

**Document of
THE WORLD BANK**

FOR OFFICIAL USE ONLY

Report No. 23621

PROJECT PERFORMANCE ASSESSMENT REPORT

REPUBLIC OF CONGO

**PUBLIC ENTERPRISE INSTITUTIONAL DEVELOPMENT PROJECT
(Loan 2868-COB)**

**ECONOMIC RECOVERY CREDIT
(Credit 2635-COB)**

**PRIVATIZATION AND CAPACITY BUILDING PROJECT
(Credit 2775-COB)**

February 6, 2002

Operations Evaluation Department

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

Currency Equivalents

Currency Unit	=	Francs
1983 US\$1	=	417.37
1984 US\$1	=	479.60
1985 US\$1	=	378.05
1986 US\$1	=	322.05
1987 US\$1	=	267.00
1988 US\$1	=	302.95
1989 US\$1	=	289.40
1990 US\$1	=	256.45
1991 US\$1	=	259.00
1992 US\$1	=	275.33
1993 US\$1	=	294.78
1994 US\$1	=	534.60
1995 US\$1	=	490.00
1996 US\$1	=	523.70
1997 US\$1	=	598.81
1998 US\$1	=	562.21
1999 US\$1	=	652.95
2000 US\$1	=	704.95

Fiscal Year

January 1 - December 31

Abbreviations and Acronyms

ATC	<i>Agence Trans-Congolaise des Transports</i>
BCC	<i>Banque Commerciale du Congo</i>
BEAC	<i>Banque des Etats d'Afrique Centrale</i>
BIDC	<i>Banque Internationale du Congo</i>
CEM	Country Economic Memorandum
COBAC	<i>Commission Bancaire d'Afrique Centrale</i>
CORAF	<i>Congolaise de Raffinage</i>
ERC	Economic Recovery Credit
GOC	Government of Congo
ICR	Implementation Completion Report
IMF	International Monetary Fund
MOP	Memorandum of the President
ONPT	<i>Office National des Postes et Telecommunications</i>
PCBP	Privatization and Capacity Building Project
PCT	<i>Parti Conglais du Travail</i>
PE	Public Enterprise
PEIDP	Public Enterprise Institutional Development Project
PR	President's Report
SAP	Structural Adjustment Program
SNDE	<i>Société Nationale de Développement des Eaux</i>
SNE	<i>Société Nationale d'Electricité</i>
TA	Technical Assistance
UCB	<i>Union Congolaise des Banques</i>
UDEAC	<i>Union Douanière des Etats d'Afrique Centrale</i>
UPADS	<i>Union Panafricaine pour la Démocratie Sociale</i>
URD	<i>Union pour le Renouveau Démocratique</i>

Director-General, Operations Evaluation:
Director, Operations Evaluation Department:
Manager, OEDCR:
Task Manager:
Peer Reviewer:

Mr. Robert Picciotto
Mr. Gregory K. Ingram
Mr. Ruben Lamdany
Ms. Yvonne Jones
Ms. Alice Galenson

February 6, 2002

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

**SUBJECT: Project Performance Assessment Report on Republic of Congo—
Public Enterprise Institutional Development Loan (Loan 2868-COB), Economic
Recovery Credit (Credit 2635-COB), and the Privatization and Capacity Building
Project (Credit 2775-COB)**

Attached is the Project Performance Assessment Report for the Republic of Congo: The Public Enterprise Institutional Development Loan (PEIDP, Loan 2868-COB) for US\$15.2 million, the Economic Recovery Credit (ERC, Credit 2635-COB), for US\$100 million and the Privatization and Capacity Building Project (PCBP, Credit 2775-COB), for US\$9 million. The PEIDP became effective in January 1988 and closed on December 31, 1996, two years and four months behind schedule. The ERC became effective immediately after Board presentation on June 28, 1994, and closed on schedule in July 1995. The PCBP became effective in January 1996 and closed as scheduled on June 30, 1999.

The PEIDP was designed to accompany the First Structural Adjustment Program by assisting the GOC in implementing the actions required by the SAP and by carrying out studies which would assist the Government in compiling the data and formulating policies and actions to effect the reforms. The project's major objectives were to assist the Government in the formulation and implementation of the larger structural adjustment reforms and to promote the rehabilitation public enterprises.

In response to the region-wide devaluation of the CFA franc in 1994 and the sharp fall in oil prices between 1992 and 1994, the ERC was a one-tranche policy loan whose major objectives were very similar to those of the PEIDP. Additionally it required retrenchment of civil servants, improved management of oil sector revenues and public utility tariffs, adoption of changes in the tariff and domestic tax regimes, adoption of privatization and petroleum laws, and improvements in the management of the education and health sectors.

At the completion of the ERC, the Privatization and Capacity Building Project enabled the reform to move forward. Major objectives were the preparation of a regulatory framework for the six major public enterprises and for the banking and financial sectors in order to increase competition and to lead to privatization, continued liquidation of nonviable public enterprises and a public information campaign to promote privatization within government and civil society.

Implementation of all three projects was adversely affected by resistance to reform, civil unrest resulting from political instability, a continuing exchange rate crisis and oil price volatility. Despite these problems, eventually progress was achieved toward building a sound regulatory environment, and opening the door to increased private sector participation in the economy. In particular, the passage of the petroleum law increased transparency and improved the regulatory environment in the sector, permitted a tripling of the number of firms operating in the oil sector. Progress was made toward privatizing the six major public enterprises. A number of smaller state enterprises were fully privatized while many nonviable ones have been liquidated. However, less than satisfactory progress was achieved toward reform of the banking sector and little was accomplished in the social sectors.

