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**Transitional Support Strategy  
for the  
Republic of Congo**

**November 13, 2000**

Country Department 9  
Africa Region

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## CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (CFAF)
CFAF 614.9	=	US\$1 (average 1999)
CFAF 763.7	=	US\$1 (average October 2000)

## WEIGHTS AND MEASURES

Metric System

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
AFD	Agence française de développement
AIDS	Acquired Immune Deficiency Syndrome
BEAC	Banque des Etats de l'Afrique Centrale
CAP	UN Consolidated Inter-Agency Appeal
CFAF	CFA Franc
DRC	Democratic Republic of the Congo
ERC	Economic Recovery Credit
EU	European Union
FY	Fiscal year
GDP	Gross Domestic Product
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IMF	International Monetary Fund
NGO	Non-governmental organization
OCHA	Office for the Coordination of Humanitarian Affairs
PCF	Post-Conflict Fund
PER	Public Expenditure Review
SNPC	Société Nationale de Pétrole du Congo
TSS	Transitional Support Strategy
UNDP	United Nations Development Program

<p>Vice President: Callisto Madavo Country Director: Emmanuel Mbi Sector Manager: Nat J. Colletta Task Team: Markus Kostner, Eavan O'Halloran, Monique Piette, Salomon Samen</p>
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Republic of Congo  
Transitional Support Strategy

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## Executive Summary

1. The Republic of Congo is emerging from a *forgotten war* with three rounds of violent conflict in 1993/94, 1997, and 1998/99. At the height of the crisis in late 1999, an estimated 810,000 people, or approximately one-third of the Congolese population, were displaced. During 2000, the country was able to achieve a level of peace unimaginable at the end of 1999. Following a first agreement on the cessation of hostilities (November 16, 1999), a cease-fire accord was signed on December 29, 1999 and still holds. Hostilities ended without much international support. The peace process has thus largely been *home-grown*, an important feature for it to lead to lasting peace.

2. Among the many characteristics of the Congolese *socio-political context* which caused tensions and fueled civil war, the following have been the most important: (i) mismanagement of the country's rich natural resources (in particular, oil); (ii) pervasive poverty and an unequal distribution of income; (iii) exclusion of youth; (iv) opportunistic exploitation of ethnicity; and (v) an unstable sub-regional context. At the turn of the century, the Congo faces the four simultaneous challenges of consolidating its home-grown peace process; laying and solidifying the foundation for the democratization of political life; physically reconstructing the country; and improving economic management, including increased transparency and good governance in public resource management.

3. The *effects of neglect and war* have been dramatic: an estimated 50 percent of agricultural tools have been destroyed and 75 percent of livestock lost; the railway line between Pointe Noire and Brazzaville was destroyed; most feeder roads are inoperable; all three Congolese public commercial banks are insolvent; the only (public) insurance company as well as the two social security institutions are bankrupt; the country-side was pillaged on both sides of the frontline; women and girls suffered from widespread sexual abuse; and education and health services are barely functioning. Furthermore, at the end of 1999, total medium- and long-term external debt, including arrears, amounted to CFAF 3,357 billion, equivalent to 246 percent of GDP and 309 percent of exports.

4. Despite being an *oil exporter*, the Congo is not fully benefiting from high oil prices. Successive governments have mortgaged future oil revenues at low prices to generate short-term financing which helped fuel the war effort. The heavy Congolese crude oil is traded at a discount vis-à-vis international reference prices. Because of the high foreign ownership in the Congo's oil industry, an increase in oil export receipts is usually accompanied by a corresponding increase in profit remittances. The use of oil revenues has also been notable for its lack of transparency and a weak relationship between the state and the national oil company, SNPC.

5. Under an IMF program, the Government has started to normalize relations with its creditors. It has prepared a three-year Interim Post-Conflict Program for the period 2000-02 and, with Bank assistance, has made important strides in re-launching the reform agenda. The principal *objective* of the Bank's Transitional Support Strategy (TSS) is to support the Government in these efforts. This objective would involve a five-pronged approach: (i) strengthening economic stability and equitable growth and supporting reforms; (ii) reestablishing basic economic and social services; (iii) building capacity of government and civil society; (iv) fighting the growing

threat of HIV/AIDS; and (v) providing assistance to war-affected and vulnerable population groups.

6. **Arrears clearance.** IDA cannot resume lending to the Congo until its arrears to IDA and IBRD have been cleared. As of November 1, 2000, the Congo's arrears to the Bank totaled US\$62.4 million (US\$56.0 million to IBRD and US\$6.4 million to IDA). These arrears are proposed be cleared in two phases. In the first phase, the Government would make payments to the Bank. These payments would be used to meet debt service payments falling due, to clear all arrears to IDA, and to reduce the stock of arrears to IBRD to US\$25-30 million. In parallel, during the first phase of the arrears clearance plan, the Government would implement the policy measures that may be required for Board presentation (and effectiveness, if any) of an Economic Recovery Credit (ERC). During this phase, the Bank would assist the Government in arranging bridge financing to be used as part of the arrears clearance package. In the second phase, once all arrears to IDA have been cleared, the stock of arrears to IBRD has been reduced to US\$25-30 million, and all conditions for the ERC have been met, the ERC would be presented to the Executive Directors for approval and a bridge loan would be used to clear the Congo's remaining arrears to IBRD. At effectiveness, the Government would use part of the proceeds of the ERC (as necessary) to repay the bridge loan. This two-phase arrears clearance strategy is designed to avoid jeopardizing key recurrent or development expenditures. It is also consistent with the IMF Post-Conflict Program.

7. The TSS comprises the following *elements*:

- a quick-disbursing *Economic Recovery Credit* (ERC) to support critical reforms, including the redefinition of the role of the state leading to the disengagement of the state from the economy; further liberalization of the economy; proper and transparent privatization; and developing transparency in the budgetary process and in the management of natural resource revenues;
- a *multi-sector project* to support key capacity building measures, in tandem with other donors, such as civil service reform, the development of partnerships between the Government and non-government stakeholders, and social sector reform. These activities would be complemented by an IDF grant for building capacity in the telecommunications sector;
- an *emergency economic and social reconstruction project* with a quick-disbursing element to support the reestablishment of basic economic and social services, including the rehabilitation and maintenance of small- and larger-scale infrastructure. This project would finance, among others, the rehabilitation of major and feeder roads, water supply systems, and community-based economic and social infrastructure;
- a project under the Africa Region's *HIV/AIDS* umbrella program which would aim at reversing the trend in the spread of the disease through a multi-sectoral approach. The project design would be explicit on the gender aspects of HIV/AIDS; and
- a PCF grant to provide assistance to youths and women, complementing activities initiated by NGOs and UN agencies.
- *Non-lending activities* would include a public expenditure review, a study on natural resource management, a social assessment and a labor market analysis.

8. Engagement in the Congo is a *high-risk, high-gain enterprise*. Risks have been identified explicitly and appropriate risk mitigation measures have been devised. Field presence would allow

the Bank to collaborate with the UN system and donors on monitoring events and assessing the risks to its emerging portfolio. The Bank would, thus, establish a *liaison office* in Brazzaville in FY01 with a view to scaling it up to a full-fledged country office in FY02.

9. A special set of indicators adapted to the realities of countries affected by conflict would be applied for measuring *performance* in implementing the TSS. Performance would be reviewed at regular intervals with an advisory group comprising the Government and non-government stakeholders. To ensure quick implementation of activities, the Government would not be required to provide counterpart funds for any of the operations included in the TSS. The Bank's exit strategy would aim at incremental disengagement depending on the severity of the situation. Within its broad parameters and activities, the TSS would be adjusted as the situation evolves, depending on where emerging needs are and on what other partners are doing.

10. The Bank has a *critical role* to play in supporting the Congo's transition to sustained peace. The elements contained in the TSS have been widely discussed with stakeholders and have found broad-based support. The TSS would provide a framework for other donors and the private sector to engage. Engagement by the Bank and others would provide the Government with an opportunity to establish a credible track record for consolidating peace and transforming the economy. The Bank would have an important leverage for shaping the country's longer-term poverty reduction and governance/transparency agendas. Finally, the stabilization of a still fluid situation in the Congo would have important positive spin-off effects for stability in the sub-region.



## Republic of Congo Transitional Support Strategy

### 1 Introduction

1. The Republic of Congo is emerging from a forgotten war with three rounds of violent conflict between 1993 and 1999 (see box 1 for a chronology of events). At the height of the crisis in late 1999, approximately one-third of the Congolese population was displaced. By mid-January 2000, the United Nations Consolidated Inter-Agency Appeal (CAP) for the year 1999 received contributions/pledges of US\$1.8 million, or approximately US\$2.25 per displaced person.<sup>1</sup> The CAP process was important for its symbolism and putting the Congo back on the world map.

2. Despite limited international support, during 2000, the Congo was able to achieve a level of peace unimaginable at the end of 1999. Following a first agreement on the cessation of hostilities (November 16, 1999), a more comprehensive cease fire accord was signed on December 29, 1999 and still holds. These accords are noteworthy for two reasons. Firstly, the military leaders rather than the exiled political leaders negotiated and signed the accords. Secondly, with the exception of the role of the mediator, Gabon's President Omar Bongo, hostilities ended without much international involvement. The peace process has thus largely been home-grown, an important feature for it to lead to lasting peace.

3. Since the December 1999 cease fire accord, there has been a progressive restoration of security, with Government forces now controlling most of the country. A joint Congolese/Gabonese cease fire monitoring committee, which includes rebel commanders, has been set up and comprises three main commissions, for the collection of weapons, the reintegration of ex-combatants, and the re-installation of displaced persons. An amnesty law, which does not cover war crimes, was enacted on December 20, 1999 for all combatants who give up their weapons. The armed forces and the two rebel groups that are still not disarmed have recently created two joint military units to ensure local security.

4. While there is no guarantee that war may not break out again, a window of opportunity is open that merits and requires assistance by the international community. At this moment, there are reasons to believe that the Congo would not slip back into fighting. The Government has initiated the peace process on its own account, and belligerents have shown their willingness to end the fighting. The Government has achieved a certain degree of legitimacy. Opposition parties may disagree over the process of implementing a possible transition government, but they generally accept the Government's three-step strategy toward peace (para. 22) and are willing to engage with the current Government to enter into a national dialogue. There is a general understanding within the Government and civil society that "business as usual" can no longer be sustained.

