and sustained growth in non-oil sectors, such as construction, transport and telecommunication, although the timber industry was negatively affected by lower demand and prices. After deteriorating in 2009, following the decline in global demand and oil prices, Congo's external current account position also improved markedly in 2010.

25. The overall inflation remained moderate, and the annual inflation, measured by the consumer price index, was estimated at 4.3 percent in 2009 and 5.3 in 2010, which is slightly above the CEMAC target rate of 3 percent. Inflation on food prices remained moderate mainly due to an improvement in transport conditions. Rehabilitation efforts of the road and railway network have facilitated the transport of locally produced goods to commercial centers. As a result, the increase in overall food prices has so far been subdued, averaging 3.0 percent over the last 12 months (March 2010 – March 2011) in Brazzaville. However, some higher prices have been observed on certain items such as meat, cooking oil and fish, which are mostly imported. The Government has been monitoring the situation closely and has taken a number of measures to alleviate the pressure on food prices, including exemptions for certain food import

duties at the Port in Pointe-Noire. The Government is also preparing a comprehensive program to curb higher inflation.

26. The Republic of Congo is a member of the Economic Community of Central African States (CEMAC) which promotes regional economic co-operation in central Africa. The CEMAC has adopted four main convergence criteria as laid out in Box 1. The Republic of Congo met all of them in 2010, except the low inflation requirement.

Box 1: CEMAC Convergence Criteria

As a member of the regional monetary union, Congo is committed to respecting the CEMAC Convergence Criteria. These Criteria have been updated in 2002. They are monitored through a regular multilateral surveillance process by a Convergence Committee, composed of representatives of the West African Economic and Monetary Union, the CEMAC, the Union of the Comoros, and France. The Committee provides concrete recommendations to member states on strengthening policies with a view to meeting all criteria. The latest assessment of the Committee of April 2008 concluded that Congo had met all targets for the primary indicators, with the exception of the debt target (see table below). In regional comparison, only Benin and Cameroon had met all targets in 2007. Congo's situation has not radically changed since the April 2008 assessment, as the presentation of latest data related to the indicators reveals, although the inflation targets were also not met in 2010. No assessment by the Committee has been done since 2008.

CEMAC Convergence Criteria - Status of Congo

Primary Indicators	Targets	Convergence Assessment 2007	Latest data 2010 ²
I.a) Primary fiscal balance excl. grants/GDP	>=0 %	✓14.1%	✓22.3%
I.b) Structural primary deficit exc. Grants/GDP ³	>0	✓10.2%	Not available ³
Inflation (yearly average)	<3 %	✓2.6%	✗5.3%
Inflation (end of period)	<3%	✓-1.4%	✗5.8%
Debt/GDP	<70 %	✗72.9%	✓15.7%
Arrears	No accumulation	Not declared	✓No accumulation

¹ From Report by the Convergence Committee to CEMAC Ministers (April 2008)

² As per latest data from authorities, Fund and Bank Staff calculations

³ Data will be available once an overall CEMAC assessment is carried out to arrive at comparable structural fiscal balances for all member countries.

✓ Target met

✗ Target not met

27. Congo's attainment of the HIPC Completion Point led to a drastic reduction in the debt stock and debt servicing payments, providing additional fiscal space. Congo reached the Completion Point under the HIPC Initiative in January 2010, and the Paris Club granted full debt relief in March 2010. The total debt relief included US\$1.575 billion from enhanced HIPC in end-2004 net present value terms, and US\$201 million of debt service savings from the Multilateral Debt Relief Initiative (MDRI). Total public external debt declined as a result from about US\$10 billion (or almost 200 percent of GDP) in 2004 to about US\$1.4 billion (or 12.5 percent of GDP) in 2010.

28. However, Congo's public finances remain highly dependent on oil related fiscal revenues. Higher oil revenues and continued expenditure discipline have led to a strengthened fiscal position. The economy's oil dependency, however, represents the key fiscal policy challenge to be addressed in the medium term, as revenue from hydrocarbon resources is projected to decline over time, if there are no new major oil discoveries. Since 2008, the government has, thus, followed a fiscal adjustment policy to reduce the non-oil primary deficit to sustainable levels. There were a number of events that placed further

strain on government expenditure in 2010, including a mass vaccination campaign against a recent severe polio outbreak, the response to the refugee crisis in the north of the country and some overruns associated with the Fiftieth Anniversary of Congo's Independence in August 2010.

29. Therefore, the management of public investments is critical. The authorities have scaled up investment spending substantially to improve the dilapidated infrastructure, particularly in the power and transport sectors, which could pose a big challenge to the country's limited absorptive capacity. The investment budget is estimated to reach CFAF 1,015 billion (approximately USD 2.2 billion) in 2011, representing an increase of more than 50 percent compared to the investment budget of CFAF 674 billion (approximately USD 1.4 billion) in 2010. Recent efforts to improve public finance management including procurement are steps in the right direction.

30. Despite the sustained strong economic performance, the country continues to face fundamental development challenges. Poverty remains significant, with about half the population of 3.6 million living below the poverty line and inequality remains high. Social indicators are still far below those of countries with comparable levels of GNI per capita and meeting the MDGs, particularly MDG 4 and 5, remain a challenge (Annex 4). According to the 2010 United Nations' Human Development Index, Congo ranks 126th among 169 countries.

31. As a result, economic diversification is essential to promote non-oil growth and employment creation. Major obstacles to economic diversification are the poor state of infrastructure and the weak business climate (Congo ranks 177th out of 183 countries according to the Doing Business 2011). The Congolese economy is dominated by a capital-intensive oil sector that creates little local employment. Lack of diversification in the economy as well as the limited role of the private sector have led to high levels of youth unemployment (25 percent for the ages 15 to 29 in the urban areas). This has been compounded by a lack of appropriate market skills of job seekers.

32. In order to tackle these challenges, the Government has remained steadfast in implementing its PRSP (adopted in April 2008) despite the global financial crisis. Aware of the transformational effect that proper policy and investment choices could have, the Government has set an objective of becoming an emerging economy by 2025 and is formulating a vision accordingly ("*Vision 2025*"), which will serve as the basis for the second generation Poverty Reduction Strategy Paper (PRSP), covering the period of 2012-2016.

IV. CPS RELEVANCE AND PROPOSED ADJUSTMENTS

A) CPS Relevance

33. The overall objectives of the FY10-12 CPS remain valid. This was confirmed by stakeholders during consultations held during March 7-11, 2011 in Brazzaville. The event was very well attended by Government officials, lawmakers, academicians, and private sector and civil society representatives, and was characterized by very lively, frank and rich discussions. While the participants strongly endorsed the thrust and continued relevance of the strategy, they highlighted the need for greater attention to the persistent youth unemployment phenomenon. The different recommendations retained for maximizing employment generation include: (i) rendering the country's skills training programs more adaptable to private sector needs; (ii) creating synergy among the various policy and investment interventions around a Growth Poles approach; and (iii) maximizing benefits from Government's proposed four special economic zones.

B) Proposed Adjustments

34. In this regard, the Bank program will be adjusted slightly in order to more adequately align it with the new context and Government's emerging priorities, especially regarding creation of employment centered growth, and to increase efficiency in public investment programs. These adjustments mostly relate to activities already programmed under the CPS. The only exception is a new operation for FY13, which is outside this CPS period, but whose preparation will begin during this CPS period. The current strategy is fully aligned with the New Africa Strategy as demonstrated in the table below.