The outcome of all three projects is rated moderately unsatisfactory. This rating confirms the original OED rating for the PEIDP, downgrades the original satisfactory rating for the ERC, and upgrades the

original unsatisfactory rating for the PCBP. While significant changes were made, major objectives were not achieved. The overriding objective of privatizing major public enterprises is not yet complete. Furthermore, government's progress toward privatization has been jeopardized by political instability.

All projects are rated modest on institutional development. This is the same as the Evaluation Summary for the PEIDP and the ERC, but represents an upgrade for the original negligible rating for the PCBP. While overall progress was made toward some objectives, no momentum leading to lasting change was built.

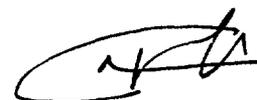
Sustainability of the PEIDP and the PCBP are rated non-evaluable because the privatization program has not been completed and it is unclear what its eventual impact will be. The ERC is rated highly unlikely which is a downgrade from the original uncertain evaluation. The change is due to the negative impacts of exogenous factors such as the civil conflicts, the conflicting policy signals given by the current government, and political uncertainty.

At the time of the original evaluations, borrower performance was not rated for the PEIDP nor for the ERC while for the PEIDP it was rated unsatisfactory. This assessment rates borrower performance under the PEIDP as unsatisfactory, while rating performance under the ERC and the PCBP as satisfactory. The rating for the PEIDP is based upon the lack of achievement of major project objectives due principally to lack of Government commitment. The ratings for the ERC and the PCBP are merited because of the substantial efforts expended by Government to change the institutional regulatory framework for trade, privatization and the petroleum sector, and the significant progress made toward privatization before the onset of civil conflict in mid-1997.

Bank performance is rated satisfactory for the PEIDP, unsatisfactory for the ERC and unsatisfactory for the PEIDP. The only changed rating is for the ERC which has been downgraded from the original OED satisfactory rating because of the complexity of the project design, the lack of learning from previous Bank adjustment lending, and the absence of an accompanying technical assistance program.

The main findings are:

- Too broad an agenda is likely to run into difficulties. More consideration needed to be given to defining narrow, step-wise reform agendas on which subsequent increments of reform could have been built over a long period of time. Policy conditionality for each operation should have been restricted to an absolute minimum, but the conditions needed to bite hard in those areas critical to that sequence of reforms.
- Using poorly defined "windows of opportunity" is risky. More rigorously defined quantitative and qualitative entry and exit conditions for providing aid would provide a more rational basis for lending.
- In politically fragile countries rigorous political risk analysis needs to be updated frequently and needs to include an evaluation of the views of important political and social groups whose support is needed to continue the reform process, e.g. political elites, unions, and important ethnic groups.
- A longer term reform program needs to be complemented by investments which address pressing social issues, like creating employment and providing training for transitioning from the civil service to the private sector or to self-employment.



Contents

Preface	i
Ratings and Responsibilities	iii
1. Introduction	1
Economic Context.....	1
Political Context and Civil Strife.....	3
Role of the International Monetary Fund.....	3
2. World Bank Assistance Strategy, Project Objectives and Design	4
Evolution of Bank Country Strategy, 1987-1996	4
Project Design and Objectives	6
3. Implementation Experience	9
Reform of Major Public Enterprises Has Made Significant Progress	10
Privatization and Liquidation of Smaller Enterprises Has Been the Most Successful Element	12
Improving Public Resource Management Has Proven Difficult To Achieve and To Sustain.....	12
Trade and Regulatory Frameworks Have Been Strengthened.....	13
Financial Sector Reform Has Been Slow.....	13
Social Sector Reform Has Been Minimal	14
4. Outcome/Assessment	14
5. Conclusion	19
6. Major Findings	21
7. Next Steps	22
Figure in the Text	
1.1 Brent Crude Oil Prices, 1980-2000.....	2
Table in the Text	
2.1 Three Assessed Projects and Related Loans	4

This report was prepared by Yvonne Jones (Task Manager). Silvana Valle provided administrative support.

(cont.)

Annexes

A.	Annex Table 1: Selected Economic and Financial Indicators, 1985-2000.....	23
	Annex Table 2: Republic of Congo—Debt Data, 1980-1989.....	24
	Annex Table 3: Republic of Congo—Debt Data, 1990-1999.....	26
	Annex Table 4: Important Political Events in the Republic of Congo	28
	Annex Table 5: Objectives of Assessed Projects.....	30
	Annex Table 6: Average Spot Price for Congolese Djeno Crude	32
B.	List of Persons Interviewed	33
C.	Basic Data Sheet	37

Preface

This is the Project Performance Assessment Report (PPAR) for the Republic of Congo: Public Enterprise Institutional Development Project (Loan 2868-COB), Economic Recovery Credit (Credit 2635-COB), and Privatization and Capacity Building Project (Credit 2775-COB). These loans were reviewed because the Bank is beginning to implement a post-conflict program in Congo Brazzaville after several years of civil unrest. The experience of these projects covers a period spanning major changes in the Government's development philosophy.

The Public Enterprise Institutional Development Project (PEIDP) was approved on July 21, 1987 and totaled US\$15.2 million. The project was closed on December 31, 1996, compared to the original closing date of June 30, 1994, with disbursements of US\$14.22 million, representing 94 per cent of the total envisaged. The remainder of the loan was cancelled.

The Economic Recovery Credit (ERC) was approved on June 28, 1994 and became effective on June 30, 1994, in the amount of US\$100 million. The loan was closed on July 5, 1995, five days after the original closing date of June 30, 1995. Total disbursement amounted to US\$100 million.

The Privatization and Capacity Building Project (Credit 2775-COB) was approved in September 1995 and became effective in January 1996, in the amount of US\$9.0 million. The project was closed on June 30, 1999, as scheduled. Total disbursements amounted to approximately US\$4.6 million.