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<sup>1</sup> In comparison, the Office of the United Nations High Commissioner for Refugees (UNHCR) alone estimated to have spent US\$1.23 per refugee *per day* during the Kosovo crisis.

**Box 1: A chronology of events in the 1990s**

The history of conflict in the Congo in the 1990s is a tale of shifting alliances with the same main actors, i.e., leaders of the 1960s, 1970s and 1980s. Initially successful, the democratization process launched in 1990 ended in failure. A national sovereign conference was set up in 1991 which marked the end of twenty-five years of military/Marxist rule. A transitional government paved the way for presidential elections in August 1992, which were won by a coalition of Mr. Pascal Lissouba and Mr. Denis Sassou Nguesso, Prime Minister in the 1960s and President in the 1980s, respectively. After his installation as President, President Lissouba created militia groups based on ethnicity for his protection, which immediately fueled tension. This led to several rounds of extreme violence between supporters of President Lissouba and those of another powerful politician, Mr. Bernard Kolelas, in Brazzaville in the summer and autumn of 1993. About 2,000 people were killed and 50,000 displaced in the confrontation. The war ended with a cease fire among warring factions. Its lasting legacy were the creation of the militia and the use of the ethnic card.

After the January 1994 cease fire, which confirmed Mr. Lissouba in power and allowed Mr. Kolelas to become mayor of Brazzaville and later Prime Minister, the political situation never stabilized. Each political group organized itself on an ethnic and regional basis and reinforced its armed militias while the economy went adrift. Soon after the return to the Congo of former President Sassou Nguesso in early 1997, tension increased when he announced his decision to run for president in the 1997 elections. An attack by supporters of President Lissouba's on Mr. Sassou Nguesso in June 1997 triggered a full-scale civil war which lasted until October. During that period, about 10,000 people may have been killed, and hundreds of thousand were displaced. Brazzaville was largely destroyed by indiscriminate shelling and looting. Mr. Sassou Nguesso took Brazzaville and Pointe Noire and assumed power on October 25, 1997. The lasting legacy of this war was the involvement of foreign troops, in particular of the Angolan army in support of Mr. Sassou Nguesso in response to assistance by UNITA, the Angolan armed opposition, to Messrs. Lissouba and Kolelas.

After a fragile peace was restored in October 1997, the new Congolese regime set about trying to reestablish the state apparatus. It launched a national forum in January 1998 which led to the establishment of a National Transition Council. The Bank resumed its dialogue with the Congo amid indications that the Government was ready to implement economic reforms and a thorough privatization program which had been prepared with the Bank's support under the previous regime, but had never been implemented. In July 1998, the Congo entered into a Post-Conflict Program with the IMF and started to pay back arrears to the Bank. The Bank also approved and began implementing a PCF grant when in late 1998, a new cycle of violence suddenly broke out again.

By December 1998, rebel forces had established almost complete control over the Pool region south of Brazzaville. During 1999, the armed forces aided by loyal militia groups and foreign conventional and non-conventional troops (Angolan army, Rwandan refugees) gained the upper hand. Fighting led to approximately 23,000 casualties, massive displacement, thousands of deaths from malnutrition, severe human right abuses, widespread looting, and destruction. The war of 1998/99 ended with a negotiated military victory for the forces of President Sassou Nguesso. A legacy of this war was the implication of the entire south of the country, except the area around Pointe-Noire, in a vicious conflict which caused great suffering to the Congolese people. President Sassou Nguesso has promised presidential elections by 2002.

5. Against this background, the criteria for the initiation of a Transitional Support Strategy (TSS) are now fulfilled: (i) active conflict has diminished sufficiently for the Bank to begin work; (ii) there is a reasonable expectation of continued stability and of a sustainable cease fire; (iii) there is an effective counterpart for the Bank; and (iv) there is evidence of strong international cooperation. The Bank has a critical role to play in supporting the Government's Interim Post-Conflict Program, complementing activities by the international community and helping ensure stability during the difficult transition process ahead.

## 2 Features of Conflict in the Congo

6. There are many features of the Congolese socio-political context which caused tensions and fueled civil war. While some of these features are common to other conflict countries, others are unique to the Congo.

7. **Mismanagement of natural wealth.** The Congo is a country rich in natural resources. It has considerable oil resources (it has just become the third largest oil producer in Africa after Nigeria and Angola), extensive tropical forests, a huge untapped hydro-electric potential, and fertile soils. However, control of the state was, and remains, synonymous with control of natural resources and the political struggle over the control of the state was synonymous with the economic struggle over the control of oil. Furthermore, successive governments have failed to use the country's endowment with natural resources for equitably improving overall living standards as the vast majority of the population continue to live in poverty.

8. **Poverty.** In 1999, the population of the Congo was estimated at 2.9 million. It is a highly urbanized society by African standards with 60 percent living in urban areas, in particular in Brazzaville and Pointe-Noire. The severe economic mismanagement and corruption has meant that benefits emanating from the country's natural wealth did not accrue to the rural population or to those Congolese not employed in the civil service or formal sector. Such an unequal distribution of wealth created in turn a fertile ground for tensions and grievances to arise.

9. Poverty in the Congo, in both absolute and relative terms, is widespread. Already in 1994, unemployment was estimated to be close to 50 percent and remains at this level. In 1993, i.e. before the first civil war, an estimated 30 percent of the population of Brazzaville, which is generally better off than the rural population, lived on less than one dollar a day. After three civil wars, the situation has deteriorated substantially in both urban and rural areas. After the recent conflict, approximately 70 percent of the population are estimated to live below the poverty line. Per capita GNP in 1999 was estimated at US\$670, disguising a skewed income distribution. For the majority of the Congolese population, the combined effects of civil war and neglect have been disastrous (see box 2).

10. **Youth exclusion.** Youth unemployment has been a major problem linked to Marxist state legacy, which offered many education opportunities but failed to prepare students for the labor market. Increasingly frustrated by their continued exclusion and the increasing gap to the well-to-do, unemployed youths were lured into joining different militia groups. Since the early 1990s, these militias were a constant threat to personal security, first in Brazzaville and later in the entire south of the country. In the 1998/99 civil war, youths fought as much for the goals of their leaders as for themselves, unleashing their frustration on the defenseless population.

11. **The ethnic dimension.** The Congo comprises about 70 ethnic groups. In a context of political instability and insecurity, these ethnic groups have themselves regrouped into three main groupings which are attached to specific regions and now represent political tendencies or factions. Overall, ethnicity has not played a substantive role in the Congo's post-independence history. However, ethnicity and region of origin have been increasingly misused by leaders in the 1990s as normative attributes of citizens.

12. **An unstable sub-regional context.** During the Cold War, there had been a long history of mutual support between the two Marxist governments led by President Denis Sassou-Nguesso

in the Congo and President Jose Eduardo dos Santos in Angola. Since 1995, the government under President Pascal Lissouba nurtured relations with UNITA. The Angolan government, thus, provided armed forces in support of Mr. Sassou-Nguesso in the 1997 and 1998/99 wars, interventions which proved decisive. The presence of Angolan troops in the Congo is now much reduced. However, the final conclusion to the peace process in the Congo cannot be isolated from developments in Angola. Furthermore, by August 2000, extensive fighting in the Equateur province of the Democratic Republic of the Congo (DRC) has led to massive displacement. With at least 100,000 DRC refugees crossing into northern Congo, and the DRC armed forces using Congolese territory in their fight against the rebels, the Congo is at risk of being drawn into the conflict in the DRC but has been able to stay out so far.

**Box 2: Effects of neglect and civil war**

**Humanitarian.** Whereas the wars of 1993/94 and 1997 were essentially limited to Brazzaville, the war of 1998/99 brought large-scale destruction to southern Congo, with the exception of the area around Pointe-Noire. The 1998/99 war created a humanitarian catastrophe with 300,000 residents of Brazzaville fleeing the city and seeking refuge in the forests in appalling conditions for up to one year. At the height of the humanitarian crisis in late 1999, an estimated 810,000 people, or almost one-third of the Congolese population, were displaced, of which 30,000 sought refuge in Gabon or the DRC. Seventy percent of those internally displaced were malnourished. Most of the basic infrastructure of the country has been destroyed or is in a state of collapse due to lack of maintenance. While the situation remains serious, it has greatly improved throughout 2000. The cease fire accord had a tremendous effect on the humanitarian situation: by October, over 700,000 of the 810,000 displaced persons have returned to their home areas or have settled in other parts of the country. With the return of the displaced to Brazzaville, the nutritional crisis has largely eased. Civilian authorities are being reinstated throughout the country. Ninety-five percent of the country is accessible for the provision of humanitarian assistance. Needs are thus shifting away from emergency humanitarian interventions towards social reintegration and infrastructure rehabilitation.

**Economic.** It is estimated that 50 percent of agricultural tools were destroyed and 75 percent of livestock lost. The railway line between Pointe Noire and Brazzaville, the economic umbilical cord of the country, was destroyed at several points. Many archives were destroyed or looted. The distribution network, already weak before the war, collapsed with most feeder roads inoperable. The rehabilitation needs of the country are thus immense. Individual needs include the reconstruction of houses and the provision of means of production lost during the war, including tools, seeds, and livestock. For communities, the needs include the rehabilitation of every form of economic and social infrastructure as well as sufficient resources for the proper functioning of this infrastructure. To date, the Government has rehabilitated, among others, the railway line and donors, UN agencies and NGOs have initiated limited rehabilitation activities.

**Financial.** The financial sector is severely strained. All three Congolese public commercial banks were insolvent already before the outbreak of war in 1997. These banks have enormous amounts of bad loans, which were often politically motivated; their recovery thus poses particular problems. As a result, cash-strapped banks are reluctant to provide further lending with an attendant negative impact on the availability of financing in particular for small and medium-scale enterprises, as well as on the national payments system, which ceased functioning. The only (public) insurance company is bankrupt; so are the two social security institutions.

**Social.** Protracted civil conflict has had effects on the social fabric that complicate reconstruction of the economy and society. Many people lost all their belongings and suffered great physical and psychological hardship. The country was pillaged on both sides of the frontline: iron sheets were stolen from houses and churches, fields were burnt, and health centers and other public buildings were looted. Atrocities were committed by all warring factions.

