MEMORANDUM AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

IN THE AMOUNT EQUIVALENT TO SDR 5.8 MILLION

TO THE REPUBLIC OF CONGO

FOR A

PRIVATIZATION AND CAPACITY BUILDING PROJECT

JULY 25, 1995
CURRENCY EQUIVALENTS

Currency unit = CFAF

Current: 1 US$ = 480.00 CFAF
Average for 1994: 1 US$ = 556.46 CFAF
Average for 1993: 1 US$ = 283.16 CFAF
Average for 1992: 1 US$ = 264.69 CFAF

WEIGHTS AND MEASURES

Metric Tons (MT)
Kilometer (km)

ABBREVIATIONS

AfDB African Development Bank
ATC Agence Transcongolaise des Communications
BEAC Banque des États de l’Afrique Centrale
BCC Banque Commerciale Congolaise
BIDC Banque Internationale du Congo
CAR Central African Republic
CCA Caisse Congolaise d’Amortissement
CCE Commission de Coordination Economique
CCP Centre de Chèques Postaux
CFA Communaute Financiere Africaine
CFCO Chemin de Fer Congo-Océan
CFD Caisse Francaise de Développement
CNE Caisse Nationale d’Epargne
COBAC Commission Bancaire de l’Afrique Centrale
CORAF Congolaise de Raffinage
CRC Credit Rural du Congo
DCO Direction du Contrôle et des Opérations
DGH Direction Générale des Hydrocarbures
EIB European Investment Bank
ERC Economic Recovery Credit
ESAF Enhanced Structural Adjustment Facility
GOC Government of Congo
HC Hydro-Congo
IDA International Development Association
IGE Inspection Générale de l’Etat
LPG Liquified Petroleum Gas
MEFPP Ministère de l’Économie, des Finances chargé du Plan et de la Prospective
MUCODEC Mutuelles Congolaises d’Epargne et de Crédit
ONPT Office National des Postes et Télécommunications
PARESO Programme d’Appui à la Relance Economique et Sociale
PE Public Enterprise
PPN Port de Pointe-Noire
SDR Special Drawing Rights
SPCP Secretariat Permanent du Comité de Privatisation
SNDE Société Nationale de Distribution d’Eau
SNE Société Nationale d’Électricité
UCB Union Congolaise de Banques
UDEAC Union Douanière des Etats d’Afrique Centrale
VNPTF Voies Navigables, Ports et Transports Fluviaux

FISCAL YEAR

January 1 - December 31
# Republic of Congo

**Privatization and Capacity Building Project**

## Credit and Project Summary

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</tr>
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<td>Implementing Agencies:</td>
<td>Secretariat of the Privatization Committee</td>
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<td>Ministry of Economy and Finance</td>
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<td>Ministry of Hydrocarbons</td>
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<td>Poverty:</td>
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<tr>
<td>Amount:</td>
<td>SDR 5.8 million (US$ 9.0 million equivalent)</td>
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<td>Terms:</td>
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<td>Commitment Fee:</td>
<td>0.50% on undisbursed credit balances, beginning 60 days after signing, less any waiver</td>
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<tr>
<td>Onlending Terms:</td>
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<td>Financing Plan:</td>
<td>See Schedule A</td>
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<tr>
<td>Net Present Value:</td>
<td>Not Applicable. However, expected benefits(^1) from the project in terms of revenue increases and budgetary savings are estimated at over CFAF 20 billion per year, compared to total project cost of CFAF 5.5 billion over three years.</td>
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<tr>
<td>Staff Appraisal Report:</td>
<td>None</td>
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<td>Maps:</td>
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\(^1\) See Public Enterprise Sector Review (Report No. 13755-COB, 1994)
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MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT TO THE REPUBLIC OF CONGO FOR A
PRIVATIZATION AND CAPACITY BUILDING PROJECT

1. I submit for your approval the following memorandum and recommendation on a proposed
development credit to the Republic of Congo for SDR 5.8 million, the equivalent of US$9.0 million,
on standard IDA terms with a maturity of 40 years, to help finance a privatization and capacity
building project.

2. COUNTRY BACKGROUND. In January 1994, Congo devalued its currency by 50%, along with
all other CFA Franc zone countries. This opened up new perspectives for the country and constituted
a major move towards redefining the country's economic program aimed at: (a) eliminating the budget
deficit; and (b) laying the foundation for private sector-led growth through reform of the legal and
institutional framework and returning the productive sectors to private control. The IMF supported
this program with a 12-month Stand-by arrangement on May 27, 1994, and the Bank declared Congo
IDA-eligible and supported a first phase economic recovery program through a US$100 million
Economic Recovery Credit² (ERC, Cr. 2635-COB, June 1994). As of end-1994, key structural
measures designed to prepare the ground for deeper transformation of the economy and reduction in
the public sector were implemented. These include the enactment of a new legal and institutional
framework for privatization (Law 21-94, Decree 94.602, and creation of a technical secretariat of the
privatization committee); agreement with key stakeholders (labor unions, public enterprise (PE)
management and technical ministries) on the path and pace of reform for the largest PEs; an increase in
public service tariffs; and the adoption of a new upstream hydrocarbons code that eliminates Hydro-
Congo's monopoly over exploration rights, clarifies the institutional and regulatory framework, and
improves the fiscal system. Since its enactment, two major oil companies -- Shell and Chevron -- have
entered the market. On the other hand, the financial sector is poorly managed and must be
strengthened if it is to support business effectively. Lastly, under the program, Congo has cleared its
arrears to IBRD and the AfDB, and met a large part of its obligations to the Paris Club creditors.
Bilateral agreements have also been concluded or are under discussion with other bilateral and official
creditors, including Russia. Lately, the program experienced shortfalls in non-oil revenues because of
ad hoc implementation of UDEAC reforms and expenditure overruns for security purposes.