This PPAR is based on Memoranda of the President, President's Reports, Country Assistance Strategies, loan and credit agreements, economic and sector reports from 1987 through 1994, documents from the International Monetary Fund, discussions with current and former Bank staff directly involved in the loans, Project Audits and Implementation Completion Reports, and relevant books and journal articles. A mission visited Congo Brazzaville during the second half of May 2001 and discussed the projects with Congolese Government officials, who implemented the project, and with members of Congolese civil society.

The draft PPAR was sent to officials in Government. No comments were received.

Ratings and Responsibilities

Performance Ratings

Project	Outcome		Sustainability		Institutional Dev. Impact		Bank Performance		Borrower Performance	
	PPAR	ES	PPAR	ES	PPAR	ES	PPAR	ES	PPAR	ES
Public Enterprise Institutional Development	Moderately unsatisfactory	Marginally unsatisfactory	Non-evaluable	Uncertain	Modest	Partial	Satisfactory	Satisfactory	Unsatisfactory	Not rated
Economic Recovery	Moderately Unsatisfactory	Satisfactory	Highly unlikely	Uncertain	Modest	Moderate	Unsatisfactory	Satisfactory	Satisfactory	Not rated
Privatization and Capacity Building	Moderately Unsatisfactory	Unsatisfactory	Non-evaluable	Uncertain	Modest	Negligible	Unsatisfactory	Unsatisfactory	Satisfactory	Unsatisfactory

Key Project Responsibilities

<i>Economic Recovery Credit (Credit 2635-COB)</i>			
	<i>Task Manager</i>	<i>Division Chief/Sector Leaders</i>	<i>Director</i>
Appraisal Completion	Naiem Sherbiny Naiem Sherbiny	Luis Ernesto Derbez Luis Ernesto Derbez	Olivier Lafourcade Olivier Lafourcade
<i>Privatization and Capacity Building Project (Credit 2775-COB)</i>			
	<i>Task Manager</i>	<i>Division Chief/Sector Manager</i>	<i>Director</i>
Appraisal Completion	Demba Ba Claude Sorel	Iain Christie Demba Ba	Nils Tcheyan Serge Michailof
<i>Public Enterprise Institutional Development Project (Loan 2868)</i>			
	<i>Task Manager</i>	<i>Division Chief/Sector Manager</i>	<i>Director</i>
Appraisal Completion	Myrna Alexander Demba Ba	Elkyn Chaparro Thomas W. Allen	Francisco Aguirre-Sacasa Nils Tcheyan

1. Introduction

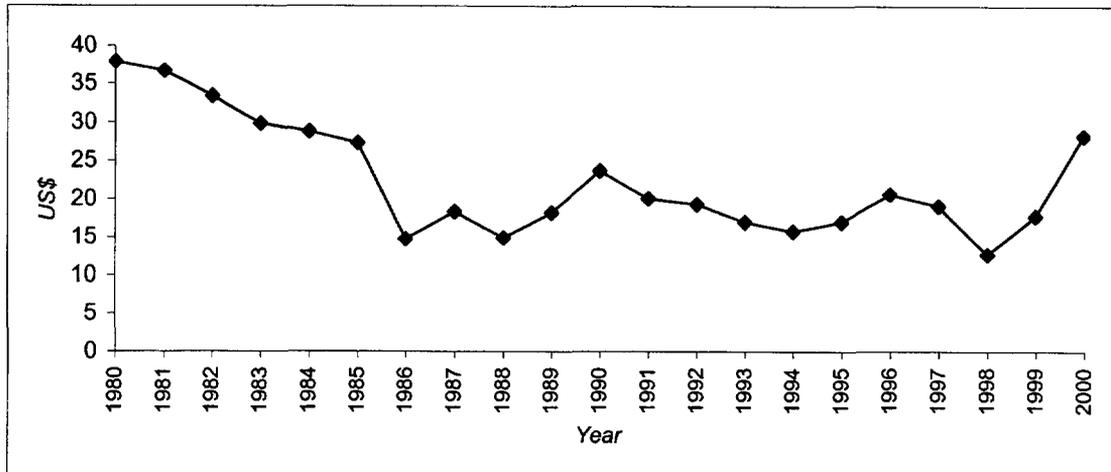
1.1 Since 1982, the Republic of Congo (hereafter termed Congo Brazzaville), assisted by IMF and World Bank programs and other donor assistance, has struggled to develop policies and mechanisms to address:

- the lack of proper fiscal management, including the poor management of oil revenues;
- the continuing and non-transparent accumulation of external debt, much of it contracted on terms highly detrimental to the country;
- dependence on poorly managed and inefficient public enterprises as the primary sources of economic growth; and
- an overly large and poorly managed civil service, including by extension, employees of public enterprises.

1.2 The Bank designed three operations to address some of these deep-seated development issues. Those projects are the Public Enterprise Institutional Development Project (PEIDP—Loan 2868-COB), the Economic Recovery Credit (ERC—Credit 2635-COB), and the Privatization and Capacity Building Project (PCBP—Credit 2775-COB). This assessment evaluates the performance of those three interventions to answer two questions: What prevented reform in the past? Have those factors changed so that there is a higher probability today than there was in the mid-1980s, of improving both macroeconomic management and the living conditions of the people of Congo Brazzaville?

Economic Context

1.3 The Congolese economy is oil-based. By 1980 oil production accounted for over 61 percent of revenues and 36 percent of percent of GDP. Five years later, oil production represented 43 percent of GDP and 68 percent of revenues. Gradually production in the primary and service sectors stagnated due to the overvaluation of the CFA, better employment opportunities in the public sector, and a deteriorating road system. (See Annex A, Table 1.)