*continued*

*Box 2 continued*

**Gender.** Equally disturbing is the silent suffering of a specially traumatized population group. Sexual abuse of women and girls became an instrument in the 1998/99 war. According to a study commissioned by the Ministry of Health, Solidarity and Humanitarian Action, rape in Brazzaville between December 1998 and August 1999 was widespread, committed in particular by men in uniform and intoxicated. Rape leaves behind psychological scars, physical injury, sexually transmitted diseases (in particular HIV/AIDS), social marginalization, family rejection, and unwanted children. The psycho-social as well as economic needs of this population group are tremendous and require long-term attention. Civil society groups, the church and traditional authorities all have an important role to play to help heal these wounds.

**Education.** The past decade has been disastrous for education in the Congo. All indicators, which used to be among the best in sub-Saharan Africa, have declined, together with a decline in the overall quality of education services. In primary education, the gross enrollment rate declined from 126 percent in 1990 to 78 percent in 1998 (82 percent for boys and 74 percent for girls) and is estimated to have declined even further since then. The civil wars of 1997 and 1998/99 decimated the education infrastructure as schools were looted and destroyed and Government involvement in the sector came to a standstill. The growing HIV/AIDS crisis is also having a significant negative impact on the teacher population.

**Health.** The breakdown of the health system due to neglect and destruction has led to a continuous worsening of health indicators. Life expectancy decreased from 53.7 years in 1993 to 48.6 years in 1999. Malnutrition has dramatically increased, with severe cases affecting more than one-third of the population in early 2000, compared to 5 percent in the mid-1990s. The vaccination program is no longer operating, and illnesses which had been eradicated, such as sleeping sickness, measles and poliomyelitis, have re-appeared. Malaria remains the main killer, however, and its incidence has increased with the deterioration of the environment. In 1997, almost 8 percent of the population aged 15-49 was considered HIV positive. This percentage is likely to have increased significantly with the sexual violence toward tens of thousands of women during the civil wars. A number of health facilities have been re-established through emergency assistance provided by international agencies, bilateral donors and NGOs. Medicines are also provided by external partners.

### **3 Aspects of the Congolese Economy**

13. **The Marxist state legacy.** Ruined by three decades of mismanagement and nearly a decade of violent conflict, the Congo's economic performance has been well below its potential. From 1965-90, single-party rule allowed little or no scope for political differentiation or private sector initiative and created an economy and labor market almost wholly dependent on the state. The focus on an urban-led development strategy based on oil meant that the rural sector was neglected and that economically active population migrated to the urban centers. The stimulus to the non-tradable sectors (public sector and construction) pushed up average wages for the small group employed in the formal sector, as well as inflation.

14. Up until the mid-1980s, the government – benefiting from high oil prices – financed large-scale but low-return investment projects which – when revenues fell due to lower oil prices – continued to be sustained by external borrowing. The government also invested heavily in a national roads system which it could not subsequently maintain. Confronted with a drop in oil prices in the latter half of the 1980s, growing fiscal imbalances, and a serious misalignment of the CFAF, the Congolese economy experienced a substantial and lasting decline. The situation stabilized with the CFAF devaluation in January 1994 and in 1995, the government of President

Lissouba hesitantly launched a reform program aimed at increasing reliance on market forces and private initiative. However, very little was achieved before the outbreak of war in 1997.

15. The disastrous economic policies pursued by successive governments resulted in a grossly inefficient public sector with an enormous wage bill (representing 26 percent of current expenditure and 15 percent of non-oil GDP in 1999), an economy dependent on oil, an unsustainable external debt, growing inequality and a lasting and substantial contraction of average incomes. In addition, there is a shortage of personnel skilled in managing a market-based economy. Earlier efforts at reforming the economy have been preempted by the cycle of conflict. Furthermore, the Government lacks proper equipment and infrastructure due to the war, and its state-dominated institutional structure requires realigning. Overcoming the institutional distortions and capacity constraints may be the single most important factor for equitable growth to resume. The challenge which confronts the Congo is, therefore, a double one: a transition from state domination to a market economy and a transition from civil war to sustained peace.

16. **The inter-play of war and oil.** The country's economic performance in the 1990s was heavily influenced by the negative effects of the civil wars and the positive effects of increasing oil prices. The buoyant oil sector and most of the private sector are located in Pointe Noire, a region not directly affected by any of the wars. After a slight decline in 1997 (-0.6 percent), real GDP increased by 3.7 percent in 1998 and declined again by 3 percent in 1999. However, in 1999, while non-oil output decreased by 8.7 percent due to war and massive displacement, oil output expanded by 4.3 percent. Inflation as measured by the consumer price index (end of period) was 4.1 percent in 1999. The primary fiscal balance improved from a deficit of 6.4 percent of GDP in 1998 to a surplus of 5.6 percent in 1999.

17. **The oil sector.** In 1999, the oil sector represented about one-half of GDP, and revenues from oil accounted for 72 percent of fiscal and 92 percent of export receipts. However, the Congo is not fully benefiting from higher oil prices. Firstly, successive governments have mortgaged future oil revenues at low prices to generate short-term financing which helped fuel the war effort. Secondly, the heavy Congolese crude oil, which accounts for about two-thirds of the country's oil exports, is traded at a discount vis-à-vis international reference prices.<sup>2</sup> Thirdly, because of the high foreign ownership in the Congo's oil industry, an increase in oil export receipts is usually accompanied by a corresponding increase in profit remittances. Fourthly, the use of oil revenues has been notable for its lack of transparency and a weak relationship between the state and the national oil company, SNPC. As a result, the Congo has not been able to reap maximum benefits from its oil wealth. It should also be noted that data, in particular for oil revenues, are unreliable due to the rapidly changing oil prices and fluctuating exchange rates with the US Dollar.

18. **Regional integration.** Given the relatively small size of the Congolese economy, economic integration and regional cooperation are a major priority for the Congolese authorities. The Congo is an active member of the Central African Economic and Monetary Community (CEMAC) and the regional central bank (BEAC) together with Cameroon, Chad, Central African Republic, Gabon, and Equatorial Guinea. Membership in these important regional bodies has

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<sup>2</sup> The average discount has widened from US\$1.5 per barrel in 1998 to US\$3.8 per barrel as of end-September 2000 as a result of limited demand for this kind of crude oil. At present production levels, a change in the oil price of US\$1 per barrel translates into a change of about CFAF 30 billion (1.6 percent of GDP) in annual fiscal revenue.

undoubtedly enforced a monetary discipline that will facilitate post-conflict economic recovery. In contrast to neighboring DRC, the fixed exchange rate regime vis-à-vis the French franc and the Euro helped maintain relative price stability. Despite the wars, consumer prices in the second half of the 1990s have remained at comparatively low levels. However, deprived of control over the money supply, successive governments reverted to deficit financing through the accumulation of arrears and the depletion of foreign exchange reserves.

19. **Debt and arrears.** Public debt is a major constraint to post-conflict reconstruction and development. At the end of 1999, total medium- and long-term external debt, including arrears, amounted to CFAF 3,357 billion, equivalent to 246 percent of GDP and 309 percent of exports. About 63 percent of the debt was due to bilateral creditors, 12 percent to multilateral creditors, 10 percent to commercial banks, 11 percent to a few privileged creditors (collateralized debt on future oil revenues), and 3 percent to other private creditors. Domestic debt is estimated at CFAF 402 billion, or about 29 percent of GDP in 1999. The outstanding amount of external debt service arrears was CFAF 1,279.4 billion at the end of 1999 (equivalent to 94 percent of GDP) and are estimated at CFAF 1,485 billion at end-September 2000. At end-June 2000, the existing stock of verified commercial domestic arrears amounted to CFAF 178 billion. At end-1999, social debt (wage and social security payments arrears) stood at CFAF 322 billion.

20. **Prospects.** Because of the progressive return to normalcy, growth prospects for the period 2000-02 are good. With the resumption of the railway link between Pointe-Noire and Brazzaville, as well as continuing rehabilitation of war damaged infrastructure, real GDP is expected to increase by 3.8 percent in 2000, 4.2 percent in 2001, and 2.7 percent in 2002 when oil output is expected to decline slightly. With expected rising oil output, high oil prices and a projected strong US Dollar, the primary fiscal surplus would increase from 5.6 percent of GDP in 1999 to 11.8 percent in 2000. For 2001, it would drop slightly, mainly because of the authorities' intention to increase domestically financed investment by almost 20 percent.

21. The overall fiscal balance would shift from a deficit of 6.2 percent of GDP in 1999 to a surplus of almost 4.4 percent of GDP in both 2000 and 2001. Nevertheless, in 2000 and 2001 there will be financing gaps as large non-reschedulable external debt service payments fall due and external inflows remain insufficient to cover them. Projections for the overall financing gap during the IMF program covering the period October 2000 to September 2001 (paras. 42-45) are estimated at CFAF 52 billion.

#### 4 Government Program and Activities

22. **Peace process.** In a public memorandum dated March 3, 2000, the Government outlined its strategy to lasting peace. It proposes three steps:

- The completion of the pacification process, including disarmament, social reintegration of ex-militias and displaced persons, redeployment of Government forces in all former conflict zones, and the rehabilitation of the road network to facilitate the free movement of people and goods throughout the country.
- The opening of a national dialogue to regain national unity and re-launch the democratic process in the country.

- The institution of a transitional period to, inter alia: adopt a new constitution, rehabilitate the justice system; reorganize the security forces; rehabilitate public finances; create a conducive environment for re-launching economic activities; and organize free and transparent elections.

23. In his independence day address of August 15, 2000, President Sassou Nguesso announced that the draft constitution, which has already been prepared by the Government, will be discussed in an all-inclusive consultative process before being submitted to the National Transition Council for approval (expected for March 2001). Once approved, a referendum on the constitution will be organized in June/July 2001 to coincide with the dry season. The Government, in consultation with the Transitional Parliament would then work out a timetable for elections.

24. **Post-conflict rehabilitation.** The Government has prepared a three-year Interim Post-Conflict Program (“Programme Intérimaire Post-Confli”) for the period 2000-02 which aims at helping the Congo move from a humanitarian crisis to sustainable economic and social development, and from a state-dominated to a market-based economy. The proposed program, for which the Government seeks donor support, has two major elements: emergency and growth.

25. *Emergency.* The Government seeks to further improve access to the interior of the country and provide basic social services. It aims at assuring the free circulation of persons and goods through improved security. Rehabilitation of dilapidated infrastructure is a key objective, as is the demobilization and reintegration of ex-militias in an impartial, equitable and balanced manner. In order to improve food security, the re-launching of agricultural and livestock activities, including agro-industry, is another priority.