3. In early 1995, the Fund helped the authorities re-design a new program predicated on: (a)
settlement of the strike culture which grew during the period of uncertainty and a reduction of salaries
by 25%; (b) the restructuring of the capital budget to avoid use of oil-tied resources; (c) the
implementation of administrative and tax measures to enhance revenue mobilization; and (d) the
restructuring of contractual arrangements with oil companies. Implementation of this new program and
securing financial assurances were to allow the authorities to request a 6 month extension of the Stand-
by arrangement. In the meantime, Congo became eligible for ESAF resources on May 29, 1995. A
Fund mission in June 1995, assessed the measures taken to reduce the wage bill, broaden the tax base,
and strengthen tax administration. It concluded that on the expenditure side, Government has adopted

² A bridge loan from France enabled Congo to clear its arrears with the Bank, which then could disburse the
ERC.
three measures -- all made retroactive to April 1 -- that could lower the wage bill to an estimated CFAF 109 billion in 1995, and to CFAF 103 billion on an annual basis. These comprise: (a) a 12.5% reduction in the work week, matched by a corresponding reduction in the salaries of civil servants other than security forces, teachers, and diplomats; (b) a cut of 30% applied to about half the fringe benefits; and (c) a cut of 15% in base salary for all employees earning more than CFAF 50,000 a month. On the revenue side, the authorities have issued or adopted most of the decrees and circulars needed to implement the measures agreed under the program, although effective implementation of some of these measures has been delayed. Nonetheless, preliminary data indicate that there was a vigorous recovery in tax collections during the second quarter of 1995; they averaged close to CFAF 11 billion a month (up from CFAF 8 billion in the first quarter and compared with objectives of CFAF 10 billion for the period), and close to CFAF 12 billion per month in the second semester.

4. For the remainder of 1995, Government is committed to continuing implementation of its program with emphasis on three critical elements: (a) civil service reduction; (b) elimination of transfers to public enterprises; and (c) establishment of a solid commercial banking system. The Letter of Development Policy presented by Government in the context of the proposed operation will serve as an input for preparing a policy framework paper (PFP) for the period 1996-98, scheduled for discussion with the Bank and the IMF during the fall.

5. **ISSUES AND CONSTRAINTS IN THE PE SECTOR.** The Public Enterprise Sector Review (Report No. 13755-COB, 1994) concluded that only 43 of the 104 Government-owned or controlled enterprises were still in operation. These 104 PEs accounted for about 30% of GDP and employed over 28,000 people, equivalent to about a quarter of formal sector employment. Six major PEs dominate, having over 13,000 workers and generating total revenues of CFAF 141 billion (17% of GDP). The others account for approximately 15,000 jobs, and most are small-scale, employing fewer than 200 workers. Most of the PEs have accumulated losses since their inception, and are now technically insolvent. They have high fixed costs and cannot cover operating costs because of low capacity utilization, overstaffing and inefficiency. The sector review identified the following major constraints: (a) frequent interference by oversight ministries; (b) price controls with prices set below cost; (c) lack of commercial orientation and financial discipline; (d) an inadequate organizational and regulatory framework; (e) ascendancy exercised by labor unions over PEs; and (f) inadequate investment, business, and labor codes. An ongoing loan (Ln. 2868-COB) provides support to Government for the divestiture program and will be complemented by the proposed credit, which will help complete the divestiture/liquidation program. Its successful implementation is expected to yield substantial benefits estimated by the Public Enterprise Sector Review (Vol. II) in depth and summarized in key areas in paras. 20 and 21 below.

6. **ISSUES AND CONSTRAINTS IN THE FINANCIAL SECTOR.** The financial sector comprises three commercial banks, a rural credit bank, a network of mutual savings and credit cooperatives (MUCODECs), a postal bank and a national savings institution. Other financial institutions include social security agencies and insurance firms. The central bank, BEAC, is shared with five other countries and is supported by a banking supervisory agency, COBAC. As of end-1994, assets of the commercial banks totaled CFAF 151.2 million of which UCB and BIDC accounted for 63% and 35% respectively. These two banks also hold approximately similar proportions of total deposits of CFAF 86.2 billion. The banking sector provides CFAF 77.1 billion of credit to the economy. The financial sector is in great difficulty and commercial banks are insolvent due to problems identified in a 1994 financial sector review: (a) little competition and large Government arrears to commercial banks and other financial institutions; (b) overwhelming Government ownership and management of banks; (c) an inadequate commercial law and

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3 *Mutuelles Congolaises d'Epargne et de Credit*
adjudication, as well as inconsistency between Congolese laws and the regional banking treaties; and (d) an inadequate regulatory framework for the insurance sector and for the MUCODECs.

7. **PUBLIC EXPENDITURE PROGRAM (PEP/PIP) ISSUES AND CONSTRAINTS.** The Government budget deficit (excluding grants) for 1994 amounted to 12.8% of GDP. Total expenditures were CFAF 345 billion, of which the wage bill represented 38%, debt service 35% and capital outlays a mere 8%. Clearly, the wage bill and external debt continue to be major burdens. The 1994 public expenditure review concluded that the highest potential impact on the deficit is most likely to result from efforts to compress salaries, transfers and debt service reduction in agreement with official creditors as part of a comprehensive reform program, while boosting tax revenues and custom duties.

8. **PROJECT OBJECTIVES.** The project aims at furthering the capacity of Government to prepare and implement the second phase of its reform program started under the ERC. It will support the divestiture of public enterprises, introduce a competitive environment in the utility and petroleum sectors and facilitate private sector development. It will also assist the Government in taking upfront actions prior to the private sector adjustment program to be supported by an IDA credit in FY 96. More specifically, the project will: (a) help the Government prepare regulatory frameworks for the five major public enterprises in control of petroleum distribution, transportation, telecommunications, power and water distribution and open the sectors up to competition progressively; (b) conduct the privatization of these major public enterprises; (c) liquidate other non-viable PEs; and finally (d) support regulation and competition in the financial sector and reforms in banking institutions.