Table 1: Alignment of the CPS and New Africa Strategy

Country Partnership Strategy	New Africa Strategy
Pillars	
Diversifying the economy to spur broad-based growth	Competitiveness and employment
Improving public service delivery, particularly to the most vulnerable groups	Vulnerability and resilience
Cross-cutting themes	
Improving governance and strengthening institutional capacity	Governance & Public Sector Capacity

35. The following adjustments have been or are to be undertaken regarding diversifying the economy with a view to increasing competitiveness and employment:

- *Supporting improvement in the energy sector's performance.* An Enterprise Survey conducted in 2009 reveals that electricity is a major and by far the most important obstacle for the operation of companies; 71 percent of the companies surveyed identified electricity as a major obstacle. An energy component was added to the Urban and Water Development Project (hence the new appellation: Urban, Water, and Energy Development Project) to help the Government develop a comprehensive strategy for the reform of the electricity sector and improve its capacity to implement the reforms. This is in recognition of the vital importance of the energy sector in Congo's diversification and employment generation agenda. Reliable energy is critical for implementing the special economic zones concept and the Growth Poles approach.
- *Supporting professional skills training.* In view of the strong demand for skills training from all stakeholders during the consultations on the CPS Progress Report, the Bank proposes a Professional Skills Development Project for FY13. This is critical for enhancing the employability of the youth, especially in the emerging non-oil sectors such as mining, information technology, and construction. This project will, among other things, tackle the issue of Gender regarding access to training and employment.
- *Laying the foundation for the growth of the mining sector.* A Mining Sector Review (FY11) was added to the program upon the request of the Government. Mining is a potential area of diversification and job creation for the oil-dominated Congolese economy. Issues under review include: (i) knowledge about mineral potential; (ii) the legal and regulatory framework; (iii) Government capacity to manage a growing mining sector; (iv) mining infrastructure needs; (v) environmental and social impacts of mining; and (viii) cross-border issues.
- *Facilitating the development of the Congo Basin - Atlantic Growth Corridor.* The Republic of Congo, DRC, and the Central African Republic, are contemplating ways and means of developing the Congo Basin - Atlantic Growth Corridor. An advisory activity to accompany this process has been added to the CPS. In addition, a PPA, under the regional IDA financing window, is being contemplated, to support the preparatory phase.

- *Supporting transition from low to middle income country.* As the Republic of Congo is moving from a low to middle income country status, new opportunities arise, making it possible for the Bank to offer a new set of services to the Congolese authorities, including the Reimbursable Technical Assistance (RTA) and the enclave projects. The RTA concept was already envisaged in the CPS, and the idea is still under discussion with the Government. Such opportunities will be actively pursued during the remainder of the CPS period. Possible candidate projects include Bank support to the Government in the context of Special Economic Zones.
- *Deepening the Bank's facilitation of South-South Cooperation.* The Bank is already facilitating South-South cooperation in different sectors such as energy and water. This will be extended to other areas, especially those related to employment generation. For instance, the Government is entering into partnerships with various countries, such as Singapore, for the development of special economic zones, and has requested the Bank's assistance in structuring such partnerships.

36. The following adjustment will be undertaken regarding addressing vulnerability and resilience:

- *Improving efficiency in human development sector spending.* One of the principal challenges to improving performance in the health and education sectors is inefficiency in sector spending. In this regard, the team is envisaging carrying out a public expenditure review of the human development sectors in the coming year to deepen the knowledge of the public expenditure management and efficiency in those sectors. The results of the review will help identify weaknesses in the delivery of basic services and develop recommendations to accelerate progress towards the MDGs.
- *Enhancing Congo's preparedness for REDD.* Although a national REDD activity had been envisaged in the CPS, it is only now that funding has been confirmed (by the Forest Carbon Partnership Facility). In addition, a regional REDD activity, of which Congo is one of the beneficiaries, has also obtained funding (by the Global Environment Facility). The two activities will enhance Congo's institutional capacity for sustainable management of its forest resources (table 1). This is also complementary to the Forestry Project already envisaged under the CPS (FY12).

37. Regarding the cross-cutting theme of governance and capacity building, the following adjustments will be made:

- *Deepening the support to public investment and financial management.* As outlined in the PER, all investment projects should be subjected to very high levels of scrutiny to minimize leakage and waste, and need to be complemented with regulatory and institutional reforms to ensure good management and governance and to allow private sector participation. These efforts will be supported by the new Governance Project (FY12). The CPS had originally envisaged this operation an additional financing to the ongoing Governance Project. However, it will be transformed into a free standing operation in order to give it a more robust focus on new dimensions of governance that do not necessarily coincide with those supported in the ongoing governance operation. It will be more innovative, bringing the various stakeholders more into the dialogue (parliament, civil society and research centers) as well as giving more space to the line ministries. In essence, it will be the beginning of the reform of the public administration using the budget as an instrument and entry point.
- *Widening the support for demand-side governance.* Up to now, the Bank's support for demand-side governance has primarily been through the anti-corruption "Observatoire", which has a

strong civil society representation. This approach will be broadened to provide direct support for selected Civil Society platforms in advocacy and demand for better service delivery in key sectors. The inclusion of such support in the new governance project will be considered. Also under consideration is the use of civil society in the monitoring of Bank-supported projects as an entry point to create a culture of civil society oversight in public investment programs. In this regard, a number of ongoing operations will integrate this dimension into their work.

Table 2: Activities or Financing not originally defined in the CPS

	Planned delivery	IDA Amount (USD m)
National projects		
Professional Skills Training	FY13	20
REDD national (FCPF) ²	FY12	3.4
Regional projects		
REDD regional (GEF) ³	FY11	3.4
Analytical and Advisory Activities		
Mining Sector Review	FY11	-
Atlantic-Central Africa Corridor	FY12	-

V. IFC AND MIGA

38. The Bank is working closely with the IFC in the field. On the investment side, IFC does not currently have an active project in the country. IFC continues to pursue prospects for involvement in projects/programs in the Congo in the following strategic areas: (i) agribusiness and manufacturing; (ii) information communication technology; (iii) access to finance for MSMEs; and (iv) infrastructure (through PPP). On the advisory side, IFC is currently engaged in: (i) providing support to Government to improve key areas of the business climate as measured by the Doing Business report; (ii) the OHADA Business Law Reform Program aimed at supporting OHADA's efforts to modernize its business law framework and improve the effectiveness of its implementation; (iii) implementing a capacity building program in partnership with MINOCO (a flour mill) to provide Business Edge trainings to 150 bakeries in Pointe Noire and Brazzaville; and (iv) the Health in Africa Initiative (HiA) in Congo aimed at improving the health sector in the country.

39. Congo has been a MIGA member since 1991, and contributed to the General Capital Increase in March 2003. MIGA has no exposure in Congo, and there is no active application.

VI. MANAGING RISKS

40. The risks as identified in the CPS did not materialize, and the overall risk threat has been revised from “*high*” to “*medium*”. As explained below, Congo weathered the global financial crisis virtually unscathed, the July 2009 elections and their aftermath were peaceful, the Government’s support for reforms even after reaching the HIPC completion point has generally been sustained, and the dialogue between the Bank and the Government remains good.

41. The impact of the global financial crisis was mild and short-lived (risk revised from “*high*” to “*low*”). Moreover, oil prices and forestry activities have rebounded. In the long term, the Congolese

² Forest Carbon Partnership Facility, a multi-donor trust fund managed by the World Bank This operation had been envisaged in the CPS, but it’s only recently that Congo’s allocation was confirmed.

³ Enhancing Institutional Capacities on REDD issues for Sustainable Forest Management in the Congo Basin

economy's overdependence on extractive industries keeps it exposed to fluctuations in international commodity prices. The Bank will, therefore, continue to support Congo's diversification agenda.

42. Congo's peace consolidation process has advanced even further following the 2009 elections, when President Denis Sassou Nguesso won another seven-year term with a large majority of the vote (78.6 percent), but still remains a concern (overall peace and stability risk remains medium). The concern of possible fallout from the general elections held in July 2009 did not materialize. In fact, the remaining belligerents have since been integrated into the Government. However, more needs to be done to develop a shared vision in order to more fully consolidate the peace process. Legislative elections are slated for 2012.

43. High unemployment and inequality could generate social tensions ("high" risk). The large number of unemployed youth could lead to social discontent. Similarly, the high levels of income inequality could pose a major threat to social and possibly political stability. The Government's plans for stimulating non-oil growth and improving access to employment through suitably adapted skills training are steps in the right direction, and the World Bank will continue to support the Government in these efforts.