26. *Growth.* The re-launching of the productive sector is an essential component toward poverty reduction and economic and sustainable development. Support to the private sector and diversification of the economy are central elements thereof, fighting unemployment another. The program includes efforts at increasing the competitiveness through, among others, progressive elimination of non-tariff barriers and modernization of the labor law. The Government further intends to deepen sub-regional integration, for instance through improvements in transport infrastructure to stimulate the exchange of goods and services. Lastly, the reinforcement of administrative and institutional capacities of the state as well as the strengthening of the rule of law are considered important elements to overcome dysfunctional economic and financial management processes.

27. *Components.* Sectoral strategies include basic sectors (energy, infrastructure, telecommunications); support sectors (agriculture and livestock, forestry, petroleum, tourism, environment and mines); social sectors (health, water and sanitation, education, youth, shelter); the private sector (small and medium-scale enterprises, trade, handicraft, informal economy); planning; and other sectors (employment and social security; civil service; security and defense). The Ministry of Economy, Finance, and Budget is the lead institution in implementing the program, assisted by the relevant sector ministries, decentralized authorities in the urban and rural areas, and the Central Procurement and Contract Commission.

28. *Total program costs* are estimated at CFAF 526 billion, of which CFAF 158 billion would be spent in 2000, CFAF 196 billion in 2001 and CFAF 172 billion in 2002. Over the three-year period, seventeen percent would be for social sectors and 29 percent for the transport, public works and energy sectors. The program as presently formulated is very ambitious in view of

severe capacity constraints. The Government is cognizant of these constraints and has requested Bank technical assistance for building capacity to prioritize projects and elaborate, execute and monitor development programs. In order to ensure success in the implementation of the program, the Government would need to establish close partnerships with donors, the UN system, NGOs and communities with a view to integrate and utilize the human, technical and financial resources of its partners.

29. **Reform agenda.** The Government's reform agenda is built on three major pillars: (i) enhancing sound macroeconomic policies and stabilization measures with a focus on public finance management, improving revenue collection efficiency, and rationalizing Government public expenditures; (ii) deepening structural measures reluctantly initiated by the previous regime (privatization of major public enterprises; privatization of commercial banks; rationalization of the business regulatory framework including price liberalization, simplification of import and export procedures, rationalization of the labor and competition laws, implementation of a one-stop investment window, elimination of remaining monopolies; and review of sectoral policies including codes on forestry, mining, procurement, post and telecommunications, and water and electricity); and (iii) improving governance, accountability and transparency (with national and broad-based participation in budget management, generalized use of audits) as well as restoration of appropriate legal and regulatory frameworks guaranteeing rights of property and contract to create an environment of security and predictability.

30. **Normalizing relations with creditors** is central to the Congo's return to the world economy. Under the IMF program, the Government is taking advantage of the favorable oil prices and has agreed to initiate the process of normalizing relations with its external creditors through the resumption of debt service payments to all multilateral creditors and on post-cut-off-date debt to Paris Club creditors. As of September 30, 2000, the Government has begun payments to multilateral creditors to stabilize the stock of arrears.

31. In addition, the Government has agreed on IMF clearance of any use of potential additional revenue which could be generated from higher oil prices, given the degree of uncertainty concerning the evolution of international oil prices and oil production. Oil revenue in excess of the projected amounts would be deposited in a special account with the BEAC, pending discussions with the IMF concerning their use. Particular emphasis would be placed on the clearance of arrears with multilateral agencies. Furthermore, the Government intends to settle all outstanding commercial arrears by 2001.

32. **Activities undertaken to date.** The Government has carried out a variety of reconstruction activities: the railway line from Brazzaville to Pointe Noire has been opened; some essential infrastructure is being repaired, in particular in Brazzaville; and administrative buildings have been rehabilitated. Furthermore, in collaboration with the Bank and the Fund, reforms have been initiated by the Government in a number of other areas.

33. *Financial sector.* Most progress has been made in banking sector restructuring. The three major banks will be split, with the financially viable part transferred to newly created private banks and the rest liquidated and transferred to CCA, the country's debt management agency. The restructuring is being conducted in close collaboration with COBAC, the regional bank supervision agency, and the Bank. The restructuring/privatization is expected to be completed between January and June 2001. At the same time, CCA will manage the liquidations of the three

banks and engage in vigorous bad loan recovery. In the medium-term, the public insurance company may be liquidated and private companies will be invited to enter the national insurance market. The micro-finance system will be strengthened and a specific regulatory framework will be put in place at the regional level by COBAC. Restructuring of the two social security institutions will be launched in the context of a broad overhaul of the social protection system in the country.

34. Based on an agreement reached with the Bank in the context of the now closed Privatization Project, *privatization* plans of five largest public enterprises (in the water, electricity, telecommunications, transport and petroleum sectors) are presently under implementation. *Public finances* are being rationalized through the launching of a computerized expenditure control system. Measures to enhance revenue collection of the customs administration and the treasury are also underway. In the *forestry sector*, the Bank has been providing technical assistance to the Government in developing the new forestry code. In the *telecommunications sector*, the development of a coherent policy and regulatory framework is being launched to foster competition and ensure operational and financial viability of the postal services. In the area of *civil service reform*, pending the completion of a census, salaries have been frozen across-the-board and new recruitment, with the exception of the health and education sectors, has been suspended.

35. As part of the current Post Conflict Fund (PCF) grant (US\$0.9 million), the Bank is financing the census of civil servants and an initial capacity assessment, technical assistance for banking sector reform, support to the privatization committee, a social assessment and labor market analysis, and technical assistance for properly managing the interim post-conflict/public investment program.

## 5 A Strategy for Bank Engagement

36. **Past Bank engagement.** The Republic of Congo has been a member of the World Bank Group since 1963. It was an IBRD borrower until 1994, when the worsening economic situation and the CFAF devaluation caused GNP per capita to fall to US\$640 and the Congo thus became an IDA-only eligible country. The last CAS (IDA/R96-182) was discussed by the Executive Directors on December 11, 1996. Between 1974 and 1996, the Bank Group committed 23 loans and credits to the Congo, amounting to about US\$400 million. Forty-five percent were dedicated to developing the infrastructure and industry sector, 42 percent to structural adjustment reforms, 8 percent to agriculture and 5 percent to education. Despite considerable lending activity, political instability within the country and accumulated non-repayment of debts has led to a stop-go relationship between the Congo and the Bank. During the last decade, the Congo fell into non-accrual status twice: in 1991 and then again in 1997. Since 1997, all project disbursements came to a halt and the last remaining project in the portfolio – the Privatization and Capacity Building Project – was closed at the end of 1999.

37. **Objectives.** The principal objective of the Bank's TSS is to support the Government in facing the four simultaneous challenges of consolidating its home-grown peace process, laying and solidifying the foundation for the democratization of political life, physically reconstructing the country, and improving economic management, including increased transparency and good

governance in public resource management. This objective would involve a five-pronged approach:

- (a) strengthening economic stability and equitable growth and supporting reforms to facilitate the transition to a market-based economy. This would be closely linked with the IMF program;
- (b) reestablishing basic economic and social services, including the rehabilitation and maintenance of small- and larger-scale infrastructure;
- (c) building capacity of government and civil society so as to help the Congo face the challenges of designing and implementing effective programs, improve governance, and undertake public transactions transparently;
- (d) fighting the growing threat of HIV/AIDS; and
- (e) providing assistance to war-affected and vulnerable population groups.

38. The TSS would span a 24-month period in support of the Government's Interim Post-Conflict Program in areas where the Bank has a clear comparative advantage and where it can complement activities of the Government, donors, the UN system and other stakeholders. In order to assist the peace process at all levels, the interventions by the Bank would reach beyond the administration and support efforts to empower marginalized groups, including rural communities, youths and women. Most importantly, the Bank would not replace but nurture local, demand-driven initiatives. This approach reflects those priorities identified by all stakeholders in the Congo during the consultations for the TSS.

39. **Benefits.** There are important benefits associated with the Bank's re-engagement in the Congo. Firstly, the TSS would provide a framework for other donors (including the International Finance Corporation-IFC) and the private sector to engage. Secondly, this would provide the Government with an opportunity to establish a credible track record for consolidating peace and transforming the economy. Thirdly, the Bank would have an important leverage for shaping the country's longer-term poverty reduction and governance/transparency agendas. Fourthly, the solution of the arrears problem while still at a manageable level would help the Congo in its economic, financial and social recovery and facilitate its return to the world economy. Fifthly, the stabilization of a still fluid situation in the Congo would have important positive spin-off effects for stability in the sub-region.

40. **Arrears clearance.** IDA cannot resume lending to the Congo until its arrears to IDA and IBRD have been cleared. As of November 1, 2000, the Congo's arrears to the Bank totaled US\$62.4 million (US\$56.0 million to IBRD and US\$6.4 million to IDA). These arrears are proposed be cleared in two phases. In the first phase, the Government would make payments to the Bank. These payments would be used to meet debt service payments falling due, to clear all arrears to IDA, and to reduce the stock of arrears to IBRD to US\$25-30 million. In parallel, during the first phase of the arrears clearance plan, the Government would implement the policy measures that may be required for Board presentation (and effectiveness, if any) of an Economic Recovery Credit (ERC). During this phase, the Bank would assist the Government in arranging bridge financing to be used as part of the arrears clearance package. In the second phase, once all arrears to IDA have been cleared, the stock of arrears to IBRD has been reduced to US\$25-30 million, and all conditions for the ERC have been met, the ERC would be presented to the Executive Directors for approval and a bridge loan would be used to clear the Congo's remaining arrears to IBRD. At effectiveness, the Government would use part of the proceeds of the ERC

(as necessary) to repay the bridge loan. This two-phase arrears clearance strategy is designed to avoid jeopardizing key recurrent or development expenditures. It is also consistent with the IMF Post-Conflict Program.

## 6 Elements of the Transitional Support Strategy

### 6.1 Strengthening economic stability and equitable growth supporting reforms

41. **IMF program.** The Bank would provide important assistance in the context of the overall IMF Post-Conflict Program for the period 2000-01. The IMF program focuses on fiscal policy, structural reforms (to be undertaken mainly with Bank assistance), and transparency (complementing Bank measures proposed in the TSS). The program is geared toward strengthening the country's administrative capacity and improving the macroeconomic framework in order for growth in the non-oil sector to resume. The focus of *fiscal policy* is on financing emergency expenditures while spurring the normalization of relations with the Congo's creditors, essential objectives for reviving financial and technical cooperation with the country's development partners (para. 30). To support the release of resources for social spending, the wage bill would be stabilized and non-wage, non-interest current expenditure would be capped.