9. **PROJECT DESCRIPTION.** To reach these objectives, the following components have been identified and agreed with Government:

   (a) **Regulation and Privatization** (US$7.8 million). This component will provide consultant services to: (i) prepare pro-competition regulatory frameworks and build a minimal level of public sector capacity to regulate the telecommunications, petroleum, power, water, and transport sectors; and (ii) advise Government on privatization of the five concerned public enterprises. The component will support the technical Secretariat of the Privatization Committee in charge of coordinating the program and outsourcing to the private sector for audits, sectoral specialists and legal advice. The selection of advisors for the regulatory frameworks and privatization has been initiated by the Government for all five companies;

   (b) **PE Sector Liquidation** (US$0.9 million). Under this component, assistance will be provided to liquidate all non-viable enterprises (57, as identified in the Technical Annex) and complete suspended liquidations. Liquidations will be contracted out to qualified private firms, and technical assistance will be provided to the Ministry of Justice for proper monitoring and supervision of the liquidators. An action plan for liquidation and divestiture of remaining public enterprises as well as performance indicators were agreed during appraisal;

   (c) **Reform of Financial Institutions and the Public Sector** (US$1.2 million). A Japanese grant of US$0.5 million is financing the development of proposals for restructuring the financial sector. Audits, debt restructuring and liquidation/privatization plans for an insurance company and several banks (BIDC, UCB, CRC) are underway. Under this component, a secretariat for the bank restructuring committee will be established. Support
will also be provided for a roundtable on Justice and Financial Institutions which should lead to proposals for legal reform of financial institutions. The supervision of insurance companies by the Ministry of Finance will also be strengthened and a financial restructuring plan for the social security agency prepared. The Inspection Générale de l'Etat (IGE) will be supported to plan the next round of civil service departures. In addition, the Secretariat Général du Gouvernement will be supported with the establishment of a computerized data base of existing legislation; and

(d) **Communications Campaign** (US$1.1 million). The project will finance a public information campaign to inform the stakeholders and the public of the benefits and implications of the reform program and promote public understanding, support and participation in the transition to a market-driven economy.

10. **PROJECT FINANCING.** The total cost of the project is estimated at US$11.0 million. IDA will provide a credit of US$9.0 million and Government will contribute counterpart funds equivalent to US$1.1 million. There will be parallel financing by the Caisse Française de Développement (CFD) in the amount of US$0.9 million. Government has also agreed to budget the resources required to pay separation packages for redundant PE employees. The downsizing program will be based on a detailed PE employee survey conducted in February 1995, as well as revisions of the labor and social security codes and negotiations with affected parties.

11. **PROJECT IMPLEMENTATION.** The privatization law and decrees adopted under the ERC and the existing liquidation law provide for an adequate institutional and legal framework for satisfactory implementation of all components of the project. Execution of privatization and liquidation activities will be outsourced to private firms who would contribute to strengthening local professional capacity in the private sector. The Secretariat of the Privatization Committee, which has prepared the project, will be responsible for implementation of the privatization component, while a temporary unit in the Ministry of Justice will be responsible for the liquidation component and a Project Coordinator will be appointed to administer the credit. The Privatization Secretariat and Liquidation Unit will be helped by two full-time advisors working in tandem. A project management software program was used to plan all project activities and generate a detailed implementation plan, as well as milestones for targeted achievements. Subsequently, the Government agreed with IDA on monitoring and reporting procedures for project implementation.

12. **PROJECT SUSTAINABILITY.** Government is committed to implementation of the reform program, as evidenced by the fact that most of the measures were proposed during the National Conference (with the participation of all political groups), and actual implementation began under the ERC. Adoption by Parliament of the upstream hydrocarbons code, the privatization law, the creation of a banking sector restructuring committee, and last but not least, the outsourcing of the privatization and liquidation processes are further evidence of Government's commitment and should guarantee transparency and timely implementation of the project. As the State disengages from enterprises and concentrates on its economic, regulatory, and policy role, the private sector will take greater responsibility, and continuity and sustainability will be strengthened by market forces and open competition. The close involvement of Congolese officials and private sector representatives in the project design and implementation through their participation in the Privatization Committee is expected to ensure ownership and increase sustainability of the reforms.
13. **LESSONS FROM PREVIOUS BANK INVOLVEMENT.** Recognition of the need for far-reaching reform started in 1987, with privatization and liquidation being acknowledged as the first time as relevant policy tools. The Bank provided support through three successive operations - SAL I and two Technical Assistance projects (Ln. 2753-COB and the ongoing Ln. 2868-COB) - under the impulsion of which some 20 PEs were placed in receivership or closed. However, under union pressure many continued to operate. Failure of that reform is attributable to several factors: (a) little broad support from stakeholders and the population; (b) a leadership limited to a few vulnerable reformers who were soon swept aside; (c) lack of a clear financial and personnel strategy for dealing with lay-offs; and (d) continuing wide-spread belief in central planning and State control. Nonetheless, valuable diagnostic and re-structuring studies were carried out, notably for Hydro-Congo, and are still relevant today, as confirmed by the Public Enterprise Sector Review that served as a basis for preparation of the proposed operation. This experience and lessons from other countries demonstrate that for enterprise restructuring/privatization programs to be effective, a country should: (a) try to quickly achieve a critical mass of systemic reforms which are necessary for the return to a stable macroeconomic framework; (b) tackle upfront those enterprises with the highest impact on the economy, and (c) implement a communications as well as a social safety net strategy.

14. **RATIONALE FOR IDA INVOLVEMENT.** The project is consistent with the Country Assistance Strategy (CAS) discussed by the Board on June 28, 1994, concurrently with the ERC. The Bank Group's assistance strategy for FY95-97 focuses on supporting the Government's program on four areas: (a) improving public resource management through public finance and public enterprise reforms; (b) strengthening the country's production capacity through trade and regulatory reforms; (c) removing impediments to private sector activities; and (d) developing human resources and reducing poverty. The proposed project will help achieve the objectives of the CAS by enabling progress in eliminating monopolies and in privatization of state-owned enterprises in key sectors of the economy, which would be crucial for phasing out inefficient production and cutting back the fiscal burden of support to inefficient enterprises, as well as encouraging private initiatives. More specifically, the project will contribute to containing public expenditures and generating output on a competitive basis, hence, leading to increased economic activity which, in turn, would improve the country's fragile fiscal situation. It will also contribute to alleviating poverty by reducing the pressure of enterprises on the budget, thereby freeing resources for key social programs, and providing a strong impetus to broad-based private sector-driven growth. Finally, potential investors and donors have indicated that the Bank's continued involvement in Congo is essential to assist in designing and implementing policies and regulations that emphasize competition and good governance and guarantee transparency in the privatization process.