44. The pace of reforms has been mixed, but generally positive (risk reduced from "high" to "medium"). There have been no signs of resistance willfully orchestrated by vested interests. The pace of reforms has largely been dictated by the complexity of the reforms and/or insufficient capacity for the implementation. The World Bank will continue to work with the various stakeholders to support these reforms, including through normal dialogue and the Governance support project.

45. Government's ambitious infrastructure investment program could pose social and environmental challenges, although no major risks have manifested themselves yet (risk remains rated "medium"). In the planned Forestry operation (FY12), the World Bank will continue to support the Government in strengthening its environmental safeguards.

46. The World Bank portfolio has not suffered from any undue fiduciary risks. However, overall governance in the country remains a challenge. (Hence, overall fiducially risk will be revised to "high"). There are two problems projects, largely due to either the complexity of the reforms involved or intermittent contributions of Government funding. Overall fiduciary performance at the project level remains good. However, because of the overall governance challenges in the country, the overall fiduciary risk, including that of Government's own resources, will be revised to "high".

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
PRSP Pillar 1: Improve governance and consolidate peace					
PRSP Pillar 2: Promote growth and macroeconomic stability					
CPS Theme 1: Diversifying the economy to spur broad-based growth					
<p>Improve the country’s macroeconomic framework on a sustainable basis:</p> <ul style="list-style-type: none"> Enhance the capacity to formulate development policies and strategies and manage reforms Implement Public Financial Management reforms Improve procurement practices <p>Enhance management of the oil sector with a view to optimizing the use of oil revenues for developing other sectors</p> <ul style="list-style-type: none"> Improve transparency and effectiveness of oil revenue management 	<ul style="list-style-type: none"> High dependency of economy on oil Fiscal policy challenges related to volatility and projected long-term decline of oil revenues Inefficient use of oil resources for public spending programs Lack of strategic basis and capacity for prioritization of public investments Inadequate systems and limited capacity and transparency in executing public investments (Public Financial Management, 	<p>CPS Outcome 1.1: more effective management of oil revenue and public expenditure.</p> <ol style="list-style-type: none"> Non-oil primary deficit reduced from 45 percent in 2008 to 30 percent of non-oil GDP No ex-post regularization of payments apart from exceptions as defined by the budget law At least 80% of public contracts in excess of FCFA 250 million subject to competitive bidding (most contracts are currently sole-sourced) 	<ol style="list-style-type: none"> Fiscal strategy adopted by end 2010 addressing volatility and long term decline of oil revenue. New system for preparation, appraisal and selection of projects in operation by 2011 budget cycle. Streamlined and computerized expenditure 	<ol style="list-style-type: none"> Moderate. The non-oil primary deficit as percent of non-oil GDP declined to 36 percent in 2009 and 35 percent in 2010 and is projected to decline further in the next years. Substantial. Pre-payments on oil revenue are no longer operated and are monitored under the IMF Program. The incidence of ex-post regularization of payments, apart from exceptions as defined by the budget law, have significantly declined since 2009 due to the establishment of quarterly budget execution plan. Moderate. The procurement regulatory body is fully functional although it still has capacity limitations. For instance, the procurement report for the 2010 budget is still outstanding, information on the share of public contracts in excess of FCFA 250 million that are subject to competitive bidding is therefore not available. <ol style="list-style-type: none"> Moderate. A reform plan prepared by the Government with the assistance of AFRITAC is under implementation. The key element of the strategy concerns the reforms of customs administrations that are supported by the European Commission. Moderate. A Public Investment Management Action Plan (PAGGIP) was adopted in 2009 and is currently being implemented; although capacity constraints have had a severe impact on the public investment management reform process. Moderate. Following the adoption of the public 	<p style="text-align: center;"><u>Projects</u></p> <p>Transparency and Governance Capacity Building Project</p> <p style="text-align: center;"><u>AAA and TA</u></p> <p>Oil Revenue Management Review Policy dialogue on oil revenue management (HIPC completion)</p> <p>Public Expenditure Review</p> <p>Support to the preparation of the National Statistical Development Strategy</p> <p style="text-align: center;"><u>Partners</u></p> <p>IMF (Poverty Reduction Growth Facility, technical assistance)</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
	procurement, etc.)		<p>chain is operational by end 2010</p> <p>d. Global MTEF fully operational by end 2011</p> <p>e. New procurement code is effective at end 2009 and capacity has been developed in line ministries</p>	<p>financial management action plan (PAGGFP), progress was made on the partial rationalization of the public expenditure management system as well as on the establishment of the “fichier unique”. However, reform of the payment system is a critical outstanding element in the rationalization of the public expenditure management system.</p> <p>d. Moderate. The main elements of the full MTEF (macroeconomic framework, central MTEF, key sector MTEFs) are in place and were used to prepare the 2010 budget. The MTEF has not been used for the preparation of the 2011 budget, but the government is planning to use it for the preparation of the 2012 budget.</p> <p>e. Moderate. The new procurement code has been adopted in May 2009 and is being implemented. The new institutions supporting the code have been put in place and are operational, but their capacity for implementation of the new procurement code remains weak. Information on the new systems has been disseminated, and most ministries are now aware of the new procurement code and of their own ministerial level institutions, as does the civil society. Most procurement tenders are published on the “Congo DG Market” website as well as on the Procurement Regulatory Authority’s own website.</p>	<p>EU (Economic Governance Support Project)</p> <p>Coop. Française (Technical Assistance Project on public investment management)</p>
<p>Develop agricultural growth and food security</p>	<ul style="list-style-type: none"> • Low productivity of smallholder agriculture, for on-farm and off-farm activities • Inefficient marketing of agricultural products 	<p>CPS Outcome 1.2: enhanced agricultural productivity and marketing</p> <p>1. Average yields for cassava, maize, banana and ground-nuts among farmers benefiting from</p>	<p>a. Existing extension service equipped and trained</p>	<p>a. Moderate. Several trainings and equipments were provided:</p> <ul style="list-style-type: none"> - All 10 regional offices of agriculture and livestock of the MoA were equipped with vehicles - All existing district inspectorates of MoA within the 10 regions equipped with motorcycles - 36 extension workers trained - 10 NGOs involved in agriculture extension service recruited and their personal trained to support activities on the ground 	<p align="center"><u>Projects</u></p> <p>Agricultural Development & Rural Roads Rehabilitation Project (P095251)</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
		project interventions increased by 10% over 2009 levels	b. Improved plant materials for the target crops produced and disseminated	b. Moderate. Foundation seeds for Maize and Groundnuts, and Cassava seedlings are under production at the "Centre National de Semences Améliorées (CNSA)". Starting next production season, the foundation plant materials will be distributed to pilot farmers for multiplication. The dissemination of plant materials was delayed because of counterpart funding shortfall which delayed all project activities.	<p align="center"><u>Partners</u></p> <p>Two agriculture projects funded by the International Fund for Agricultural Development</p>
		2. Transportation time in areas with rehabilitated rural roads is reduced by 30%	c. At least 500 km of priority rural roads rehabilitated	c. Moderate. As of to date, 264 km of priority rural roads rehabilitated. Transportation time has reduced but no survey has been done yet	
<p>Develop the forestry sector by improving the management of resources and expanding on-site processing</p>	<ul style="list-style-type: none"> • Uneven implementation of forest management regulations • Inadequate regulations on gazettement of forest lands and overlap of mining permits with forest concessions and national parks. • Taxation system not providing sufficient incentives to sustainable exploitation and efficient processing • Lack of environmental impact assessment regulations • Weak national 	<p><u>CPS Outcome 1.3: Tools for improved forestry management put in place</u></p> <p>1. New transparent and competitive award of forest concessions established</p> <p>2. Revised forest taxation system is operational</p>	<p>a. New gazettement and degazettement regulations that take into account forest and indigenous people rights are adopted</p> <p>b. New forest concession award regulation is adopted</p> <p>c. New forest taxation system and collaborative recovery system between Ministry of Forests and Environment is adopted</p>	<p>a. Substantive. A decree on gazettement forest lands, which enhances this process, including through local consultations was adopted in Sept 2009.</p> <p>b. Substantive. A decree on forest concessions, which allows for greater competition and transparency in their award, was adopted in Sept 2009. Transparency has improved in concession award but bidding system still needs improvement</p> <p>c. Substantive. Submission to Parliament of a legal package on forest taxation (passed as an amendment to the Forest Law), with the following changes to the relevant legislation:</p> <ul style="list-style-type: none"> - A change of the basis of the export tax assessment, from free-on-board to an ex works or free-on-truck basis to take into account the transport costs and to facilitate the diversification of harvests in the concessions facing high transport costs due to their geographic location. - An indexing of the forest concession area tax on the productive surface as set by an agreed forest management plan. Forest concessions without an agreed management plan will have to pay the tax for the full granted area. <p>→ Most tax reforms have been implemented. Change from</p>	<p align="center"><u>Projects</u></p> <p>Pipeline - Forest Sector Operation (FY12)</p> <p align="center"><u>Partners</u></p> <p>AFD Project to enable small forest title holders to comply with sustainable forest management regulations</p> <p>AFD/AfDB (forest certification, product traceability and protected areas)</p> <p>EU Gvt signed a Voluntary Partnership</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
	institutions	<p>3. New Environmental Impact Assessment regulations are operational</p> <p>4. Indiscriminate expansion of mining into national parks and other protected forest areas ended</p>	<p>d. New Environmental Impact Assessment regulation is adopted</p> <p>e. Key monitoring, law enforcement, and participatory management functions Ministries in charge of Forests and the Environment reorganized</p>	<p>FOB to FOT basis still needs work. Change in forest area tax assessment system still pending.</p> <p>d. Substantive. A decree on social and environmental impact assessment, which provides full environmental and social assessment of projects to be implemented in forest areas, was adopted in Sept 09. Social and environment assessment capacity, and capacity to carry out participatory gazettement will be built in FY12 Forest Sector Operation</p> <p>e. Substantive. A decree on contradictory use of forest lands, which will help address cases where concessions or other permits have been issued for conflicting use of forest lands (i.e., cases where mining permits were awarded in national parks) was adopted in Sept 09. Commission on forest land use conflict not yet operational – also included in FY12 Forest Sector Operation</p>	Agreement with the EU under the Forest Law Enforcement, Governance and Trade initiative.