42. Economic efficiency would be enhanced through the restructuring/privatization of the country's three commercial banks and the privatization of the five largest public enterprises. Implementation of the *structural reform agenda* offers the prospect of restored confidence in the banking system and efficiency gains throughout the economy, as public monopolies are dismantled and resource allocation is increasingly determined by market forces. With the restructuring and privatization of the commercial banks, the Congo is taking an important step toward a well-functioning financial system, resumption of financial intermediation, and putting in place the underpinnings of an effective domestic payments system.

43. Improving *transparency* through effective expenditure control and significant improvement in managing the state's oil proceeds, constitutes an additional important objective of the IMF program. Good governance and transparency are indispensable for efficient economic management. The authorities have made important progress in strengthening transparency by improving the coverage and timeliness of expenditure data, and restoring the consolidated cash management principle at the treasury. However, further improvements are needed to obtain expenditure data on a functional and a commitment basis. The agreement defining the financial relationship between the national oil company and the state also represents an important milestone in further improving transparency.

44. The IMF Post-Conflict Program is conditioned upon: (i) the Government's ability to formulate and implement an economic adjustment program; (ii) significant progress in setting up a functioning expenditure control and monitoring system; and (iii) the existence of a firm calendar for the restructuring/privatization of the commercial banks. The IMF deems all three conditions fulfilled. The Government has expressed its willingness to implement reforms, undertake improved public resource management, engage international support and address the debt problem.

45. **Bank support.** Not following through on reform programs in the past has given rise to concerns about the Government's commitment to reform and improved transparency and governance. Major efforts would, therefore, be required from the Government. Its actions thus far (paras. 30-35) are encouraging. The Bank would, thus, work closely with Government and the IMF to develop a clear and realistic timetable for key reforms as well as to ensure their efficient execution. These reforms, which would be supported by a quick-disbursing ERC, would comprise *structural measures* and, complementing the IMF program, efforts aimed at enhancing *transparency*, including:

- a) the redefinition of the role of the state leading to the disengagement of the state from the economy. This would necessitate a strategic orientation of Government towards those sectors where it can have value added, provide leadership, and bring about change. As a consequence, this would mean disengaging from sectors where there is potential for private sector and civic associations to play a more efficient and effective role;
- b) further liberalization of the economy by reforming the institutional and regulatory framework to facilitate private sector development and diversify production and exports. This would involve the creation of a conducive legal and institutional framework in the petrol, mining, telecommunications, forestry and agricultural sectors, as well as providing an institutional framework for local and international NGOs and civil associations;
- c) proper and transparent privatization, building on the activities already being undertaken; and
- d) developing transparency in the budgetary process and in the management of natural resource revenues, particularly from the oil and forestry sectors. This work would be linked to a Public Expenditure Review (PER. para. 63).

46. Regarding transparency in the use of oil revenues, the Bank would provide assistance to fully operationalize the relationship between the SNPC and the state, including: the revision of the SNPC statutes; audits of SNPC accounts; improvements in oil revenue collection; and the transfer of oil revenues from the SNPC to the national budget. This assistance would better position the Congo to understand the parameters of the oil market in the medium-term in order to reap maximum benefits for, and thus minimize donor dependence of, its development and poverty reduction strategy in the longer-term.

47. Building on recent experiences elsewhere (especially Burundi and Guinea-Bissau), part of the proceeds of the ERC would be used to ring-fence critical expenditures in particular in the health and education sectors, where necessary, and provide critical support to the Government's efforts of demobilizing and reintegrating combatants from all warring factions. Such assistance would help re-launch social services in war-affected regions and stabilize the local sociopolitical situation. Special safeguards to ensure the correct use of ERC resources would be developed during ERC preparation.

## **6.2 Building capacity in Government and civil society**

48. The Bank already finances limited yet critical support for preparing key reform measures through its current PCF grant. Other efforts are currently underway by France, the United Nations Development Program (UNDP) and the African Development Bank (ADB) which are supporting capacity building in different sectors. Further measures have been identified as necessary to develop capacity among Government and non-government actors including: (i) civil service

reform at the central and local levels through reorganization, retraining, re-staffing, and the provision of equipment; (ii) the development of partnerships between Government, NGOs, the private sector, local administrations and civil society for carrying out priority activities and targeting equitable growth; and (iii) social sector reform – in health and education in particular – to ensure that stakeholders (teachers, parents, health agents, etc.) are involved and are working together with the administration in both planning interventions and effectively using resources for these priority sectors. Regarding education, special attention would need to be placed on reorienting the system toward imparting skills for a market-based economy and economic management.

49. Other capacity building measures could include support to a comprehensive communications strategy building on recent legislation and planned privatization in the telecommunications sector. Furthermore, there is a need to build capacities to manage the oil economy, and improve the functioning of the Central Procurement and Contract Commission to render public procurement more transparent. The Bank would prepare a multi-sector project to support key capacity building measures, in tandem with other donors. More immediately, an Institutional Development Fund (IDF) grant would be launched to assist the Government in establishing an environment conducive to improving access to efficient and affordable communication services.

### **6.3 Reestablishing basic economic and social services**

50. Years of neglect and civil war took their toll on the country's public and private infrastructure. Many roads and bridges are in serious disrepair. Schools and health centers have been destroyed and marketplaces have been looted. Drainage facilities in Brazzaville where 70 percent of the urban population live are inoperable in many districts resulting in frequent flooding during heavy rainfalls as well as posing severe health hazards in particular to the urban poor. Other major infrastructure is also in a state of disrepair: in the energy sector, only an estimated 25 percent of needs are covered and only about one-third of the population has access to safe water. Lastly, many rural areas are essentially cut off from the economy due to the progressive degradation of rural economic and social infrastructure.

51. Since the signing of the cessation of hostility and cease fire agreements, the Government has taken steps to rehabilitate infrastructure in Brazzaville and some rural areas but these efforts are insufficient to fully address rehabilitation needs. For their part, donors and NGOs have been supporting labor-intensive projects for smaller-scale rehabilitation activities. However, there is a serious need for additional financing, particularly for larger-scale infrastructure rehabilitation which is currently beyond the scope of other actors and which the Bank has been requested to finance. The Bank's involvement would facilitate parallel financing by the Agence française de développement (AFD), the ADB, the European Union (EU), and others. Bank support to reestablishing basic economic and social services could be provided through an emergency economic and social reconstruction project with a quick-disbursing element.

52. Consolidating the positive impact resulting from the opening up of the railway line, the project would rehabilitate desolate main and feeder roads to help unleash the tremendous potential of rural communities and preserve existing road infrastructure. The integration of rural communities into the national economy would have important multiplier effects. Supply of agricultural products would increase, reducing food prices in urban areas. Simultaneously,

transaction costs would decrease, reducing the prices of industrial goods and services in rural areas. Such incentives to advancement of rural life may help halt urban-rural migration. The project could also support the rehabilitation of other larger-scale infrastructure such as water supply and power systems in urban and rural areas.

53. Smaller-scale and community-based rehabilitation of economic and social infrastructure could be undertaken via delegated contract management, building on Bank experiences in other African countries and with such instruments as AGETIPs. To the extent possible, local small and medium-scale enterprises would be contracted to carry out the works and actions would be undertaken to build their capacities. Moreover, community participation would be fostered to engage communities in the planning, construction and maintenance of infrastructure facilities, thereby giving people a stake in the evolving peace. An important objective would be institutional strengthening (both inside and outside the Government) to increase managerial capacities to maintain existing and new facilities, deliver urban and rural services, and develop maintenance planning and contracting capacity.

54. The project would also have important indirect benefits. A significant proportion of the project would be implemented using labor-intensive methods. Employment generation, even if only in the short-term, is expected to have multiple benefits. It would reduce misery among the unemployed while rehabilitating major damage to economic and social infrastructure (schools, health facilities, market places, roads, etc.). Furthermore, the project would have an immediate impact on the standard of living of the poor, improving among others, water, sanitation and transport systems. By targeting war-affected and poor communities, benefits would be spread regionally thus avoiding imbalances which have been among the causes of past conflicts.

#### **6.4 Fighting the growing threat of HIV/AIDS**

55. At the end of 1997, UNAIDS/WHO estimate that 7.8 percent of the population aged 15-49 were HIV positive. Population movements and atrocities of war are a major cause for the spread of HIV/AIDS. The massive displacement and systematic rape during the last round of violence in 1998/99 have clearly had a severe negative impact on the HIV/AIDS situation in the country and it is estimated that the HIV prevalence rate has increased dramatically. A study of over 300 women undertaken by the Ministry of Health in 1999 in Pointe Noire (i.e. an area affected by displacement and in-migration) showed that 14 percent were HIV positive.

56. Support for HIV/AIDS patients is limited. Médecins sans frontières and the Ministry of Health have initiated a project to help rape victims. The United States have been providing condoms and France has been financing efforts to enhance the safety of blood transfusions. Overall, programs addressing HIV/AIDS in the country remain embryonic and large data gaps exist, inhibiting an understanding of the magnitude of the problem. Reinforcing existing efforts may not be sufficient. Strong political commitment is crucial to provide the resources, leadership, and enabling environment needed to control the epidemic's spread.

57. The Bank would prepare a project as part of the Africa Region's HIV/AIDS umbrella program. The project would aim at reversing the trend in the spread of the disease, through a multi-sectoral approach that would encompass support to the national strategy for fighting HIV/AIDS, launching an information, education and communication (IEC) campaign, facilitating the distribution of condoms to the population at large and the social-marketing of condoms to

groups most at risk (armed forces, prostitutes, transporters, plantation workers, etc.), ensuring the regular supply of drugs for opportunistic illnesses, providing voluntary counseling and testing, and promoting treatment and care of HIV/AIDS patients.

58. The project design would be explicit on the gender aspects of HIV/AIDS to take into account the marked gender pattern to HIV/AIDS infections, with higher prevalence rates among younger women and girls. The project would address this issue through, among others, adaptation of the community participation methodologies to include a specific focus on girls, the systematic ids-aggregation of indicators by gender, and proper attention to gender in the IEC strategy.