15. **AGREED ACTIONS.** During appraisal, agreement was reached on: (a) the broadening of Government's Letter of Sector Development to indicate progress since the ERC and to spell out the agenda for the proposed SAC, both on structural reform and fiscal policy; (b) a list of PEs to be liquidated with timetable; (c) the privatization of processing of these liquidations; (d) the phasing of project activities, as well as the setting of milestones for targeted achievements; (e) final implementation arrangements for all components, taking into account the need for various skills; and (f) disbursement, accounting, auditing and procurement procedures and reporting requirements. During negotiations, the Government's Declaration of Development Policy was examined and subsequently a letter summarizing its key features was officially transmitted to the Bank. Agreement was also reached with Government to include assessments of the environmental impact of privatization in the terms of reference of privatization consultants. Finally, it was agreed that the condition for effectiveness is the signature of a pluri-annual contract with an auditing firm acceptable to IDA for project audits.
16. **ENVIRONMENTAL ASPECTS.** As it emphasizes institutional reform, the project is not expected to cause environmental problems. Consequently, it will be placed in the Category “C” and does not require an environmental assessment. Nonetheless, terms of reference for regulation consultants for the petroleum sector require that they assess the environmental impact of privatization, prepare terms of reference for an environmental audit of the sector, and make provisions for environmental concerns in the regulatory framework. During project negotiations, agreement was reached with Government to extend this requirement to the power and water sectors. In addition, an environmental specialist is included in the project supervision team and all the regulatory frameworks will be reviewed by the Region’s Environmental Unit prior to their adoption by Government. For future follow-up on adherence to environmental regulation, the Government confirmed, during negotiations, that it will rely on contracts with internationally reputed environmental auditors.

17. **COORDINATION WITH DONORS.** The AfDB and CFD have been closely associated with the re-establishment of dialogue with Congo and in the preparation of the proposed project. IFC has been consulted on matters relating to the restructuring of local banks and will be sought as an investor in the privatized enterprises. The IMF has also been closely associated, particularly on the budgetary implications of the lay-offs, for which Government has agreed to build a social safety net with annual allocation of budgetary resources that will be provided as counterpart funds to the proposed adjustment credit.

18. **PROJECT OBJECTIVE CATEGORIES.** The project will contribute to improvement of the public sector, but more importantly, to laying the foundation for the return to a stable macroeconomic environment, a pre-condition for private sector development. More specifically, it will contribute to the following Bank Group objectives: (a) economic management; (b) private sector development; and (c) local capacity building.

19. **PARTICIPATORY APPROACH.** Stakeholders were involved in the establishment of a transparent framework for privatization transactions. A seminar on privatization methods, issues and experiences was organized by the Bank for the Privatization Committee (including representatives of the different political groups and unions) to ensure a shared understanding of the objectives, the process and its benefits. A joint review of the PE sector and its constraints was also carried out; its results were widely disseminated and discussed with many groups, including labor unions and the private sector. An evaluation of social costs was conducted and preparation of lay-off plans launched in order to overcome potential stakeholder resistance to the divestiture program.

20. **PROJECT BENEFITS.** The operation is opportune as it buttresses Government’s efforts to re-establish credibility as a major effort following devaluation just over a year ago. Moreover, it would reduce the financial drain of the public sector and the PEs on the State, and eventually increase fiscal revenues through improved services and private sector financing of infrastructure for the water, power, telecommunications, and hydrocarbon sectors. The project’s successful implementation will increase economic activity and household revenues through enhanced availability of power, water and improved transportation services, will help restore the confidence of foreign private investors in Congo, reinforcing Government’s efforts to attract private capital and strengthen the financial sector, and produce a demonstration effect for adjustment.

21. **QUANTIFICATION OF PROJECT COSTS AND BENEFITS.** Although as a capacity building operation, no formal cost/benefit analysis was carried out, the Public Enterprise Sector Review provides indications of the financial and economic costs and benefits of the project. Overall financial
costs of the project are estimated at CFAF 5.5 billion (US$ 11.0 million) over 3 years. Overall financial benefits are estimated in excess of CFAF 20 billion (US$ 4 million) each year in terms of revenue increases and budgetary savings. Some of the financial benefits of the project will be derived from: (a) improving fiscal revenues from the petroleum sector by an estimated CFAF 5 billion per year currently not collected by the Treasury; and (b) eliminating the drain on the Treasury from loss-making pilot PEs estimated at CFAF 15 billion annually for the five major PEs. These financial benefits to the budget also, of course, yield economic benefits. The value of the latter depends on the assumptions made about the premium on public income in Congo. For the CFAF 20 billion a year worth of positive impact on the budget to translate into economic benefits of the order of CFAF 3-5 billion a year does not require unreasonable assumptions; if anything, the bottom end of this range would perhaps be an estimate on the conservative side. Economic benefits will be obtained by: (i) reducing economic inefficiencies which for the hydrocarbon sector alone are estimated at CFAF 7 billion in needless overheads; and (ii) in the power sector, decreasing technical and non-technical losses by approximately 50%.

22. **RISKS.** Based on previous experience with Congo and the fragile political situation prevailing in the country (the history of stability and democracy in Congo is decidedly short), the major risk is political because of the electoral cycle. The window of opportunity for implementing significant privatization decisions would narrow by late 1996, when elections are due. This risk is mitigated by the prevailing consensus on the need for reform, shared by all political groups, and ratified by the National Conference of 1992. This risk is also mitigated by the clear lack of any alternatives to credibility other than through improving provision of basic services after the demonstrated bankruptcy of previous policies. Moreover, this risk is being minimized through early actions as noted above, and close monitoring through appropriate indicators.