<p>Significantly improve business climate</p> <ul style="list-style-type: none"> • Credit to private sector 	<ul style="list-style-type: none"> • Low access to financial services • Weak regulatory capacity 	<p>CPS Outcome 1.4: foundation for MSME growth laid</p> <p>1. Banks accounting for 80% of sector assets comply with regionally agreed financial norms.</p>	<p>a. Regulations to ensure consistency with Basle Core Principals (BCP) strengthened</p> <p>b. New accounting standards for banks introduced</p> <p>c. Monitoring and enforcement of rules through better off-site surveillance and on-site inspections improved.</p>	<p>a. Poor. Regulation framework does not yet comply with Basle I and the authorities are still working on it. The CEMAC Regional Institutions Support project supports implementation of BCP core principle assessment of COBAC (2011) and design and implementation of action plan to improve compliance with BCP core principles by COBAC. This is followed-up by the Bank in collaboration with IMF.</p> <p>b. Poor. Banks in CEMAC have not moved to IFRS. The CEMAC RISP Project will consider supporting move of banks in CEMAC to IFRS following mid-term review of the project in July 2011.</p> <p>c. Moderate. There has been good progress on on-site/off site supervision by COBAC given the circumstances, but more needs to be done</p>	<p><u>Projects</u></p> <p>CEMAC Regional Institutions Support project (RISP)</p>
	<ul style="list-style-type: none"> • Distorted, complex and unevenly applied tax system 	<p>2. The total tax rate as a percentage of total profits is reduced from current 65% to 30%.</p>	<p>d. Streamlined tax framework adopted</p>	<p>d. Moderate. Adoption of an Action Plan to improve the business climate, the near-term priorities contained in the comprehensive plan include:</p> <ul style="list-style-type: none"> – Improving public-private dialogue – Simplifying and making the tax system more 	<p><u>Projects</u></p> <p>Support to Economic Diversification</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
				business friendly – Ensuring investment security – Addressing issues related to land use & tenure, such as the use of long-term leasing. → Government has also formed a committee which produced a first draft report on streamlining the fiscal system	Project (SEDP). Upcoming IFC TA program to improve the Doing Business indicators
<ul style="list-style-type: none"> Registration of new companies 	<ul style="list-style-type: none"> Weak support structure for MSMEs 	<p>3. The average time required to start a business is reduced from 37 days to 7 days.</p>	<p>e. The one-stop window's effectiveness is enhanced (as evidenced by beneficiary survey)</p>	<p>3. Poor. The average time required to start a business is 160 days in the 2011 Doing Business report compared to 37 days in 2008. The increase in the time to start a business is due to inefficiencies in the process to start a business since the 2008 reform. The time to deliver the 'carte de commercant' from the Centre des Formalités des Entreprises increased to 3 months and the time to register with social security and for taxes increased to 1 month each. The team verified this during its visit last year to the country through its discussions with local partners.</p> <p>e. Poor. Support to improve the effectiveness of the one-stop window will start after the effectiveness of the SEDP project expected in May 2011. Support will be focusing on improving the legal, regulatory & institutional framework for enterprise creation, and strengthening the capacity of the one-stop window. No major improvement is expected until at least one year after support start. The AfDB is complementing this effort through a separate project.</p>	<p><u>AAA and TA</u></p> <p>Growth and Employment study</p> <p><u>Partners</u></p> <p>IMF (taxes)</p> <p>IFC (access to credit)</p> <p>EU (eco. Governance)</p>
<ul style="list-style-type: none"> Enhance quality and reach of infrastructure services: 	<ul style="list-style-type: none"> Low access to and high cost of telecommunication services Limited International Bandwidth (Around 100 Mbps in 2008) 	<p>CPS Outcome 1.5 Improved infrastructure services delivery.</p> <p>1. Existence of a functional autonomous telecommunications regulator</p>	<p>a. A regulatory framework for the telecommunication sector establishing competition at the level of international gateways and the wireless local loop is adopted</p>	<p>a. Moderate. Adoption by Parliament of a new legal framework for the postal and telecom sectors in August 2009. With the help of an international consultant, the government prepared: (i) a law instituting a regulatory agency for the sector, (ii) a law on the regulation of the electronic communications sector and, (iii) a law on the regulation of the Postal Sector. The international gateway (previous monopolized by the Government-owned operator) has been liberalized, and an independent telecommunications regulatory authority has been established.</p>	<p><u>Projects</u></p> <p>Pipeline - Regional Telecom Project</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
			<p>b. The installation process of the fiber optic cable linking Brazzaville to the regional network is initiated (likely to be completed beyond CPS period)</p>	<p>b. Moderate. Preparatory works for the WACS landing site near Pointe Noire was initiated end of January 2011 by the Government. Within coming months, the off-shore undersea cable will be linked to the shore line, linking Congo to the international high speed network. Plans are underway for inland interconnections, a phase to be partly supported by the Bank with the CAB project (only financing regional and international links to neighboring countries), slated for Board in May 2011.</p>	
	<ul style="list-style-type: none"> Inefficient management of public utilities 	<p>2. Revenue collected per kWh delivered to the Brazzaville distribution network increases by 10% from 2009 levels (further increases to occur beyond CPS period)</p>	<p>c. Action Plan for the reform of the power utility (Société Nationale d'Electricité) is completed and approved by the Government, based on a thorough review of Private Sector Participation Options</p>	<p>c. Moderate. The installed generation capacity in the country increased from 172 MW to 590 MW in 2010 after commissioning of 300 MW gas fired station, jointly owned by a private company and the Government, and a 120 MW hydroelectric power station whose construction was financed by the People's Republic of China. However, this increase brought marginal benefits to the population because of delays in the ongoing rehabilitation of the transmission and distribution networks. Progress has been slow on the study on reform of the sector, the contract for the consultant who will undertake the study is expected to be signed at the beginning of April 2011 with a delay of three months on the procurement schedule.</p>	<p align="center"><u><i>Projects</i></u> Water, Electricity and Urban development Project</p>
	<ul style="list-style-type: none"> Insufficient collection and management of Road Fund resources 	<p>3. Km of roads maintained annually increase by 10% over 2009 levels</p>	<p>d. Current Road Maintenance Fund transformed into Second Generation Road Maintenance Fund by June 2012</p> <p>e. MTEF for Transport in place by end 2010 and updated annually</p>	<p>d. Poor. This target is not met. A new project financed by EU which aims to support the Current Road Maintenance Fund (RMF) is under preparation. One of the objectives of the project is to transform the RMF into Second Generation Road Maintenance.</p> <p>e. Moderate. MTEF for transport is in place in 2010 but not updated in 2011.</p>	
<p>Strengthen physical (infrastructure) and economic integration in sub-region</p>	<ul style="list-style-type: none"> Lack of integration in regional markets Congo's potential role as transport hub for the region hampered by weak transport corridor 	<p>CAS Outcome 1.6 Congo lays the foundation for increasing its market share in regional transit services</p> <p>1. Action plans for the principal corridors</p>	<p>a. Economic analysis of the various transportation corridors completed by end 2009</p> <p>b. Support provided for implementation and supervision of initial years</p>	<p>a. Substantial. Corridor study completed in 2009 called "Prioritizing Infrastructure Investments: A Spatial Approach" which shed light on the prioritization and sequencing issues of infrastructure investments.</p> <p>b. Poor. The CFCO concessioning process is not launched yet. The right form of PPP actually still needs to be defined. CFCO is currently using its own</p>	<p align="center"><u><i>Projects</i></u> Support to Economic Diversification Project (SEDP). <u><i>AAA and TA</i></u> Corridor study</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
	infrastructure	identified in the analysis are adopted (their implementation falls beyond this CPS period)	of the CFCO concession (start of activity depending upon when the concessioning is actually completed).	resources to improve its management and performance. The Government is still interested in a PPP arrangement. The form of PPP is not defined/adopted yet. It will depend on the strategy which needs to be prepared with support of a transaction advisor.	“Prioritizing Infrastructure Investments: A Spatial Approach” (2009)
<p>PRSP Pillar 3: Enhance access to basic social services PRSP Pillar 4: Improve the social environment and integration of vulnerable groups PRSP Pillar 5: Combat HIV/AIDS</p>					
<p align="center">CPS Theme 2: Improving public service delivery, particularly to the most vulnerable groups</p>					
<p>Guarantee school-age children’s access to high quality basic education</p> <ul style="list-style-type: none"> Primary school completion rate from 73 (2007) to 100 percent in 2015 	<ul style="list-style-type: none"> Low level of social indicators in relation to countries with similar income level Inefficient and inadequate public spending Poor human resources management 	<p>CPS Outcome 2.1: Basic services delivery improved</p> <ol style="list-style-type: none"> Increase in primary-education completion from 73 in the 2006/07 school year to 85 percent in the 2011/12 school year. The girl-boy ratio of primary school enrollment has increased from 0.90 in the 2006/07 school year to 0.95 in the 2010-11 school year. 	<ol style="list-style-type: none"> MTEF for Education in place by end 2010 and updated annually Performance-based system for human resource management in place by end 2011 	<ol style="list-style-type: none"> Moderate. The Bank contributed to the strategy for the Education sector including the three areas (Higher education, Professional & vocational education and Primary education). MTEF was prepared in the context of 2010 budget but has not been used for the 2011 budget. Poor. Performance-based system for HR management not yet in place. 	<p align="center"><u>Projects</u></p> <p align="center">Education</p>
<p>Improve the health status of the population, especially women and children</p> <ul style="list-style-type: none"> Under 5 mortality rate from 126 per 1000 (2007) to 12 by 2015 <p>Improve access to</p>	<ul style="list-style-type: none"> Insufficient deployment of resources for service delivery in rural areas Poor quality of services 	<ol style="list-style-type: none"> Under 5 mortality rate from 126 per 1,000 (2007) to 105 per 1,000. The percentage of: (a) women and men aged 15-49 years who have had more than one sexual partner in the past 12 months reporting the use of a 	<ol style="list-style-type: none"> Satisfactory performance of COMEG Action Plan for the reform of the water utility (Société Nationale de Distribution d’Eau) is completed and approved 	<ol style="list-style-type: none"> Poor. COMEG has recently been affected by corruption scandals and the leadership and management have performed poorly. EU still providing support and TA. Moderate. The Action Plan is adopted, which consists of carrying out an investment program, strengthening the commercial and financial performance of the SNDE and completing the urban water sector reform. The PEEDU supports the implementation of this Action Plan through investments to rehabilitate and 	<p align="center"><u>Projects</u></p> <p align="center">Health</p> <p align="center">Urban, Water and Electricity</p> <p align="center">HIV/AIDS</p>