## **6.5 Promoting youth and women**

59. Youths were the main perpetrators of violence yet they are also among the main victims of a decade of civil strife. Youth-related problems are as much a factor of conflict as an effect thereof. If unattended, such problems could seriously affect security in both rural and urban areas as militarized youths may revert to taking up weapons. Fostering youth inclusion thus becomes an important strategy to prevent tension from mounting again as well as to make youths active and respected members in the economy and society. Efforts must aim at the demilitarization of youths, giving them a constructive role in the reconstruction of the country and providing them with an alternative to violence. The proposed ERC would support the Government's efforts in helping ex-combatants establish sustainable livelihoods.

60. Furthermore, young women and girls suffered greatly in the war through rape and violence. Their reintegration into productive economic activities and nurturing environments is a priority. Counseling services, gender-specific health and education programs, and support to women's groups are being developed to assist the re-inclusion of victims into the economy and to provide support services. Assistance to female-headed households (often by girls as young as 15 years) must also be provided to ensure that they do not slip further into poverty.

61. A number of youth promotion and gender activities by UN agencies, NGOs and donors are already ongoing aiming at: (i) economic inclusion (education, training, micro-projects, etc.); (ii) social inclusion (counseling services, nurturing of traditional norms and values fostering non-violence and peaceful coexistence, etc.); and (iii) political inclusion (civic education, etc.). For instance, the International Labor Organization (ILO) has initiated support activities for employment and micro-enterprise development, UNDP/International Organization for Migration (IOM) are executing a project aimed at the reintegration of former militias, and UNESCO is preparing peace education activities. The Bank would play its part in addressing these needs by launching a second PCF grant to provide immediate financial resources to such projects for the benefit of youths and women in both urban and rural areas. This PCF grant would also target specific capacity building measures for women's groups and other NGOs which are actively working on youth and women's issues.

## **6.6 Non-lending activities**

62. The Bank has not been engaged in the Congo since 1997. As a result, its knowledge base requires updating. The TSS would, therefore, include the following critical non-lending activities that would help the Bank to better position its short-term interventions and guide medium-term planning:

- a) a *public expenditure review* would build on reforms initiated under the IMF program aiming in particular at developing transparency in the budgetary process and management of all public revenues. The PER would build on the already-established good working relationship between the Bank and the Government to enhance the management of public resources;
- b) a study on *natural resource management* would address a variety of issues, including sustainable logging, the conservation of bio-diversity and environmentally sustainable agriculture. This sector offers unique opportunities for the Government to simultaneously pursue the governance and poverty alleviation agendas, while generating significant fiscal revenues for the state. The Bank has already been collaborating with the Government on natural resource management through a project financed by the Global Environment Facility (GEF) and a regional environmental project. The study would build on these experiences and on other activities being undertaken by NGOs, donors and the Government.

63. As part of the PCF grant that is currently being implemented, a *social assessment* would be carried out in urban and rural war-affected communities to evaluate the impact of a decade of conflict on the social fabric and identify needs in terms of social recovery. Also covered by the PCF grant is a *labor market analysis* to assess the employment situation and devise approaches to soften the impact of privatization and civil service reform on the workforce.

#### **6.7 Implementation arrangements**

64. Experience with earlier Bank-financed operations in the Congo shows that the Government's project execution capacities as well as its track record for implementation are weak. Therefore, all stakeholders – Government, private sector, NGOs and civil society associations – would play an important role in implementing the TSS, as well as in monitoring and evaluating activities. The Government would provide the necessary institutional and legal support with a view of building a basis of trust with the population. Other actors would be closely involved in project preparation, during which their respective roles in implementing and monitoring those projects would be defined. Building on the lessons of earlier Bank engagement, all projects would be required to produce a satisfactory accounting and financial management system before effectiveness.

#### **6.8 Field presence**

65. The Bank's resident mission in Brazzaville has been closed since the war of 1997. It is of utmost importance that the Bank complement its strategic and financial engagement with a presence on the ground, which was also requested by the Government, donors, UN agencies and civil society. Following examples from other post-conflict situations, a liaison office, headed by a Representative, would be established in FY01. The principal responsibilities of the liaison office would be to: (i) ensure effective dialogue with the Government, civil society, and international partners; (ii) further the consultation process on TSS implementation, including joint monitoring of post-conflict indicators; and (iii) facilitate the preparation and supervision of the envisaged lending program. The office would be scaled up to a full-fledged country office in FY02. Such scaling up would be carefully measured vis-à-vis the implementation of the TSS and resultant operational needs.

## 7 Involvement of the International Community

66. **A common approach.** As individual external actors have limited capacity to influence events, it is important for each actor to identify and apply its comparative advantage and to ensure that its activities fit within a comprehensive approach. Multilateral, bilateral and non-governmental organizations alike have agreed on the following priorities for the year 2000 to stabilize the positive trends: (i) continuing emergency relief and bridging the gap between relief and development; (ii) increasing access and delivering assistance farther into the interior; (iii) assisting the reintegration of ex-combatants; (iv) concentrating on the most affected southern regions while ensuring that the most urgent needs in the north of the country are also addressed; (v) supporting the peace process and the restoration of civilian authority and responsibility in the affected interior; and (vi) ensuring that contingency planning is prepared for the (unlikely) possibility of renewed hostilities.

67. **Donor coordination.** An important element for the success of the Government's Interim Post-Conflict Program will be that assistance is provided by a "coalition of the willing" and that there is an agreement on the need for burden sharing in the financial support to the Congo's reconstruction. The Bank has taken a leadership role in assisting the Government to formulate a post-conflict recovery strategy. In April/May 2000, it led a joint mission of representatives of donors (France, the European Union, the African Development Bank) and UN agencies (UNDP, Office for the Coordination of Humanitarian Affairs-OCHA, ILO) to assess the emergency reconstruction and humanitarian needs and launch preparation of the TSS. The mission made proposals for a progressive engagement of the international community in support of Government initiatives in favor of peace and reconciliation, and of economic and social reform.

68. Such excellent donor coordination was strengthened further at an international meeting organized by OCHA and UNDP in Geneva in July 2000. The meeting provided an opportunity for dialogue on sustaining the peace process in the Congo and on outlining the plans of the international community to support the transitional process. The UN system presented its Transition Appeal for the Congo for US\$28 million for the remainder of 2000, shifting from purely relief to a mixture of relief and early development assistance. By mid-October 2000, the transition appeal has received contributions/pledges of US\$3.1 million.

69. A donor consultation meeting, chaired by the Bank and co-chaired by the Government and UNDP, was held in October 2000 in support of the Government's Interim Post-Conflict Program and the IMF's Post-Conflict Program. During this meeting, the Government confirmed its commitment to an all-inclusive national dialogue and the establishment of mechanisms to promote good governance and reforms. Donors recognized the need for exceptional assistance and burden sharing to help ensure that adequate support is available for the Government's reconstruction and reform efforts. Although not the objective of the meeting, some donors announced significant amounts of financial support.<sup>3</sup> To encourage the Government to stay the course in the implementation of the agreed reforms and with a view to pave the way toward debt relief under the HIPC initiative, donors agreed to collaborate to help the Congo quickly work toward the

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<sup>3</sup> Indicative amounts announced are as follows: IMF (approximately US\$30m), EU (US\$69.3m), France (US\$27.6m), Sweden (US\$1.5m), and ADB (US\$1.5m).

preparation, beginning in about six months, of an interim Poverty Reduction Strategy Paper (I-PRSP).

## **8 Risks and Risk Mitigation Measures**

70. Engagement in the Congo is a high-risk, high-gain enterprise. The benefits of engagement (para. 40) have to be balanced with the risks of engaging in an as yet uncertain environment and the risks of not supporting a peace process that has been successful to date, and thus not supporting the stabilization of a country in an unstable region. There is no guarantee that war may not break out again, but missing the current opportunity to consolidate the fragile transition could increase the danger of relapse. Therefore, the risks have to be identified and addressed constructively by devising appropriate risk mitigation measures.

71. **Capacity.** Past experience has shown that there is limited Government capacity, in terms of human resources, institutions and physical capital, for the implementation of reforms and projects. Caution against unrealistic assumptions, especially regarding the implementation of the reform agenda, is therefore warranted. The indigenous private sector in the Congo is weak as, to date, the economy has been driven by the public sector, through the civil service and public enterprises. Civil society and civil associations have great potential but lack skills and supporting infrastructure for coordinating activities, executing projects, and monitoring results on the ground.

- The international community is aware of the capacity constraint and has endeavored to provide critical assistance in a coordinated manner in a variety of sectors. Capacity building and strengthening would be a major element of the TSS through the provision of training, technical assistance and institutional support to Government and non-government stakeholders.

72. **Regional instability.** A complex and somewhat incalculable risk is the intensification of conflict in Angola and/or the DRC. The Congo might become a battleground of foreign wars, between UNITA forces and Angolan government troops and/or between the DRC government forces and their allies and the rebel forces. Each of these external groups may also be mobilized by Congolese leaders to further their own political ambitions.

- Field presence would allow the Bank to collaborate with the UN system and donors present in Brazzaville and Kinshasa on monitoring the regional security situation and thereby to assess the risks on its emerging portfolio. In this way, the Bank would remain cognizant about regional developments that may jeopardize stability in the Congo and take preventive action as necessary.

73. **Reversal of the peace process.** The risk of derailment of the peace process by incidents that could trigger a full-scale resumption of hostilities cannot be ruled out. Continued commitment by all warring factions to the provisions of the cessation of hostilities and cease fire agreements of late 1999 is essential for maintaining peace. It will also be important that all segments of society have a sense of ownership over peace.

- The TSS would aim at promoting efforts at inclusive development, good governance and equitable distribution of benefits. The Bank would involve stakeholders in key

processes with a view of ensuring that benefits from its engagement and financial support as well as from other rehabilitation and development efforts are equitably distributed. Different population groups thus having a stake in the peace process may help strengthen peace.

74. **Difficult reform process.** The transition from a state-dominated economy to a market-oriented economy requires the restructuring of the economic base. Such restructuring is painful for those who lose jobs or what are perceived to be accrued benefits. Since the beginning of the reform process in the early 1990s, different groups have attempted to block this transition. The Government has affirmed its commitment to reform but is likely to face opposition from such groups.

- The Bank would support the Government in the reform process by placing particular attention to developing comprehensive sector approaches (for instance, in telecommunications). It would also engage the Government and non-government stakeholders in the careful design of adequate measures (for instance, targeted safety nets) to help those negatively affected by reform measures gain access to alternative income sources.

75. **The debt burden.** The Government may not be capable of servicing its debt to the Bank during the duration of the TSS. As engagement may be impeded by arrears problems, the Bank could be perceived as withholding financial support, as neglecting the country's immediate needs and as renegeing on its efforts to help the transition from a state-dominated economy to a market-based one.