Figure 1.1: Brent Crude Oil Prices, 1980-2000

1.4 Given the large increase in oil revenues, and the statist ideology of the Government from 1969 through 1990, little attention was given to promoting the development of the private sector. Because of the abundance of oil revenues, the Government offered employment to all graduates of secondary schools and universities, as well as provided generous scholarships for students in Congo Brazzaville and abroad. The public enterprises and the public service became major employers as production of most goods and services was entrusted to them by the state. When oil prices fell sharply beginning in the mid-1980s, GOC was unable to generate enough revenues to finance its obligations.

1.5 The Government borrowed heavily, from the banking system and from external sources, bilateral and commercial, to continue financing its salary and scholarship obligations, as well as to continue subsidizing the public enterprises, many of which were running huge deficits. External indebtedness soared, from 100 percent of GDP and 153 percent of exports in 1984 to 214 percent of GDP and 434 percent of exports by 1988. (See Annex A, Tables 2 and 3.) Despite short periods in the mid-1980s and mid-1990s when there were noticeable decreases in external indebtedness, it remains at high and unsustainable levels.

1.6 During the same period, the CFA franc was overvalued. The exchange rate between the CFA franc and the US dollar, the international currency of valuation of oil production, rose from CFA 378 to the dollar in 1985 to 322 to the dollar in 1986 to 267 to the dollar in 1987. Between 1988 and 1993, the CFA averaged 279 to the dollar. So, even if the price per barrel of oil improved, as it did between 1989 and 1993 (averaging US\$19.66 per barrel of Brent benchmark crude), the overvaluation of the currency would have reduced the positive effects of increased oil prices. Certainly the overvaluation of

the currency made it difficult for the inefficient and state-dominated non-oil productive sectors to compete. (See Annex A, Table 1.)¹

1.7 A third defining factor was the size of the civil service and the proportion of total formal sector employment which it represented. During the period of this review total formal sector employment, varied between 70-85,000 people, depending upon the Government's compliance with reform program conditionality. Of that total, approximately 80 percent were employed in the public sector as civil servants, employees of public enterprises, or as members of the army. Civil service and public enterprise employees were and are represented by strong unions.

Political Context and Civil Strife

1.8 During the first 20 years of its existence as an independent country, Congo Brazzaville's economy was organized according to centrally planned economy principles. Virtually all economic institutions were state-owned, including marketing boards, transportation and distribution agencies, and productive enterprises. There was one political party, the Parti Congolais des Travailleurs (PCT). Following a national conference convened in 1991, after 20 years of Marxist government, the country experienced the beginnings of movement toward a multi-party system. After the first multi-party elections in 1992, no one party gained a stable majority. This led to a three year period of uncertainty during which multiple elections were held and contested. After the intercession of an international commission, a Government was formed which took office in February 1994. That Government was headed by Mr. Pascal Lissouba. The former president and head of the PCT, Mr. Sassou-Nguesso, left the Congo several months later. The governing coalition of that period may be described as a marriage of convenience. Partners coexisted uneasily until 1997. When the former president returned in early 1997, his presence exacerbated existing tensions associated with the elections scheduled for July 1997, as he was assumed to be a candidate. Before elections could be held, civil war broke out in June 1997. That war ended in four months, at which time Mr. Sassou-Nguesso declared himself president. A tentative peace prevailed until December 1998, when fighting broke out between opposition forces and those of Mr. Sassou. Fighting ended in 1999. A national reconciliation process began in 2000, which culminated in a national conference in Brazzaville in March 2001. Elections should occur by early 2002. (See Annex A, Table 4.)

Role of the International Monetary Fund

1.9 Because of the breadth of the problems facing the Government and the negative impact of the above issues on the economy, in the mid-1980's the Government sought assistance from the IMF. From that period through the present the conditions imposed by the IMF have set the framework for the assistance received by the Government. Through

1. The CFA franc is tied to the French franc at a fixed exchange rate of 100 CFA to one French franc.

three Stand-By Programs (1987, 1990, 1994,) one Enhanced Structural Adjustment Facility (ESAF-1996), and the current Emergency Post-Conflict Program (2000), the principal objectives have remained remarkably consistent. The 1987 Stand-By arrangement goals were: a reduction in the budget deficit, an increase in non-oil revenues, reduction of domestic credit creation, reduction of Government domestic arrears, reform of major public enterprises and banks, and the adoption of an appropriate domestic investment program. At the time of the adoption of the ESAF program, the goals remained the same, except that more investment in the social sectors and measures to protect the economically disadvantaged were included. And the 2000 post-conflict program retains many of those objectives, within the overriding goal of financing humanitarian assistance and reconstruction. However, none of the of the four programs in the 1980's and 1990's was completed. The Government's lack of ability to comply with program objectives has been highly associated with weak institutions and political instability.

2. World Bank Assistance Strategy, Project Objectives and Design

2.1 Since 1983, the Bank has financed six operations related to the issues presented in paragraph 1.1, including the three projects under review. The other three projects were the first and second technical assistance projects (Loans 2285-COB and 2353-COB) and the structural adjustment loan described below (Loan 2866-COB).

Table 2.1: Three Assessed Projects and Related Loans

Projects	US\$	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Technical Assist. Project	11.0																	
Technical Assist. Project II	4.0																	
Structural Adjustment Loan	70.0																	
▶Public Enterprise Inst. Dev. Loan	15.2																	
▶Economic Recovery Credit	100.0																	
▶Priv. & Capacity Building	9.0																	

▶ Projects included in this assessment

Evolution of Bank Country Strategy, 1987-1996

The Structural Adjustment Program, 1987-89

2.2 The Bank's longer term strategy for Congo was established in the structural adjustment program of 1987-89. The principal objectives of that strategy remained the core objectives of the country assistance strategies described below, and only changed after Congo Brazzaville became a post-conflict country in 2000. The first structural adjustment loan, approved in 1987, sought to reduce the country's external and internal

balances as quickly as possible. The program was a complicated one, but had four major foci:

- improving the efficiency of public resources allocation and utilization;
- optimizing oil resources, their use, and reducing local supply costs;
- reducing the burden of the public enterprise sector on the economy and increasing public enterprise accountability and autonomy; and
- rehabilitating key public enterprises to improve their performance.