Annex 1: CPS Results matrix – Assessment of progress to date

Country Development Goals	Issues and Obstacles	CPS Outcomes	Milestones	Assessment of Progress to date (Substantial – Moderate – Poor)	Relevant projects
<p>drinking water</p> <ul style="list-style-type: none"> Reduce population without access to improved water source from 58 (2005) to 38 percent by 2015 		<p>condom during their last sexual intercourse increased by 20 percent (against a 2009 baseline); (b) female and male sex workers who report using a condom with their most recent client (of those surveyed having sex with any clients during the last 12 months) increased by 20 percent (against a 2009 baseline)</p>	<p>by the Government, based on a thorough review of Private Sector Participation Options</p> <ul style="list-style-type: none"> e. MTEFs for Health in place by 2010 and updated annually f. Performance-based system for human resource management in place in health by end 2011 	<p>expand the water supply systems in Brazzaville and Pointe-Noire, a service contract with a private Operator to improve the technical, financial and commercial performance of the SNDE, and technical assistance to improve the management and planning in the water sector. All components are being implemented satisfactorily. Expected bidding documents for the works are expected to be delivered by mid-2011, while the recruitment of the private Operator is underway and is expected to be mobilized during the second half of 2011.</p> <ul style="list-style-type: none"> e. Poor. MTEF for health not completed f. Moderate. Work on human resources ongoing through a partnership with French AFD. 	
<p>Reduce the prevalence of HIV/AIDS in the population**</p> <ul style="list-style-type: none"> Reduce prevalence of HIV/AIDS from 4.2 (2007) to 3.2 percent by 2015 for 15 to 49 year old 		<p>5. The percentage of: (a) adults and children diagnosed with advanced HIV infection receiving antiretroviral combination therapy increased by 20 percent (against a 2009 baseline); (b) pregnant women living with HIV who receive antiretrovirals to reduce the risk of mother-to-child transmission is increased by 20 percent (against a 2009 baseline).</p>	<ul style="list-style-type: none"> g. Access and utilization of prevention services for vulnerable groups are strengthened h. Access and utilization of treatment, care, and mitigation services are strengthened 	<ul style="list-style-type: none"> g. Substantive. Increase of 55% of patients under treatment ARV from 2008-2010 h. Substantive. Progress was made: <ul style="list-style-type: none"> – 118 Health Centers have integrated the activities of the Voluntary testing Centers (Centres de Dépistage Volontaire) against 98 in 2008 – UMODEV (mobile vehicle for anonymous and voluntary testing) made 101 outings and 10, 047 people have used its services – Number of pregnant women admitted to the PMTC program increased from 2009 (986 women are tested HIV positive and 536 are on ART), to 2010 (900 women are on PMTC program and among them 616 women are on ART) – Blood bags tested increased from 36,178 in 2009 to 40 409 in 2010 (4 markers tested: syphilis, hepatitis B & C and HIV/AIDS) 	<p align="center"><u>Projects</u></p> <p align="center">HIV/AIDS</p>