- The Bank and IMF place particular emphasis on closely monitoring the transparent use of oil revenues and budget efficiency to ensure that the Bank's preferred creditor status can be maintained. Following recommendations from the stakeholder consultations (para. 80), the Bank would make every effort within existing guidelines to ensure continuity in project implementation should the Government be unable to fully service its debt to the Bank.

76. **Bank credibility.** The Government has signaled to the international community its clear commitment to reform and to achieve lasting peace. However, the Bank may put its credibility at risk when engaging with a Government that turns out to be unable or unwilling to ensure the proper and transparent use of its resources. The Bank may then be perceived as supporting only one party to the conflict.

- Through the TSS, the Bank would engage the Government in improving transparency and good governance. If progress toward reconstruction and reform were unsatisfactory, the Bank would scale down its activities.

## 9 Benchmarks and Indicators

77. A special set of indicators adapted to the realities of countries affected by conflict would be applied for measuring performance in implementing the TSS. These indicators would be grouped into four clusters: (i) security and reconciliation, addressing actions by the Government to improve the environment for sustainable peace; (ii) economic recovery, addressing policies

implemented by the Government to spur economic recovery; (iii) social inclusion and social sector development, assessing whether immediate social needs have been addressed and focusing on the distribution of assets among the groups affected by war; and (iv) public sector management and institutions, evaluating the quality of governance in focusing on the Government's public sector management and the quality of its institutions.

78. Performance indicators would be measured on the basis of the Government's actions in the above-mentioned areas. Performance would, thus, be considered only if it can be related directly to Government actions. Progress indicators would be reviewed at regular intervals during TSS implementation with an informal advisory group (para. 80). The timetable of increased engagement by the Bank would be linked to the Government's progress in implementing the TSS. Outcome indicators would be measured at the end of the TSS period to assess overall success of the strategy. Post-conflict progress and outcome indicators are provided in annex 2.

## 10 Exit Strategy

79. **Entry strategy.** The TSS should benefit the population as a whole. To this end, the Bank held a series of consultations on the draft strategy with the Government, members of the National Transition Council, civil society (church representatives, women associations), labor unions, political parties, the private sector, donors, UN agencies and international NGOs. These consultations confirmed the overall orientation and individual components of the TSS. Furthermore, an informal advisory group including representatives of the before-mentioned stakeholders would be created. This advisory group would provide a neutral space for all stakeholders, enhance transparency in decision-making, help build trust among participants from all segments of society, and regularly monitor risks as well as the implementation of the strategy.

80. **Incremental disengagement.** The Bank's exit strategy would aim at incremental disengagement depending on the severity of the situation. Steps of incremental disengagement would be a revision of the implementation schedule, a revision of the planned interventions, and the partial suspension of activities. The point of departure for such a decision would be an assessment of the probability of a successful implementation of the TSS, given evolving risks in a changing environment. Whenever feasible, decisions about disengagement would be taken after consultation with the advisory group.

81. **Flexibility.** Given the still fragile state of peace in the country, flexibility in applying the TSS is of paramount importance. To ensure quick implementation of activities, the Government would not be required to provide counterpart funds for any of the operations included in the TSS. Delays in implementing reforms that are outside the Government's control should not hold up the implementation of priority activities. Furthermore, within its broad parameters and activities, the TSS would be adjusted as the situation evolves, depending on where emerging needs are and on what other partners are doing.

## 11 Schedule for Board Consultations

82. After regular consultations with the above-mentioned stakeholders, the Region would prepare and submit to the Board annual updates on the TSS. Based on the post-conflict performance indicators (annex 2), these updates would include an assessment of the evolving

situation, an assessment of progress on the reform agenda and TSS implementation, and a review of the Bank's lending program as well as any suggested changes to the TSS. Should the situation stabilize sufficiently by mid-2002, the Region intends to initiate the preparation of a regular Country Assistance Strategy at the beginning of FY03.

James D. Wolfensohn  
President  
By Shengman Zhang

Washington, D.C.  
November 13, 2000

## Annex 1: Summary of Strategy Elements

### A. Lending activities

<i>Project</i>	<i>Amount (in million \$)</i>	<i>Timeframe</i>
Strengthening economic stability, equitable growth, and demobilization	35.0	FY01
Building multi-sector capacity	5.0	FY01
Promoting youth and women (PCF grant)	1.0	FY01
Establishing an enabling environment for telecommunications (IDF grant)	0.5	FY01
Reestablishing basic economic and social services	*)	FY02
Fighting the growing threat of HIV/AIDS **)	*)	FY02
Total	40.0 (IDA) for FY01 1.5 (PCF/IDF)	

\*) Amounts to be determined on the basis of performance during FY01.

\*\*) The IDA resources for this project would be covered by the Africa Region's grant umbrella program for HIV/AIDS projects.

### B. Non-lending activities

<i>Activity</i>	<i>Timeframe</i>
Public expenditure review	FY01-02
Natural resource management	FY02
Social assessment *)	FY01
Labor market analysis *)	FY01

\*) Carried out under the current PCF grant.



## Annex 2: Post-Conflict Performance Indicators

### A. Security and reconciliation

<i>Items</i>	<i>Progress indicators</i>	<i>Outcome indicators</i>
Public security	Effectiveness of civil policing	No restrictions on movement of people around the country
Reconciliation	Degree of representation of all stakeholders in the political process	National dialogue successfully concluded
Demobilization and reintegration	Status of disarming and demobilization ex-militia	Security sector reform initiated

### B. Economic recovery

<i>Items</i>	<i>Progress indicators</i>	<i>Outcome indicators</i>
Management of the reform process	Degree of momentum in transparently implementing structural reforms	Structural reforms ongoing in a satisfactory manner
Management of external debt and adequacy of the budget	Commitment to manage the external debt situation, including clearance of arrears	Arrears to multilateral creditors cleared and arrears to bilateral and commercial creditors stabilized
Management and sustainability of the rehabilitation program	Existence of processes permitting people and stakeholders to participate in decision-making	War-affected groups benefiting from completed rehabilitation activities

### C. Social inclusion and social sector development

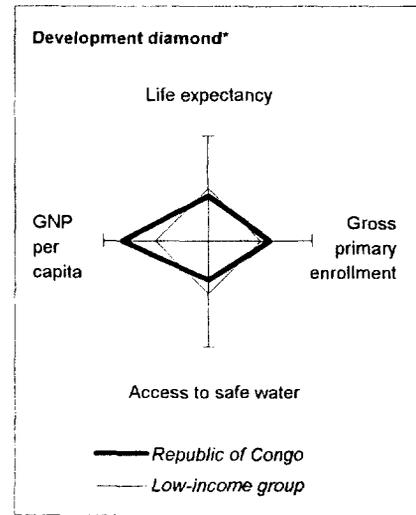
<i>Items</i>	<i>Progress indicators</i>	<i>Outcome indicators</i>
Reintegration of displaced population	Status of return of displaced people	Economies of war-affected communities successfully re-launched
Education	Degree of school rehabilitation efforts in war effected areas	Primary enrollment rates return to pre-war levels
Health	Degree of rehabilitation efforts to overcome disparities between individuals, groups and geographic areas	Health centers functional in most war-affected communities

### D. Public sector management and institutions

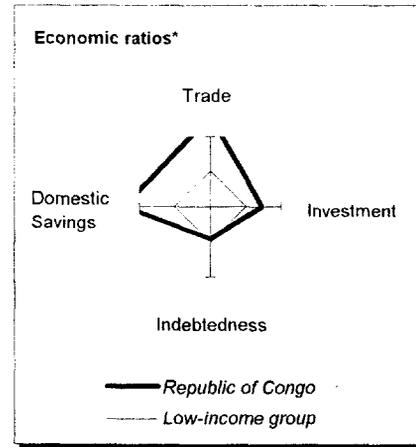
<i>Items</i>	<i>Progress indicators</i>	<i>Outcome indicators</i>
Budget formulation and efficiency of revenue mobilization	Timeliness of budget formulation and degree of implementation	Publication of annual audit of accounts of the national oil company (SNPC)
Reestablishing the administration	Timeliness of payment of civil service salaries	Reorganization of civil service initiated
Transparency and accountability in the public sector	Extent to which the authorities monitor the prevalence of corruption and implement sanctions transparently	Regular publication of awards of contracts over CFAF 25 million



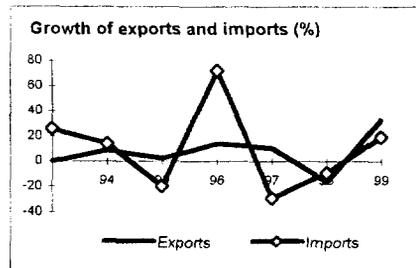
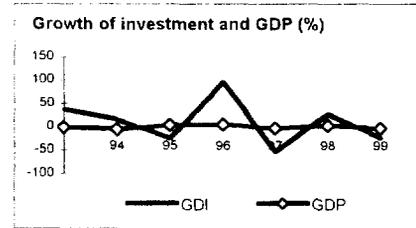
POVERTY and SOCIAL	Congo, Rep.	Sub-Saharan Africa	Low-income
<b>1999</b>			
Population, mid-year (millions)	2.9	642	2,417
GNP per capita (Atlas method, US\$)	670	500	410
GNP (Atlas method, US\$ billions)	1.9	321	988
<b>Average annual growth, 1993-99</b>			
Population (%)	2.8	2.6	1.9
Labor force (%)	2.6	2.6	2.3
<b>Most recent estimate (latest year available, 1993-99)</b>			
Poverty (% of population below national poverty)	..	..	..
Urban population (% of total population)	60	34	31
Life expectancy at birth (years)	49	50	60
Infant mortality (per 1,000 live births)	..	92	77
Child malnutrition (% of children under 5)	24	32	43
Access to improved water source (% of population)	47	43	64
Illiteracy (% of population age 15+)	25	39	39
Gross primary enrollment (% of school-age pop)	78	78	96
Male	82	85	102
Female	74	71	86

**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

	1979	1989	1998	1999
GDP (US\$ billions)	1.2	2.4	2.0	2.2
Gross domestic investment/GDP	26.0	14.1	26.7	22.3
Exports of goods and services/GDP	47.4	48.5	74.9	80.3
Gross domestic savings/GDP	24.7	27.8	..	..
Gross national savings/GDP	13.7	10.2	27.3	20.9
Current account balance/GDP	-12.5	-4.2	-38.6	-17.7
Interest payments/GDP	2.7	3.8	..	..
Total debt/GDP	88.1	143.6	277.9	245.3
Total debt service/exports	13.3	29.3	46.3	37.1
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>
(average annual growth)				<b>1999-03</b>
GDP	5.4	0.9	3.7	-3.0
GNP per capita	2.2	-6.6	0.9	-5.8
Exports of goods and serv	6.1	3.5	-16.0	32.6

**STRUCTURE of the ECONOMY**

	1979	1989	1998	1999
(% of GDP)				
Agriculture	14.3	12.9	11.8	10.2
Industry	36.4	38.0	50.8	48.4
Manufacturing	8.4	6.9	7.6	6.5
Services	49.3	49.1	37.4	41.3
Private consumption	54.9	52.7	38.2	41.2
General government consumption	20.4	19.5	14.6	10.6
Imports of goods and services	48.6	34.8	65.3	61.4
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>
(average annual growth)				
Agriculture	3.5	1.3	3.3	1.6
Industry	6.8	0.2	3.3	-2.9
Manufacturing	8.6	-1.6	..	..
Services	4.9	1.4	4.3	-4.1
Private consumption	5.0	2.3	25.0	3.0
General government consumption	6.1	-6.0	-38.8	-13.2
Gross domestic investment	-6.0	4.4	28.0	-22.6
Imports of goods and services	-0.7	4.6	-9.0	19.0
Gross national product	5.3	-3.8	..	..