2.3 The program was broad (it contained 202 actions) and complicated. Two technical assistance projects, of which one was the PEIDP, were financed to help implemented it. The PEIDP report was considered an integral part of the larger President's Report for the Structural Adjustment Program (Loan 2866-COB). At the same time the Bank produced a CEM (Report No. 5809-COB, 1987) which provided a detailed systemic diagnosis. The CEM noted that the Government had realized that undertaking structural adjustment would not be sufficient to correct the fundamental economic problems. It stated that the country needed to minimize distortions of factor and commodity prices, better manage oil and energy resources, reform state enterprises, and manage the external debt.² The PEIDP also benefited from an Energy Sector Report (Report No. 6420-COB, 1988). The ERC was based on analyses completed during the first phase of the PEIDP. The PCBP was based on a public sector enterprise review (Report No. 13755-COB, 1994).

The 1994 CAS

2.4 GOC lapsed into non-accrual status in 1991. When the dialogue re-opened in 1993, the former, single-party Government had been replaced by a coalition Government, including several new political parties. Following a national dialogue on political and economic development had occurred. And in January 1994 the National Assembly had approved an Action Plan for Economic and Social Recovery (PARESO), with the principal objectives of:

- to restore budgetary equilibrium through sound management of public finances, to stimulate a new start to economic and commercial activity through diversification, with financing from public and private sources; and
- to improve the quality of life through guaranteeing equal access to education and to health services for the population.

2. People's Republic of Congo Country Economic Memorandum, Report No. 5809-COB, 1987, p. iii.

2.5 The Bank's CAS, which covered the period from FY94 through FY97, supported the Government program in three areas:

- improving public resource management through reforms of public finance and public enterprises;
- strengthening the country's production capacity through trade and regulatory reforms and removing obstacles to private sector development; and
- developing human resources and improving poverty.

The 1996 CAS

2.6 The strategy emphasized that Congo enjoyed "a fragile calm" after four years of difficult political transition. It took into account the lack of recent analytical work in Congo as a basis for dialogue and program development and a history of poor project implementation performance.

2.7 The CAS was focused on assisting the Government to attain its poverty reduction strategy. The primary vehicles for achieving this goal were a proposed structural adjustment credit which would have supported reforms permitting the Government to resume delivery of basic services. Four sectoral lending operations were also envisaged, aimed at creation of employment for low income groups, restructuring of health and nutrition services towards the poor, rehabilitation of the priority road network to restore internal trade, urban sanitation works to create more jobs and improve health, and agricultural services to raise productivity in farming. Special efforts were to be made to ensure that women benefited from the projects. And in support of the CAS, a poverty assessment was completed in 1997. The objective of refocusing the role of the state in the economy was supported by the PCBP, evaluated in this Assessment. Due to the outbreak of civil strife in June 1997, and the subsequent accumulation of GOC arrears vis-à-vis the Bank, the CAS was not implemented. The next strategy, a transition support strategy, was not prepared until 2000. It is discussed in the "Next Steps" section of this assessment.

Project Design and Objectives

2.8 The three projects are parts of an overarching attempt by three consecutive administrations and the World Bank to transform an oil-based, state dominated economy with virtually no financial controls, into a more productively diverse and well managed economy. The aim was to achieve a reasonably sized civil service, alternative private sector employment opportunities, and transparent and more efficient public resource management policies and mechanisms. The principal path for facilitating the transformation was the reform of the public enterprises.

The Public Enterprise Institutional Development Project

2.9 The PEIDP was designed to accompany the First Structural Adjustment Program by assisting the GOC in implementing the actions required by the SAP, and by carrying out studies which would help the Government in compiling the data, and formulating policies and actions to effect the reforms. The project's major objectives were (i) to assist the Government in the formulation and implementation of the larger structural adjustment reforms and (ii) the rehabilitation of public enterprises. The project had six subcomponents and 15 defined activities under those sub-components. (See Annex A, Table 5.) The project provided:

- (a) assistance to the secretariat of the structural reform steering committee in formulating and implementing the public enterprise reforms required under the structural adjustment program;
- (b) assistance in formulating and implementing the public enterprise divestiture program for selected enterprises through privatization, liquidation, and investment promotion and development of industrial policies;
- (c) preparing and implementing a management training program for high ranking staff of the public enterprises;
- (d) assisting the national accounting commission in executing audits of the public enterprises and the training of its personnel;
- (e) assisting in management and organizational reforms for four major public enterprises, SNDE, ATC, ONPT, and Hydro-Congo; and
- (f) executing other studies and technical assistance which were to be determined during the course of implementation of Program reforms.

The Economic Recovery Credit

2.10 The one-tranche ERC was identified very quickly by the Bank in response to the financial crisis brought on by the devaluation of the CFA franc. It was one of several operations of this kind mounted in every CFA country. In Congo, the country's economic situation was also aggravated by the falling international price of oil. The Brent crude price declined from US\$19.31 per barrel in 1992 to US\$17.02 per barrel in 1993 to US\$15.83 per barrel in 1994. Revenues in Congo fell relatively more as the average spot price for Congo Djeno crude fell more steeply than did the benchmark. (See Annex A, Table 6.)

2.11 The principal objective of the Credit was to support the Government's declaration of development policy adopted after the devaluation of the CFA franc (PARESO program-adopted late 1993). The other major objective was to provide budgetary support for the Government. Two of the three objectives of the project continued to address issues identified in the 1987 Country Economic Memorandum cited above. Those objectives were: (a) the improvement of public sector efficiency through better public

resource management and public enterprise reforms and (b) strengthening the country's production capacity through trade and regulatory reforms and removing impediments to sectoral development, including the private sector. The Credit objectives were noteworthy for (c) the inclusion of the additional objectives of developing human resources and reducing poverty.