Annex 2: Republic of Congo Country at-a-glance

Congo, Rep. at a glance

2/25/11

POVERTY and SOCIAL

2009

	Congo, Rep.	Sub-Saharan Africa	Lower-middle-income
Population, mid-year (millions)	3.7	840	3,811
GNI per capita (Atlas method, US\$)	2,080	1,266	2,316
GNI (Atlas method, US\$ billions)	7.7	946	8,825

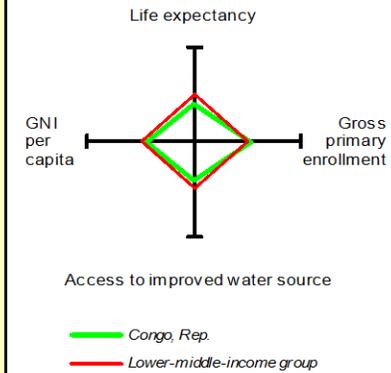
Average annual growth, 2003-09

	Congo, Rep.	Sub-Saharan Africa	Lower-middle-income
Population (%)	2.0	2.5	12
Labor force (%)	2.5	2.9	15

Most recent estimate (latest year available, 2003-09)

	Congo, Rep.	Sub-Saharan Africa	Lower-middle-income
Poverty (% of population below national poverty line)	42	..	..
Urban population (% of total population)	62	37	41
Life expectancy at birth (years)	54	52	68
Infant mortality (per 1,000 live births)	81	81	43
Child malnutrition (% of children under 5)	12	25	25
Access to an improved water source (% of population)	71	60	87
Literacy (% of population age 15+)	..	62	80
Gross primary enrollment (% of school-age population)	114	100	107
Male	118	105	109
Female	110	95	105

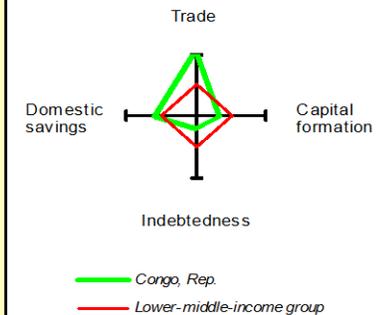
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1989	1999	2008	2009
GDP (US\$ billions)	2.4	2.4	11.8	9.6
Gross capital formation/GDP	14.1	27.8	22.1	24.6
Exports of goods and services/GDP	48.5	72.3	73.3	71.9
Gross domestic savings/GDP	27.8	41.0	48.4	45.5
Gross national savings/GDP	10.2	10.6	23.1	19.2
Current account balance/GDP	-4.2	-17.1	0.6	-7.7
Interest payments/GDP	5.9	0.9	0.6	0.8
Total debt/GDP	176.3	209.0	50.3	52.6
Total debt service/exports	30.2	15	2.1	2.5
Present value of debt/GDP	..	..	..	13.2
Present value of debt/exports	..	..	..	19.7
	1989-99	1999-09	2008	2009
(average annual growth)				
GDP	0.8	4.2	5.6	7.6
GDP per capita	-1.4	1.9	3.7	5.6
Exports of goods and services	2.0	..	..	..

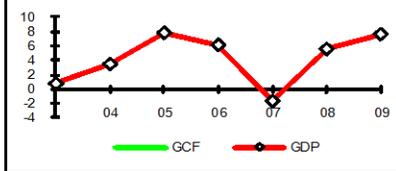
Economic ratios*



STRUCTURE of the ECONOMY

	1989	1999	2008	2009
(% of GDP)				
Agriculture	12.9	8.4	3.7	4.5
Industry	38.0	61.3	77.3	71.1
Manufacturing	6.9	5.5	3.5	4.5
Services	49.1	30.4	19.0	24.4
Household final consumption expenditure	52.7	44.0	39.6	42.2
General govt final consumption expenditure	19.5	15.1	12.0	12.2
Imports of goods and services	34.8	59.1	47.0	50.9
	1989-99	1999-09	2008	2009
(average annual growth)				
Agriculture	0.3	..	..	..
Industry	1.9	..	..	..
Manufacturing	-1.8	..	..	..
Services	-0.4	..	..	..
Household final consumption expenditure	-3.0	..	..	..
General govt final consumption expenditure	-1.3	..	..	..
Gross capital formation	12.2	..	..	..
Imports of goods and services	2.1	..	..	..

Growth of capital and GDP (%)



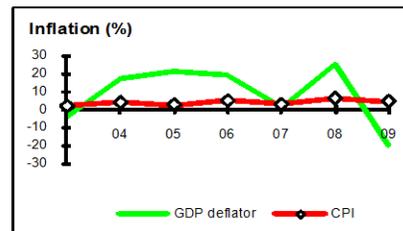
Note: 2009 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

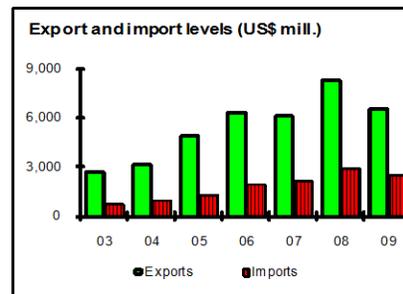
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

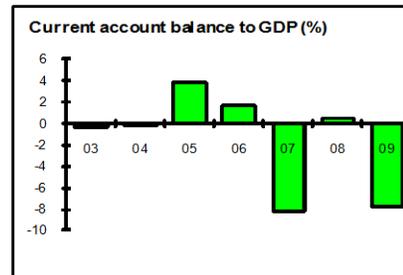
	1989	1999	2008	2009
Domestic prices				
<i>(% change)</i>				
Consumer prices	4.1	3.1	6.0	4.3
Implicit GDP deflator	12.7	29.4	25.1	-20.4
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	17.6	27.0	47.3	29.5
Current budget balance	-13	0.3	32.4	15.6
Overall surplus/deficit	-5.9	-5.8	23.5	4.9

**TRADE**

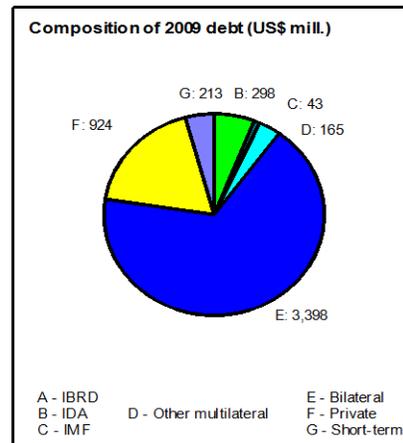
	1989	1999	2008	2009
<i>(US\$ millions)</i>				
Total exports (fob)	1160	1556	8,292	6,526
Crude oil	868	1,427	7,789	5,703
Wood	124	133	363	303
Manufactures	45	1	17	107
Total imports (cif)	614	523	2,913	2,465
Food	25	21	0	0
Fuel and energy	3	221	0	0
Capital goods	434	-20	0	0
Export price index (2000=100)	17	57	213	159
Import price index (2000=100)	51	90	128	115
Terms of trade (2000=100)	33	63	170	138

**BALANCE of PAYMENTS**

	1989	1999	2008	2009
<i>(US\$ millions)</i>				
Exports of goods and services	1160	1,702	8,683	6,902
Imports of goods and services	838	1,391	5,567	4,888
Resource balance	321	311	3,116	2,013
Net income	-362	-709	-3,061	-2,711
Net current transfers	-59	-20	11	-41
Current account balance	-100	-404	66	-738
Financing items (net)	106	463	1,826	562
Changes in net reserves	-6	-60	-1,893	176
Memo:				
Reserves including gold (US\$ millions)	..	45	..	..
Conversion rate (DEC, local/US\$)	319.0	615.7	447.8	472.2

**EXTERNAL DEBT and RESOURCE FLOWS**

	1989	1999	2008	2009
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	4,212	4,920	5,931	5,041
IBRD	166	68	0	0
IDA	74	166	299	298
Total debt service	351	26	182	163
IBRD	17	0	0	0
IDA	1	0	4	4
Composition of net resource flows				
Official grants	27	130	469	293
Official creditors	25	2	-71	-79
Private creditors	-48	0	-23	-1
Foreign direct investment (net inflows)	-7	538	2,483	2,083
Portfolio equity (net inflows)	0	0	0	0
World Bank program				
Commitments	0	0	0	0
Disbursements	13	0	3	3
Principal repayments	7	0	2	2
Net flows	6	0	1	1
Interest payments	11	0	2	2
Net transfers	-5	0	-1	-1



Note: This table was produced from the Development Economics LDB database.