23. **RECOMMENDATION.** I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve it.

James D. Wolfensohn
President
Washington, D.C.
July 25, 1995
Attachments
# REPUBLIC OF CONGO
PRIVATIZATION AND CAPACITY BUILDING PROJECT
ESTIMATED COSTS AND FINANCING PLAN

## A. Estimated Project Costs
(US$ million equivalent)

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<tr>
<td>3. Support to CP/ST &amp; Project Management</td>
<td>0.4</td>
<td>0.5</td>
<td>0.9</td>
<td>57</td>
<td>9</td>
</tr>
<tr>
<td><strong>Subtotal Privatization and Sector Regulation</strong></td>
<td>0.5</td>
<td>6.7</td>
<td>7.2</td>
<td>93</td>
<td>72</td>
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<tr>
<td><strong>B. PE Sector Liquidation</strong></td>
<td>0.3</td>
<td>0.8</td>
<td>0.8</td>
<td>63</td>
<td>8</td>
</tr>
<tr>
<td><strong>C. Financial, Public &amp; Legal Sector Reforms</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Legal Component</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>87</td>
<td>1</td>
</tr>
<tr>
<td>2. Secretariat of CRB</td>
<td>-</td>
<td>0.1</td>
<td>0.1</td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>3. Strengthening Insurance Control Direction</td>
<td>-</td>
<td>0.1</td>
<td>0.1</td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>4. Strengthening of IGE</td>
<td>-</td>
<td>0.3</td>
<td>0.3</td>
<td>100</td>
<td>3</td>
</tr>
<tr>
<td>5. CNSS/CRF Restructuring</td>
<td>-</td>
<td>0.5</td>
<td>0.5</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td><strong>Subtotal Financial, Public &amp; Legal Reforms</strong></td>
<td>-</td>
<td>1.1</td>
<td>1.1</td>
<td>98</td>
<td>11</td>
</tr>
<tr>
<td><strong>D. Communication Campaign</strong></td>
<td>0.3</td>
<td>0.6</td>
<td>0.9</td>
<td>66</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total BASELINE COSTS</strong></td>
<td>1.1</td>
<td>9.0</td>
<td>10.1</td>
<td>89</td>
<td>100</td>
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<tr>
<td>Physical Contingencies</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
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<td>1</td>
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<tr>
<td>Price Contingencies</td>
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<td>0.5</td>
<td>0.9</td>
<td>56</td>
<td>9</td>
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<tr>
<td><strong>TOTAL PROJECT COSTS</strong></td>
<td>1.5</td>
<td>9.5</td>
<td>11.0</td>
<td>86</td>
<td>109</td>
</tr>
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</table>

## B. Financing Plan
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Sources</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>0.9</td>
<td>8.1</td>
<td>9.0</td>
</tr>
<tr>
<td>Government</td>
<td>0.6</td>
<td>0.4</td>
<td>1.1</td>
</tr>
<tr>
<td>CFD</td>
<td>-</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1.5</td>
<td>9.5</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Note: Components may not add up to total because of rounding.
### A. Procurement Methods
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Project Element</th>
<th>ICB</th>
<th>Other</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Office Equipment and Vehicles (IDA)</td>
<td>0.6</td>
<td>0.3</td>
<td>0.9</td>
</tr>
<tr>
<td>2. Consultant Services and Training (IDA)</td>
<td>9.0</td>
<td>8.1</td>
<td>9.0</td>
</tr>
<tr>
<td>(CFD)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td></td>
</tr>
<tr>
<td>3. Operating Cost</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0.6</td>
<td>10.4</td>
<td>11.0</td>
</tr>
<tr>
<td>(IDA)</td>
<td>(0.6)</td>
<td>(8.4)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>(CFD)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td></td>
</tr>
</tbody>
</table>

### B. Disbursement by Category
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Credit (US$ Million)</th>
<th>% of Expenditure to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Office Equipment and Vehicles</td>
<td>0.9</td>
<td>100</td>
</tr>
<tr>
<td>2. Consultant Services and Training</td>
<td>8.1</td>
<td>100</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9.0</td>
<td>100</td>
</tr>
</tbody>
</table>

### C. Estimated Bank Disbursement Schedule
(US$ million equivalent)

<table>
<thead>
<tr>
<th>IDA Fiscal Year</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>2.5</td>
<td>3.8</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2.5</td>
<td>6.3</td>
<td>8.1</td>
<td>9.0</td>
</tr>
</tbody>
</table>
REPUBLIC OF CONGO
PRIVATIZATION AND CAPACITY BUILDING PROJECT
TIMETABLE OF KEY PROJECT PROCESSING EVENTS

a) Time taken to prepare: 9 months

b) Prepared by: Government and IDA

c) First Preparation Mission: November 1994

d) Pre-appraisal Mission: March 1995 (at headquarters with a delegation from Congo)

e) Appraisal Mission: June 1995

f) Date of Negotiations: July 1995

g) Planned Date of Effectiveness: October 1995

h) List of relevant ICRs/PPARs:
   - ICR - Second Technical Assistance Project (Ln 2753-CG)
   - ICR - Technical Assistance Project (Ln. 2285-CG)
   - ICR - River Transport Project (Cr. II 79-CG)
   - PPAR - Structural Adjustment Program Project (Ln. 2866-CG)
   - PPAR - Second Railway Project (Ln. 1228-CG, Cr 1047-CG)