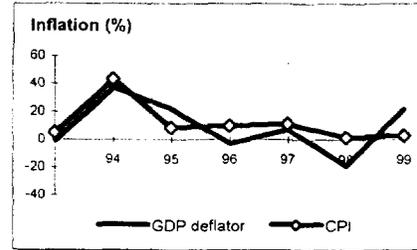


Note: 1999 data are preliminary estimates.

\* 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.

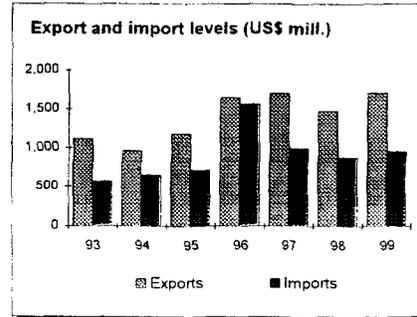
## PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
<b>Domestic prices</b>				
(% change)				
Consumer prices	8.1	4.1	1.8	3.1
Implicit GDP deflator	17.1	12.7	-18.2	22.4
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	21.9	22.6	28.1
Current budget balance	..	3.0	-15.9	-0.2
Overall surplus/deficit	..	-1.6	-20.3	-6.3



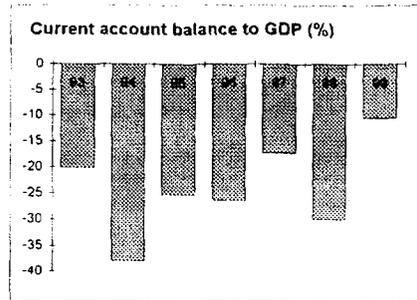
## TRADE

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	..	1,160	1,473	1,710
Fuel	..	868	1,246	1,457
Timber	..	124	135	147
Manufactures	..	45	10	12
Total imports (cif)	..	614	884	955
Food	..	25	20	21
Fuel and energy	..	3	216	221
Capital goods	..	434	371	412
Export price index (1995=100)	..	86	90	97
Import price index (1995=100)	..	94	89	90
Terms of trade (1995=100)	..	91	101	108



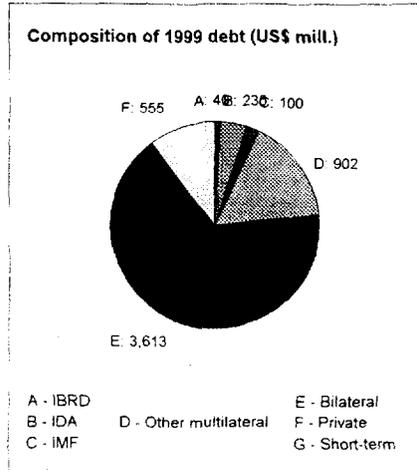
## BALANCE of PAYMENTS

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	565	1,160	1,510	1,808
Imports of goods and services	583	838	1,325	1,381
Resource balance	-17	321	185	427
Net income	-93	-362	-779	-667
Net current transfers	-39	-59	9	5
Current account balance	-150	-100	-585	-235
Financing items (net)	178	106	557	233
Changes in net reserves	-28	-6	28	2
<b>Memo:</b>				
Reserves including gold (US\$ millions)	48	11	5	20
Conversion rate (DEC, local/US\$)	212.7	319.0	590.0	613.0



## EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	1,056	3,432	5,422	5,445
IBRD	42	156	55	40
IDA	21	74	232	235
Total debt service	76	341	630	631
IBRD	14	17	21	17
IDA	0	1	2	2
Composition of net resource flows				
Official grants	..	..	..	..
Official creditors	115	33	-162	-136
Private creditors	42	-47	-117	-179
Foreign direct investment	..	..	..	..
Portfolio equity	..	..	..	..
World Bank program				
Commitments	0	0	0	0
Disbursements	11	13	0	0
Principal repayments	11	7	17	15
Net flows	1	6	-17	-15
Interest payments	4	11	6	5
Net transfers	-3	-5	-23	-20

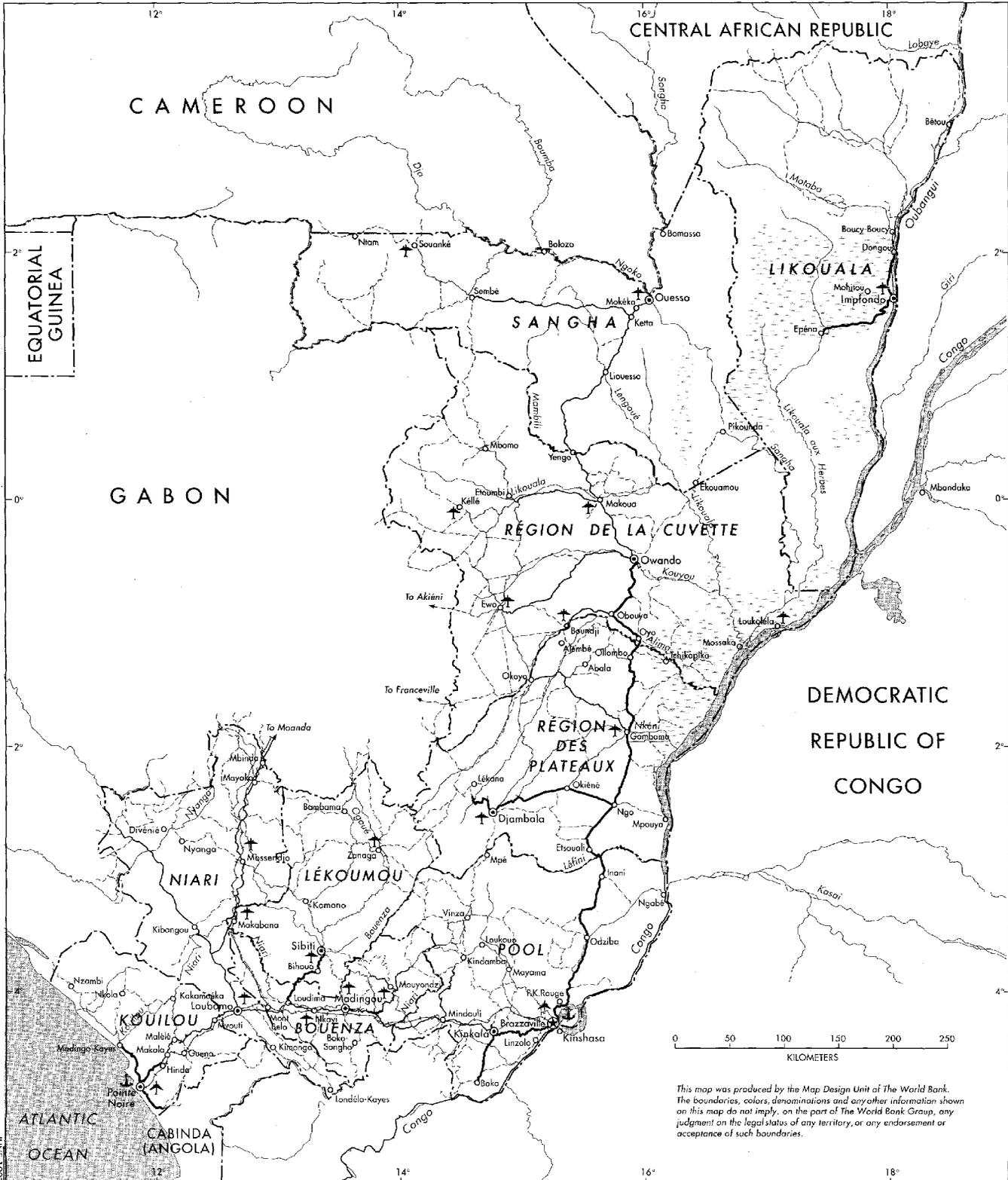
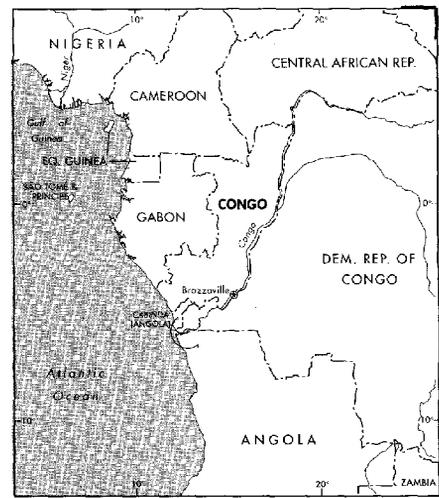


**Annex 4: Map of the Republic of Congo**



# CONGO

- PRIMARY PAVED ROADS
- PRIMARY GRAVEL AND EARTH ROADS
- SECONDARY ROADS
- TRACKS
- RAILROADS
- REGION CAPITALS
- OTHER SELECTED TOWNS
- INTERNATIONAL AIRPORTS
- OTHER AIRPORTS
- PORTS
- RIVERS
- MARSH
- REGION BOUNDARIES
- INTERNATIONAL BOUNDARIES



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