2/25/11

Annex 3: Republic of Congo - Millennium Development Goals 1990-2009

	1990	1995	2000	2009
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	66	65	64	65
Employment to population ratio, ages 15–24, total (%)	49	46	46	46
Prevalence of undernourishment (% of population)	42	41	20	15
Goal 2: Achieve universal primary education				
Persistence to last grade of primary, total (% of cohort)	...	...	55	70
Primary completion rate, total (% of relevant age group)	59	48	55	73
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliaments (%)	14	2	12	7
Ratio of female to male primary enrollment (%)	94	85	93	94
Ratio of female to male secondary enrollment (%)	76	75	70	...
Ratio of female to male tertiary enrollment (%)	20	...	32	...
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12–23 months)	75	38	34	79
Mortality rate, infant (per 1,000 live births)	67	70	74	80
Mortality rate, under-5 (per 1,000)	104	110	116	127
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15–19)	...	...	128	111
Maternal mortality ratio (modeled estimate, per 100,000 live births)	460	520	590	580
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Incidence of tuberculosis (per 100,000 people)	170	240	350	390
Prevalence of HIV, female (% ages 15–24)	...	...	...	2
Prevalence of HIV, male (% ages 15–24)	...	...	...	1
Prevalence of HIV, total (% of population ages 15–49)	5.1	5.8	4.6	3.5
Tuberculosis case detection rate (all forms)	14	53	86	63
Goal 7: Ensure environmental sustainability				
CO2 emissions (kg per PPP \$ of GDP)	0.2	0.2	0.1	0.1
CO2 emissions (metric tons per capita)	0.5	0.6	0.3	0.4
Forest area (% of land area)	67	66	66	66
Improved sanitation facilities (% of population with access)	...	...	30	30
Improved water source (% of population with access)	...	...	70	71
Marine protected areas (% of total surface area)	...	...	...	0
Terrestrial protected areas (% of total surface area)	...	...	...	10.3
Goal 8: Develop a global partnership for development				
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	31	11	1	5
Internet users (per 100 people)	0.0	0.0	0.0	4.3
Mobile cellular subscriptions (per 100 people)	0	0	2	50
Net ODA received per capita (current US\$)	89	45	11	129
Telephone lines (per 100 people)	1	1	1	1
Other				
Fertility rate, total (births per woman)	5.4	5.0	4.8	4.4
GNI per capita, Atlas method (current US\$)	890	420	580	1,830
GNI, Atlas method (current US\$) (billions)	2.2	1.2	1.8	6.7
Gross capital formation (% of GDP)	15.9	36.6	22.6	25.8
Life expectancy at birth, total (years)	59	56	54	54
Literacy rate, adult total (% of people ages 15 and above)	...	...	...	...
Population, total (millions)	2.4	2.8	3.0	3.7
Trade (% of GDP)	99.5	128.3	123.9	127.6

Source: World Development Indicators database.

Annex 4: Progress towards Millennium Development Goals

Millennium Development Goals	1990 MDG Benchmark	Current status (year)	Likelihood of achieving target by 2015
1. Poverty and Hunger - Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	-	54.1% (2005)	insufficient data
2. Achieve universal primary education - Increase primary completion rate to 100%.	59%	73% (2009)	seriously off track
3. Promote gender equality - Raise ratio of girls/boys in primary school to 100%.	0.94	0.94 (2009)	seriously off track
4. Reduce child mortality - Reduce child mortality per 1,000 live births in children under 5 by two-thirds.	104	127 (2009)	seriously off track
5. Improve maternal health - Reduce the rate of maternal mortality per 100,000 live births by three-fourths.	460	580 (2009)	seriously off track
6. Combat HIV/AIDS, malaria & other diseases - Prevalence of HIV, total (% of population ages 15-49)	5.1%	3.5% (2009)	-
7. Ensure environmental sustainability - Halve the proportion of individuals without access to safe water.		29% (2009)	insufficient data

Annex 5: Status of portfolio existing before CPS

	Approved	Effect. Date	Closing Date	Gvt Amt (\$mil.)	IDA Amt (\$mil.)	Revised Net Comm.	Disb. (\$mil.)	Undisb (\$mil.)	DO	IP
National Projects										
HIV-AIDS	Apr-04	Oct-04	Jun-09	10	20.36	24	20.18	3.82	S	S
Education	Sep-04	Mar-05	Jun-09	15	21.03	34.31	24.62	9.69	MS	S
Governance	Feb-02	Feb-03	Jun-11	-	22	21.62	19.84	1.78	S	MS
Agriculture	Jun-07	Apr-08	Dec-12	20	21.21	20	7.43	12.57	MU	MU
Health	May-08	Feb-09	May-12	-	38.43	40	5.13	34.87	U	U
Regional Projects										
Regional Financial Institutions	Dec-08	Apr-09	Jun-14	-	48.32 ⁺	50	9.28	40.72	MS	MS
Total				45	123.03	189.93	86.48	103.45		

Annex 6: Status of operations approved during the CPS period

	Planned	Delivered	Closing Date	Gvt Amt (\$mil.)	IDA Amt (\$mil.)	Revised Net Comm.	Disb. (\$mil.)	Undisb. (\$mil.)	DO	IP
Projects approved during CPS										
National Projects										
Urban, Water, and Energy	FY10	Mar 2010	Dec-15	100	22.5	25.5	4.05	21.45	S	S
Economic Diversification Support	FY10	Dec-10	Feb-16	10	10	10	0	10	--	--
Total				110	32.5	35.5	4.05	31.45		
Projects in pipeline										
National Projects pipeline										
Governance	FY12	on track for FY12	-	14	7	21	-	-	-	-
Forestry	FY12	On track for FY12	-	20	20	40	-	-	-	-
Regional Projects pipeline										
Regional Telecom	FY11	On track for FY11	-	15	15	30	-	-	-	-
Total				49	42	91	-	-	-	-

Annex 7: Status of Analytical and Advisory Activities

IDA funded		
FY 10	HIPC Completion Report	<i>Completed (Jan 10)</i>
FY 10	Corridor study “Prioritizing Infrastructure Investments: A Spatial Approach”	<i>Completed (Oct 09)</i>
FY 10	Public Expenditure review	<i>Completed (May 10)</i>
FY 10	Oil Revenue Management Support	<i>Ongoing (Jul 11)</i>
FY 11	Growth and Employment Study	<i>Ongoing (Jul 11)</i>
Trust Fund financed		
FY10	Support to the Forestry Sector	Completed (Jan 10)
FY11	Support for Preparation of a National Statistical Development Strategy (NSDS)	To be completed
FY10	Support for the development of the strategy on the Technologies of Information and Communication (ICT)	Completed (2010)

Annex 8: Congo Republic – Selected Economic and Financial indicators (2008-15)