This report was prepared on the basis of a series of missions, including those for the Public Enterprise Sector Review. The pre-appraisal was conducted in Washington, D.C. during the visit of the delegation from Congo following the privatization seminar. Appraisal mission members included: Messrs./Mmes Demba Ba (Task Manager, AF31E), André Ryba (Financial Component, AF31E), Anne Castle (Peer Reviewer, PSD), Michel Layec (Energy, AF31E), Ismael Aboulsleinman (Disbursement, LOAAF), Hans-Werner Wabnitz (Legal Component, LEGAF), Shinichi Mori (PE liquidation, AF31E), Roger Christen (PE liquidation, Consultant), Moctar Thiam (Hydrocarbon, Consultant), Kyra Chernetoff and Richard Uku (Communication, Consultants). Mr. Pierre Guislain (PSD) is Lead Advisor and Mr. Claude Sorel, (AFTPS) and Ms. Anne Castle (PSD) are Peer Reviewers. Mr. Iain T. Christie is the Division Chief. Mr. Andrew P. Rogerson is Department Director.
## REPUBLIC OF CONGO
### PRIVATIZATION AND CAPACITY BUILDING PROJECT
#### STATUS OF BANK GROUP OPERATIONS

**Summary Statement of Loans and Credits**

(As of June 14, 1995)

<table>
<thead>
<tr>
<th>Loan or Credit No.</th>
<th>Fiscal Year</th>
<th>Borrower</th>
<th>Purpose</th>
<th>Bank</th>
<th>IDA</th>
<th>Undisbursed</th>
<th>Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Loans closed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L22270</td>
<td>1983</td>
<td>Govt.</td>
<td>Third Highway</td>
<td>12.7</td>
<td>0.0</td>
<td>0.0</td>
<td>12/31/96</td>
</tr>
<tr>
<td>L22850</td>
<td>1983</td>
<td>Govt.</td>
<td>T.A.</td>
<td>11.0</td>
<td>0.0</td>
<td>0.0</td>
<td>6/30/87</td>
</tr>
<tr>
<td>L22980</td>
<td>1983</td>
<td>Govt.</td>
<td>Wood Processing</td>
<td>11.2</td>
<td>0.0</td>
<td>0.0</td>
<td>6/30/88</td>
</tr>
<tr>
<td>L27530</td>
<td>1987</td>
<td>Govt.</td>
<td>T.A. II</td>
<td>3.3</td>
<td>0.0</td>
<td>0.0</td>
<td>12/31/90</td>
</tr>
<tr>
<td>L28680</td>
<td>1988</td>
<td>Govt.</td>
<td>P.E. Reform</td>
<td>15.2</td>
<td>4.0</td>
<td>0.0</td>
<td>12/31/95 (R)</td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Credits closed</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>C10470</td>
<td>1980</td>
<td>Govt.</td>
<td>Railways II</td>
<td>29.5</td>
<td>0.0</td>
<td>0.0</td>
<td>12/31/85</td>
</tr>
</tbody>
</table>

**Total Disbursed (IBRD and IDA)**: 369.1
- **of which has been repaid**: 152.3
- **Total now held by IBRD and IDA**: 216.8
- **Amount sold**: 0.0
  - **of which repaid**: 0.0
  - **Total undisbursed**: 4.0

### List of Closed SALs/SACs and Secals

<table>
<thead>
<tr>
<th>Loan or Credit No.</th>
<th>Fiscal Year</th>
<th>Borrower</th>
<th>Purpose</th>
<th>Bank</th>
<th>IDA</th>
<th>Undisbursed</th>
<th>Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Loan closed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L28660</td>
<td>1988</td>
<td>Govt.</td>
<td>SAL 1</td>
<td>70.0</td>
<td>0.0</td>
<td>0.0</td>
<td>03/31/89</td>
</tr>
<tr>
<td><strong>Credits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Credit closed</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C26350</td>
<td>1994</td>
<td>Govt.</td>
<td>ERC</td>
<td>101.3</td>
<td>0.0</td>
<td>0.0</td>
<td>06/30/95</td>
</tr>
</tbody>
</table>

* Total approved, repayments, and outstanding balance represent both active and inactive loans and credits.
(R) indicates formally revised Closing Date.
The signing, effectiveness, and closing dates are based on the Loan Department official data and are not taken from the Task Budget file.
Bank activity during the period of non-accrual (September 1991-June 1994) was limited to maintaining the macro-economic dialogue, preparing the way for the June 1994 ERC which followed the restoration of accrual status. As a result, only one project -- Public Enterprise Institutional Development Project (Ln. 2868-COB) -- remains in the portfolio. The balance of funds (US$4.01 million) is committed to partial financing of management assistance and to reinforcing the privatization committee and its technical secretariat. Performance is rated satisfactory following successful implementation of a restructuring action plan to improve project accounting and focus project activities on setting the framework for divestiture. The ERC is fully disbursed, all conditions have being met prior to Board presentation. An ICR is under preparation.
REPUBLIC OF CONGO
PRIVATIZATION AND CAPACITY BUILDING PROJECT
STATUS OF BANK GROUP OPERATIONS

Summary of IFC Investments
(As of May 31, 1995)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Company</th>
<th>Type of Business</th>
<th>Original Gross Commitments US$ million</th>
<th>Held by IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>IFC Loan</td>
<td>IFC Equity</td>
</tr>
<tr>
<td>1981</td>
<td>Placongo</td>
<td>Paper</td>
<td>3.50</td>
<td>-</td>
</tr>
<tr>
<td>1982</td>
<td>Congo Pulp</td>
<td>Paper</td>
<td>-</td>
<td>0.16</td>
</tr>
<tr>
<td>1985/86</td>
<td>CIT</td>
<td>Paper</td>
<td>2.13</td>
<td>-</td>
</tr>
<tr>
<td>1987</td>
<td>CBIT</td>
<td>Paper</td>
<td>1.86</td>
<td>0.27</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.49</td>
<td>0.43</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5.20</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.29</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
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<td>0.43</td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
<td>5.20</td>
<td>0.11</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2.29</td>
<td>0.54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Company</th>
<th>Type of Business</th>
<th>Original Gross Commitments US$ million</th>
<th>Held by IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>IFC Loan</td>
<td>IFC Equity</td>
</tr>
<tr>
<td>1981</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td></td>
<td></td>
<td>-</td>
<td>0.16</td>
</tr>
<tr>
<td>1985/86</td>
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<td>2.13</td>
<td>-</td>
</tr>
<tr>
<td>1987</td>
<td></td>
<td></td>
<td>1.86</td>
<td>0.27</td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
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<td>0.43</td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
<td>5.20</td>
<td>0.11</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2.29</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Pending commitments