2.12 To receive the Economic Recovery Credit, GOC had to have an IMF Standby program and meet tough, up-front conditions for Board presentation:

- Retrenchment of 8,000 civil service posts (representing 10 percent of the total number of posts) with limits on new recruitment, on the size of the civil service, and on the size of the civil service wage bill;
- Agreement reached between the GOC and the management company of the oil refinery to end the management contract by September 1994, making it possible to privatize or liquidate the refinery;
- Increases in transport and public utility rates to stem the outflow of budgetary resources, rationalize consumption of utility services, and prepare for eventual privatization of the major public enterprises;
- Creation of a commission to oversee liquidating two banks and auditing two others to prepare for privatization;
- Adoption by the Government and submission to the National Assembly of a Petroleum Law designed to promote flexibility and transparency in agreements with the oil companies and to balance the interests of GOC and the oil producing companies;
- Adoption by the Government and submission to the National Assembly of a Privatization Law;
- Initiation of the selection of an administrator to oversee the liquidation of ATC, based on terms of reference agreed with IDA; and
- Launching of an inventory of basic education and health facilities in urban areas and the preparation of staff redeployment plans.

Adoption of the laws on petroleum and privatization was a condition of project effectiveness.

The Privatization and Capacity Building Project

2.13 After the completion of the ERC, the PCBP enabled the reform agenda to move forward. The overall objective was to strengthen the Government's capacity to prepare

and implement the second phase of the economic reform program, begun under the ERC. To accomplish this objective, the project financed:

- the preparation of regulatory frameworks for the six major enterprises leading to the gradual opening up of the sectors to competition;
- the privatization of the six major enterprises;
- liquidation of other non-viable public enterprises; and
- improvement of regulation and competition in the financial sector and reform of banking institutions.

2.14 Public enterprises to be privatized and/or liquidated were divided into three categories: the *premier perimetre* containing the six largest enterprises representing at the time 13,000 salaried workers (10-15 percent of formal sector employment) and generating 17 percent of GDP; the *deuxieme perimetre* comprising enterprises which had positive economic valuations but were not efficient as state enterprises; and the *troisieme perimetre* comprising enterprises to be liquidated. Technical assistance was provided to liquidate 57 non-viable enterprises specified in the project documents. Private firms were to be hired to liquidate these enterprises. Assistance was also provided to the Ministry of Justice to supervise liquidators.

2.15 A Japanese grant financed proposals for restructuring the financial sector. Audits, debt restructuring, and liquidation/privatization plans were envisaged for the state insurance company and for three banks. The establishment of a secretariat for the bank restructuring committee was envisaged, as was support for a roundtable on justice and financial institutions. The Government also undertook a public information campaign to inform important groups in the Government, in the private sector and in civil society about the privatization process, its benefits and its implications.

3. Implementation Experience³

3.1 These projects were focused on four major themes, and two important, but subsidiary themes. Foremost were the objectives of: (i) reforming major public enterprises, (ii) improving public resource management, (iii) diversifying the country's

3. Evaluation of Loan 2868 and Credit 2775 were made more difficult than usual because of the absence of most documents in the country and the absence of some documents from the World Bank project files. Government officials informed the mission that documents for the two projects were destroyed during the civil disturbances of 1997 and 1998-1999. At headquarters, files contained fewer project status reports, than is the norm. One project financial management report was available, but no final project audits for either project.

productive capacity and enlarging the private sector, and (iv) reforming the financial sector, banks, pensions, and the social security system. Less compelling, but important themes were (v) the privatization of smaller enterprises and (vi) assistance to the social sectors.

Reform of Major Public Enterprises Has Made Significant Progress

3.2 Beginning with the PEIDP, the public enterprise reform agenda was broad, ambitious and complex in policy and in practical terms. *During the first phase of implementation of this project, major outcomes included policy decisions on the reorganization of the PEs.* Reorganization plans were created for the *Societe Nationale des Eaux* and the *Societe Nationale d'Electricite*, the water and electricity utilities. These utilities were to be managed under concession contracts with private investors. The *Office National des Postes et Telecommunications* was to be split, separating the post office from the telecommunications agency. The *Agence Trans-Congolaise des Transports* was to be separated into three entities: navigable waterways, the railroad, and the ports of Brazzaville and Pointe Noire. New management information system and tariff policies were also proposed for the transport agency. A comprehensive sector strategy for the oil producing and refining sector, Hydrocongo and CORAF, the national refinery, was financed.

3.3 *During the second implementation phase, the rehabilitation objective became privatization. Unfortunately, no major privatizations occurred, due in part to lack of financial resources and in part to the complexity and length of the process.* However, as an impetus to privatization and to safeguard the financial and physical assets of the major PEs, the government replaced the sitting managers of the PEs with interim administrators. While the practical results of this decision are hard to evaluate due to an absence of financial documents permitting the comparison of PE balance sheets before and after privatization, the action served notice of the seriousness of government intent.

3.4 *An unquantifiable, but important output of the second phase of the project was the beginning of attitude change toward PE privatization by a group of government technicians and some segments of the political elite.* This change was closely tied to the political debate which had begun with the 1991 National Convention which agreed on a change to a multi-party system.

3.5 *The ERC buttressed the measures taken under the PEIDP by requiring the passage of the Privatization Law and the creation of the Interministerial Privatization Committee.* The interministerial committee included members from the affected PEs the ministry of finance, the ministry of Justice, the unions, and the private sector. It brought together in an information and decision making structure representatives of a large number of the stakeholders in the privatization process.