	2008	2009	2010		2011	2012	2013	2014	2015
		Prel.	Prog. ¹	Rev. Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change)									
Production and prices									
GDP at constant prices	5.6	7.5	12.1	9.1	7.8	4.7	4.9	5.9	7.2
Oil	6.1	16.2	25.3	14.7	8.8	-1.7	-6.8	-9.4	-5.0
Non-oil	5.4	3.9	6.0	6.5	7.3	7.9	10.2	11.7	11.1
GDP at current prices	32.0	-14.3	36.8	27.4	13.2	7.1	3.9	3.1	5.6
GDP deflator	25.0	-20.3	22.0	16.7	5.0	2.3	-0.9	-2.7	-1.5
Consumer prices (period average)	6.0	4.3	4.0	5.3	5.9	5.5	4.0	3.5	3.1
Consumer prices (end of period)	11.4	2.5	3.0	5.8	6.2	5.4	2.5	4.3	2.2
External sector									
Exports, f.o.b. (CFA francs)	26.7	-18.2	49.3	53.2	10.5	4.1	-0.9	-4.2	0.0
Imports, f.o.b. (CFA francs)	25.7	-10.6	22.7	36.1	18.5	10.2	7.9	8.8	8.5
Export volume	7.1	13.8	24.8	14.1	11.3	-1.4	-4.9	-5.8	-1.2
Import volume	16.2	-0.4	17.0	16.5	14.6	8.3	6.2	6.9	6.6
Terms of trade (source: GEE, deterioration -)	15.2	-21.9	13.6	10.6	1.6	2.9	1.7	0.2	0.3
Nominal effective exchange rate (end of period)	1.4	3.0	...	...	...	...	...	...	...
Real effective exchange rate (end of period)	0.5	0.9	...	...	...	...	...	...	...
(Percent of GDP)									
Investment and saving									
Gross national saving	22.7	15.9	24.4	24.9	31.7	32.0	31.7	30.2	29.4
Gross investment	22.1	24.6	21.9	22.3	24.6	25.4	26.7	28.5	29.5
Current account balance ²	0.6	-8.7	2.4	2.7	7.1	6.6	5.0	1.6	-0.1
External public debt (end of period)	51.5	50.0	19.9	12.5	12.2	12.5	13.1	13.7	13.9
(Percent of non-oil GDP)									
Central government finances									
Revenue and grants	160.4	78.3	141.2	127.6	142.5	136.0	122.1	104.7	95.7
Oil revenue	136.0	54.8	116.0	101.9	112.8	104.7	88.9	70.0	59.6
Nonoil revenue and grants	20.8	21.9	22.4	24.3	25.3	26.0	26.4	26.8	27.3
Total expenditure	80.7	65.3	66.2	62.9	70.4	68.1	64.9	61.0	58.5
Current	50.4	36.8	31.4	33.7	30.8	28.6	26.8	25.0	24.0
Capital (and net lending)	30.3	28.5	34.8	29.2	39.7	39.4	38.1	36.1	34.4
Overall balance (deficit -, commitment basis) ³	79.8	13.0	75.0	64.8	72.1	67.9	57.2	43.7	37.2
Basic primary fiscal balance (deficit -) ⁴	91.5	18.8	82.2	67.2	78.3	70.7	57.6	41.9	33.9
of which: Basic non-oil primary fiscal balance (- = deficit)	-44.3	-36.0	-33.8	-34.7	-34.5	-33.9	-31.3	-28.1	-25.7
(Percent of total government revenue excluding grants)									
External public debt service (after debt relief) ⁵	8.3	3.9	2.8	2.8	1.8	1.9	2.1	2.1	2.0
External public debt (after debt relief) ⁵	110.5	171.2	42.5	29.6	26.1	26.3	27.3	28.8	29.4
(Billions of CFA francs, unless otherwise indicated)									
Gross official foreign reserves	1,825	1,740	3,619	2,494	4,115	5,894	7,726	9,246	10,709
Nominal GDP	5,279	4,523	5,616	5,761	6,523	6,987	7,256	7,478	7,896
Nominal non-oil GDP	1,557	1,705	1,885	1,914	2,182	2,496	2,904	3,452	3,973
World oil price (U.S. dollars per barrel)	97	62	77	76	79	82	85	86	88
Oil production (Millions of barrels)	87	101	128	115	126	123	115	104	99
Nominal Exchange rate (CFA/USD, period average)	446	471	466	502	...	...	...	...	...

Sources: Congolese authorities; and Fund staff estimates and projections.

¹ EBS/09/174.

² Including public transfers.

³ Including grants.

⁴ Primary revenue (excluding interest income and grants) minus non-interest current expenditure minus domestically financed capital expenditure and net lending.

⁵ HIPC completion point reached in January 2010. In March 2010, the Paris Club granted 100 percent debt relief.

Annex 9: Revisions to the CPS Outcome Indicators and Milestones

Original CPS Indicators/Milestones	Updated and Revised Indicators
CPS Outcome 1.4: foundation for MSME growth laid	
Outcome Indicator 2: The total tax rate as a percentage of total profits is reduced from current 65% to 30%.	<ul style="list-style-type: none"> • Number of tax payments reduced from 61 to 50 in 2012
Outcome Indicator 3: The average time required to start a business is reduced from 37 days to 7 days.	<ul style="list-style-type: none"> • Number of procedure to start a business reduced from 10 in 2010 to 8 in 2012
CPS Outcome 1.5 Improved infrastructure services delivery	
Milestone: Current Road Maintenance Fund transformed into Second Generation Road Maintenance Fund by June 2012	<ul style="list-style-type: none"> • No longer relevant

**Annex 10: Selected Indicators* of Bank Portfolio Performance and Management
(As of 3/23/2011)**

Indicator	2008	2009	2010	2011
Portfolio Assessment				
Number of Projects Under Implementation ^a	6	5	6	7
Average Implementation Period (years) ^b	3.4	4.1	4.3	4.3
Percent of Problem Projects by Number ^{a, c}	33.3	20.0	33.3	28.6
Percent of Problem Projects by Amount ^{a, c}	25.9	14.2	36.1	34.2
Percent of Projects at Risk by Number ^{a, d}	50.0	20.0	50.0	42.9
Percent of Projects at Risk by Amount ^{a, d}	51.2	14.2	49.4	46.5
Disbursement Ratio (%) ^e	21.0	20.7	14.9	14.5
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	20	3
Proj Eval by OED by Amt (US\$ millions)	473.6	101.9
% of OED Projects Rated U or HU by Number	73.7	66.7
% of OED Projects Rated U or HU by Amt	86.6	62.8

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the Beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 11: Operations Portfolio (IBRD/IDA and Grants) as of 3/23/2011

Closed Projects 26

IBRD/IDA *

Total Disbursed (Active)	81.70
of which has been repaid	0.00
Total Disbursed (Closed)	106.93
of which has been repaid	50.36
Total Disbursed (Active + Closed)	188.63
of which has been repaid	50.36
Total Undisbursed (Active)	97.27
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	97.27

Active Projects

Project ID	Project Name	<u>Last PSR</u>			Fiscal Year	<u>Original Amount in US\$ Millions</u>			<u>Difference Between Expected and Actual Disbursements^{af}</u>			
		Supervision Rating				IBRD	IDA	GRANT	Cancel.	Undisb.	Orig. Frm	Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>	#								
P118561	CG Support to Economic D #		#	✓	2011		10		9.994368			
P095251	CG-Agr Rehab SIL (FY07) MU		MU	✓	2007		20		13.50639	5.4076487		
P084317	CG-Basic Education Suppc MS		MS	✓	2005		35	0.68589955	11.34264	-4.846809	5.653191	
P077513	CG-HIV/AIDS & Health SIL S		S	✓	2004		24		4.417082	-1.331273	2.490121	
P106851	CG-Health Sector Service I U		U	✓	2008		40		32.30094	21.763549		
P073507	CG-Transp & Gov CB (FY0: S		MS	✓	2002		22	0.38144582	3.840538	-12.08514	3.364859	
P106975	CG-Water, Electricity & Ur S		S	✓	2010		25.5		21.86821	-1.08344		
Overall Result							176.5	1.06734537	97.27017	7.8245351	11.50817	



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