<table>
<thead>
<tr>
<th>Company</th>
<th>Original Gross Commitments US$ million</th>
<th>Held by IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elf Congo</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td>ENGEN Congo</td>
<td>15.00 37.90</td>
<td>102.90</td>
</tr>
<tr>
<td>Total pending commitments</td>
<td>65.00 37.90</td>
<td>152.90</td>
</tr>
<tr>
<td>Total commitments held and pending commitments</td>
<td>67.29 38.44</td>
<td>155.73</td>
</tr>
<tr>
<td>Total undisbursed commitments</td>
<td>-</td>
<td>0.00</td>
</tr>
</tbody>
</table>

a/ Investments which have been fully canceled, terminated, written-off, sold, redeemed, or repaid.
b/ Gross commitments consist of approved and signed projects.
c/ Held commitments consist of disbursed and undisbursed investments.
MINISTERE DE L'ECONOMIE ET DES FINANCES CHARGE DU PLAN ET DE LA PROSPECTIVE

CABINET

REPUBLIQUE DU CONGO
Unité-Travail-Progrès

Brazzaville le 24 Juillet 1995

LE MINISTRE

Objet: Déclaration de politique de développement

Monsieur le Président,

La persistance des rigidités structurelles au niveau de l'économie Congolaise a amené les Institutions financières internationales à geler le déblocage des décaissements entre 1990 et 1994.

En 1994, le Congo devient éligible à l'IDA du fait de la dévaluation du franc CFA. Il a saisi l'opportunité du renouement du dialogue avec la communauté internationale pour mettre en œuvre un programme dont la base est constituée par le Programme d'Action et de Relance Économique et Sociale (PARESO).

Ce programme soutenu par la communauté financière internationale s'est fixé pour objectifs:
1. La stabilisation des finances publiques;
2. L'amélioration de l'efficacité des services publics par une meilleure gestion des structures administratives et des entreprises publiques;
3. La restauration des capacités productives de l'économie;
4. Le développement des ressources humaines et la réduction de la pauvreté;

Le Gouvernement congolais pour marquer sa détermination à réformer l'économie s'est engagé de façon conséquente dans la réalisation du programme avec la Banque en exécutant pour l'essentiel l'ensemble des mesures convenues avant même l'approbation de son crédit par le Conseil d'Administration.

Ces mesures sont détaillées dans la Déclaration de politique de développement ci-jointe adoptée par le Gouvernement congolais début juillet 1995 et dont la présente lettre constitue une synthèse.

Il s'agit notamment des mesures concernant les finances publiques et des mesures structurelles dont l'exécution satisfaisante a permis de fixer à moyen terme les chances de réussite dans la réalisation des perspectives de la Facilité d'Ajustement Structurel Renforcé (FASR) avec le FMI et du crédit d'ajustement structurel avec la Banque.

Monsieur James D. WOLFENSOHN
Président de la Banque Mondiale
WASHINGTON DC
A- Mesures concernant les finances publiques

Ces mesures portent sur:

- La réduction de près de 11% des effectifs de la fonction publique;
- Le gel des salaires après la dévaluation du franc CFA;
- La réduction de la masse salariale de 12,5% liée à la réduction du temps de travail (35 heures par semaine), de 15% liée à l'application des mesures du PARESO et de 30% des indemnités et primes;
- La suppression des exonérations et des régimes dérogatoires;
- L'application anticipée de toutes les dispositions du programme régional de réformes fiscalo-douanier de l'UDEAC;
- L'introduction de la taxe sur la consommation des produits pétroliers;
- L'ajustement du fait de la dévaluation du franc CFA des tarifs des services publics (eau, électricité, transports, produits pétroliers);
- La signature d'une convention avec la Société Générale de Surveillance (SGS) comprenant:
  1. le programme de vérification des importations
  2. le programme des exportations du bois
  3. la sécurisation des recettes.

Ces mesures ont permis de réduire le déficit primaire de 23% du PIB en 1993 à 17% en 1994. Par ailleurs, la dette extérieure privée a été réduite de 11 milliards de F CFA, tandis que le service de la dette extérieure a été honoré à hauteur de 104 milliards de F CFA en 1994 dont 96 milliards de mobilisations extérieures soit un flux net négatif de 8 milliards de F CFA.

Le Congo a en outre réussi à liquider les arriérés vis à vis de la Banque Mondiale, de la Caisse Française de Développement et de la Banque Africaine de Développement et a pu répondre à ses obligations envers le Club de Paris; des accords bilatéraux ont été conclus avec d'autres membres du Club et les autres créanciers. Les négociations avec le Club de Londres se poursuivent.

B Mesures structurelles

Ces mesures portent sur:

- La libéralisation du secteur pétrolier amont par l'adoption du code des hydro-carbures, ce qui a permis d'augmenter le nombre d'opérateurs de 3 en 1993 à 7 en 1995;
- L'adoption d'une loi sur la privatisation (loi N° 21/94 avec ses décrets d'application) et la mise en place d'un cadre juridique et institutionnel;
- La création d'un comité de restructuration du secteur financier;
- La résiliation du contrat de gestion de la raffinerie;
- L'adoption avec les bailleurs de fonds des schémas et stratégies de privatisation des grandes entreprises dans les domaines de l'eau, de l'électricité, des transports, des hydrocarbures et des postes et télécommunications;

- L'amélioration du cadre et de l'environnement des affaires avec la création en juillet 1995 du Centre de formalités des entreprises (Guichet unique), la révision des codes du travail et des investissements ainsi que l'élaboration d'un code de commerce;

- Le recensement des infrastructures de santé de l'éducation et l'exécution du plan de redéploiement du personnel de l'éducation

C Perspectives

Avec l'expiration du programme "Stand by" fin mai 1995, le Congo devenu éligible à la Facilité d'Ajustement Structurel Renforcé (FASR) s'apprete à élaborer avec la Banque Mondiale et le FMI un document cadre de politique économique (PFP).