3.6 The PCPB was the vehicle designed to move privatization ahead rapidly. Recognizing the risk inherent in the political situation, the project's ambitious goal was to launch the privatization of the six major PEs before the scheduled June 1997 presidential elections. Much progress toward that goal was made, between project effectiveness in

January 1996 and the outbreak of civil war in June 1997, which in practical terms ended project implementation.

3.7 *Bids were launched for the privatization of five of the six major public enterprises.* Bids were evaluated and a buyer selected for the telecommunications company. Regrettably that buyer failed to perform financially, leaving the transaction incomplete. For the water and electricity companies, through a pre-qualification process GOC had selected four potential operators for the water company and five for the electricity company. The operators formed a consortium to compete for management of both utilities. In the transport sector, the government decided that the two ports would become autonomous entities and the railroad was to be managed by a concession agreement with the private sector. In the oil sector, bidding was launched for private operators of Hydrocongo and the CORAF. Eight bids were received and three pre-qualified for negotiation. The Government initiated discussions with bidders on the price structure and price adjustment mechanisms.

3.8 *At the end of the three year period of civil war, the new Government did not change the goal of privatizing the major enterprises.* Progress has been slow, but it continues. The first major privatization, that of Hydrocongo, occurred on May 15, 2001. The status of other privatizations is:

- CORAF. Privatization by June 2002 is the objective.
- ATC. The ports of Pointe Noire and Brazzaville operate as independent entities. However, their charters will be reviewed by the Bank before end 2001. The Bank has recommended that their boards include private sector representatives. Repairs of the railroad must be completed before it can be privatized. The Bank and the government have agreed to proceed with privatization/ agreement to a concession for the railway by end 2001, with a transaction completion goal of January 2003. No strategy has yet been formulated for the navigable waterways and little investor interest has been shown.
- The bidding process for concession contracts for the water and electricity companies began in October 2001.
- The Government reaffirmed the separation of the posts and telecommunications agencies. Bids for privatization of the telecommunications company are to be called for in 2002.
- One bank was liquidated and one was privatized. Other bank privatizations are in process.

Privatization and Liquidation of Smaller Enterprises Has Been the Most Successful Element

3.9 Under the PEIDP, the government had or was in process of divesting itself of 70 of the 194 enterprises targeted for divestiture or liquidation during project preparation. Seventeen PEs were fully or partially privatized. Thirty-four others were consigned to private liquidators. The ERC did not address this issue. Under the PCBP, of the 57 state-owned enterprises operating when the project was prepared, 15 were liquidated by early 2000 and 20 more were slated for liquidation. The privatization of these enterprises continues under the auspices of the Privatization Committee.

Improving Public Resource Management Has Proven Difficult To Achieve and To Sustain

3.10 Projects have focused on improving the management of oil revenues and reducing the size of the civil service. An important achievement was the removal from sector ministers of their authority to contract loans guaranteed by the State without effective oversight by the Ministry of Finance. During implementation, the authority to contract loans was restricted to the Minister of Finance. A major project objective was the settlement of PE cross debts. While a plan was prepared to settle these debts, it was not implemented due to GOC financial constraints. The PEIDP also addressed the first goal through financing studies to restructure and to make more efficient the management of the four of the six major enterprises, as well as by attempting to strengthen the auditing of enterprises and the skills of PE managers and staff. The auditing and training components of the project had negligible impact.

3.11 *Under the ERC, the Government introduced competition in oil exploration and production contracts.* The number of companies exploring and producing oil increased from three in 1993 to nine by 1996. This was a major achievement in introducing transparency into this sector. The Government also adopted production sharing agreements as the vehicle for revenue generation, rather than royalty-based contracts.

3.12 *Non-oil revenue mobilization also improved.* The Customs Administration was strengthened, domestic tax collection units were established, and a system of tax payer identification numbers was introduced. Non-oil revenues increased sharply in 1995 to 17 percent of GDP, compared to 15.5 percent in 1993. As a result of these and other measures, the primary deficit was reduced from 5.2 percent of GDP in 1993 to 1.3 percent in 1994. Public resource management improved in the short term. However, the three year period of civil war eliminated prospects for longer term resource management gains.

3.13 *The size of the civil service has decreased and increased, depending upon the government in power and its political stability.* Under the PEIDP the legal status of PE employees was changed from civil service status to Labor Code status, making them subject to laws applying to private sector employment. Total costs of civil service retrenchment to agreed goals were calculated. Approximately 3500 employees were removed from the rolls. Government salary and pension arrears were not resolved, due to

a lack of adequate financial resources. And during the 1991-94 period, the government hired a large number of new civil servants. This decision can be attributed in part to the attempts of the Marxist government to maintain its control during the period of transition to a multi-party government. The ERC required the elimination of 8,000 salaried positions as a condition of Board presentation. During implementation, a further 2,000 jobs were eliminated. Due to lack of budgetary resources, salary and pension arrears remained unresolved. The PCBP did not directly address this issue because it was to be a focus of a planned financial sector operation.

Trade and Regulatory Frameworks Have Been Strengthened

3.14 Under the PCBP the design of the legal and regulatory frameworks for liquidation, privatization, and PE interim management were designed. The project also addressed the institutional framework for corporate governance by requiring the replacement of the system of tri-partite management of PES by a general director, the labor unions and the PCT by a business-oriented structure comprised of a general manager and a board of directors. Under the ERC the government enacted UDEAC reforms, the most important of which were reductions of tariff levels of between 5 and 30 percent and the lifting of all quantitative restrictions. The Petroleum Law was passed which introduced a transparent regulatory framework for investment and production in the oil sector. Under the PCBP, the Telecommunications Law was passed. Legal frameworks for the utilities sectors were also under preparation when implementation halted. After the change of Government, work continued on the preparation of legal frameworks for the two utilities.