Ce programme à moyen terme devrait être soutenu par un crédit d'ajustement structurel de la Banque et une FASR du FMI et autres bailleurs de fonds.

Le Congo va donc poursuivre son programme de réformes macro-économique et structurelles commencé depuis un an et demi afin de consolider les résultats déjà obtenus en 1994.

a) la stabilisation des finances publiques

Les efforts d'amélioration des recettes non pétrolières seront poursuivis tandis que les recettes pétrolières seront mieux suivies, ainsi que l'impact de l'évolution de la production grâce au modèle informatisé établi par les services de la Banque au Ministère des Hydrocarbures. Les sociétés de production feront l'objet d'un audit annuel.

En matière des dépenses, le Gouvernement soutiendra l'application des mesures visant la réduction des dépenses salariales amorcée en avril 1995 et qui vont s'étendre aux établissements et organismes autonomes et à d'autres postes de transferts.

Pour ce qui est de la dette, le Gouvernement Congolais va continuer à respecter ses engagements vis-à-vis des bailleurs de fonds et recherchera avec eux des solutions novatrices à ce problème. Notons à cet effet qu'à la demande du Gouvernement, la Banque a marqué son accord sur l'examen de la réduction de la dette IDA dans le cadre de l'exercice fiscal actuel. L'audit de la dette intérieure et de la dette croisée avec les entreprises publiques sera actualisé avant la fin de l'année 1995.

b) L’assainissement du portefeuille

Le Gouvernement va procéder à la clôture de la liquidation de 38 entreprises au 31 Décembre 1995, à la liquidation de 6 entreprises non viables et à la privatisation de 30 entreprises transférées au comité de privatisation. Il restera 10 entreprises à transférer au comité.

c) La Privatisation

-Transports:

Le secteur des transports contient l'épine dorsale de l'économie. La stratégie préconisée dans ce secteur repose sur le recours au secteur privé pour les opérations et les investissements, la libéralisation des activités pour une meilleure concurrence. Les actions suivantes seront entreprises:
a) mise en concession du chemin de fer, b) transformation des ports en sociétés anonymes, c) privatisation des transports fluviaux, d) liquidation de l'Office Congolais de l'Entretien Routier (l'exécution des travaux d'entretien routier devant être confiée au privé y compris des coopératives de personnel de l'OCER), e) privatisation des transports aériens.

-Hydrocarbures:

L'objectif du Gouvernement vise:
-En amont, à diversifier les opérateurs par une libéralisation plus significative du secteur, à améliorer les capacités de l'Etat dans la gestion des richesses pétrolières. Il s'agira notamment de mettre en place une cellule de surveillance pour un meilleur suivi des quantités produites par champs et exportées, et d'assurer une fiscalité qui puisse permettre l'accroissement des ressources, de mettre en œuvre une politique en matière d'emploi et de retombée des investissements.

-En aval, à rétablir un approvisionnement adéquat du pays en produits pétroliers à des coûts compétitifs et s'assurer un flux positif du secteur pétrolier aval en favorisant la participation du secteur privé national à différents niveaux de la chaîne de distribution, à recentrer le rôle de l'Etat sur la définition de politique sectorielle tarifaire et réglementaire et enfin à introduire un système de tarification qui tende vers la vérité des prix économiques.

-Eau, Électricité:

L'objectif du Gouvernement vise à atteindre un équilibre financier des secteurs à travers une politique de tarification adéquate favorisant l'introduction du secteur privé dans la production, le transport, la distribution et les investissements. Il s'agira également d'améliorer la qualité des prestations ; la stratégie du Gouvernement portera sur la mise en concession des services de l'eau et de l'électricité à des opérateurs privés et la mise en place d'un cadre réglementaire.

-Télécommunication:

L'objectif du gouvernement vise à doter le pays d'infrastructures modernes et adaptées au développement de l'économie, notamment du secteur privé. La politique du Gouvernement portera sur l'introduction de la concurrence favorisant l'investissement dans le secteur privé de base ainsi que les services à valeur ajoutée tels que le cellulaire le sans fil et les transmissions des données. Ainsi, l'ONP[ sera restructuré et les services de télécommunications seront libéralisés et privatisés.

-Secteur Financier

Un secteur financier efficace et sain est une condition nécessaire au financement de l'investissement privé, à la mobilisation de l'épargne et à l'existence d'un mécanisme de paiement nécessaire à toute économie moderne.

Le secteur financier Congolais étant sinistré, le Gouvernement s'efforcera à stabiliser l'environnement par l'assainissement des finances publiques, et l'application de la réglementation bancaire (COBAC) et des assurances (CIMA). Il devra également limiter la participation de l'Etat dans le capital des institutions financières à 20%, restructurer, privatiser les Banques (UCB; BIDC; CRC) et achever la liquidation judiciaire de la BNDC et la BCC. Des mesures de titrisation seront nécessaires au traitement de la dette du secteur. L'ARC dont le monopole a été levé sera privatisée ou liquidée.

-Filet social

Les institutions sociales devront être restructurées dans les meilleurs délais pour bien prendre en compte les coûts sociaux découlant des privatisations.

Le Gouvernement rétablira un système de sécurité sociale viable capable d'honorer le paiement des pensions. Il devra également:
- favoriser la réinsertion par des actions pilotes de promotion des PME et des micro-entreprises
- développer l'actionnariat national
- mettre en œuvre une stratégie de communication devant améliorer la compréhension des réformes.

**En conclusion** le Gouvernement conscient de la contribution vitale que le secteur privé peut apporter au développement économique du pays s'engage à poursuivre la réalisation des réformes inscrites dans son programme et souhaite que la Banque le soutienne dans cette voie. Il accorde un vif intérêt au soutien de l'IDA dans le financement du projet d'appui à la privatisation et aux réformes structurelles, d'autant plus que le programme de privatisation s'attaque de manière prioritaire aux secteurs clés de l'économie ; ce qui confère aux réformes envisagées, un impact direct et majeur sur la relance de l'économie congolaise.

[Signature]

**Ngola MOUNGOUNGA-NKOMBO**