Financial Sector Reform Has Been Slow

3.15 During implementation of the first phase of the PEIDP, a banking sector diagnosis and reform plan were completed. Banking regulations were drafted. Recapitalization proposals were formulated, but not implemented. During the second phase BEAC ceilings on credit limits to government were implemented, reducing them from 33 percent in 1986 to 8 percent of credit to the whole economy in 1995. Bank restructuring was incomplete. In 1992, the Government liquidated the country's second largest bank, Banque Commerciale du Congo, and the national development bank, BNDC. In 1995, GOC initiated discussions with foreign investors to privatize, merge, or liquidate to other state-owned banks, Union Congolaise des Banques and the Banque Internationale du Congo.

3.16 The ERC continued the work of the PEIDP by requiring the creation of a commission to oversee the liquidation of two banks, although the liquidation did not occur. Two other banks were audited in preparation for privatization. The PCBP required the establishment of a finance sector restructuring committee. Studies destined to provide recommendations for reform of legal framework for the sector, bank restructuring, and reform of the social security institutions were financed with grant funding.

3.17 The first bank privatization occurred in late 1999. The privatization of two other banks is in process. Privatization of Credit Agricole et Industriel du Congo is foreseen before end 2001, as is the privatization or the liquidation of the BIDC.

Social Sector Reform Has Been Minimal

3.18 While the structural adjustment program of which the PEIDP was a part acknowledged the potential social consequences of the proposed reforms, that project did not directly address social sector issues. The ERC was notable for including in a loan whose primary objectives were macroeconomic and private sector reform, pre-Board conditionality requiring an inventory of basic health and education facilities in urban areas. It also required preparation of staff redeployment plans in these two sectors. Regrettably, no follow up action was taken after the surveys. Donor roundtables to agree on strategies for social sector development and financing were being held when the 1997 civil war began.

3.19 The PCBP did not provide funds nor include conditionality for social sector development. Rather, for the first time, its design acknowledged the need for an extensive communications strategy to explain the need for and the process of privatization to various groups of stakeholders. Foremost among these were the PE managerial and technical staff and the members of employee unions. Radio and television programs and discussions were produced. Seminars were held for manager of PEs and for union leaders and members. A privatization newsletter was published. While surveys taken during implementation which would have helped to demonstrate the efficacy of these approaches were destroyed with other project documents during periods of civil conflict, it is clear that the government endorsed a strong outreach effort.

4. Outcome/Assessment

4.1 Implementation of all three projects was adversely affected by resistance to reform, both inside and outside the Government, civil unrest resulting from political instability, and continuing budgetary crises. Despite these problems, progress has been made toward trade reform, building a sound regulatory environment, and opening the door to private sector development. The Petroleum Law introduced greater sector transparency and the improved regulatory environment tripled the number of oil companies operating in the country. Privatization has made progress, with one major enterprise privatized and the bidding process opened for privatization of most components of the remaining five enterprises. Less than satisfactory progress was achieved toward reform of the banking sector and little was accomplished in the social sectors. But the history of the program has been characterized by periods of intense activity, followed by long lulls caused by the build up of arrears by the Governments to creditors or by civil strife. These interruptions have been a major reason for lack of sustained reform progress. The last two civil conflicts caused the death or displacement of Government technical and managerial staff, destroyed physical assets and government

documents, disrupted the economy in all regions except those of Pointe Noire and the far north, and increased external and internal indebtedness.

4.2 *The outcome criteria take into account the extent to which the project's major relevant objectives were achieved or are expected to be achieved.* All three projects are rated as moderately unsatisfactory. It is clear that the different Governments and the Bank expended considerable effort to achieve project goals. However, in no case did a project succeed in achieving the majority of its major objectives. And none of the projects succeeded in achieving the overriding objective, reform of the major public enterprises. While each project built upon analyses and actions implemented under previous projects, no sustained momentum for change was built from project to project. The PEIDP contributed analyses which fed into policy discussions, provided critical assistance in preparing the ERC, and financed key technical assistance services required to implement the PCBP. But it did not achieve critical objectives like the privatization of major enterprises, sustained improvement of public resource management, or a lasting reduction in the size of the government workforce.

4.3 The moderately unsatisfactory rating for the ERC represents a downgrade from the original OED evaluation. While a number of the public resource management and trade and regulatory reforms were successfully implemented, the long standing issues of the transformation of public enterprises and banks, and the fragility of public finances, as represented by the bankrupt state of the social security system, proved impossible to resolve. Nonetheless, the Government of the period demonstrated determination and commitment to the program's objectives.

4.4 This assessment upgrades the original OED completion rating for the PCBP from unsatisfactory to moderately unsatisfactory. The upgrade is due to the substantial efforts the government and the Bank to promote privatization of five of the six largest public enterprises and the continuing policy commitment of the current Government. The rating is also due to the strong commitment to involving stakeholders in privatization information and decision making, which promoted attitude change.

4.5 *Relevance is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies.* When identified and implemented, the objectives of the three projects were and remain highly relevant to major development priorities and to country sectoral and assistance strategies. Nonetheless, there are two weaknesses with respect to the Bank's current corporate goals. None of the projects adequately addressed poverty reduction. And two of the three projects (PEIDP, ERC) did not address the Bank's current participatory processes goal.

4.6 *The efficacy dimension measures the extent to which an operation achieved its stated objectives.* All projects are rated modest on this dimension because none of the projects achieved a high proportion of its objectives. Furthermore, potential efficacy was reduced due to lack of continuity between the project implementation teams of differing governments.

4.7 *The institutional development dimension measures whether the project has led to better management of human and financial resources.* This dimension is rated modest across all projects. This rating is due principally to the transitory nature of changes made during project implementation. The whole period during which these operations were implemented can be characterized as a “stop and go” reform effort. During each project some positive changes were made in the institutional and legal/regulatory frameworks for managing human and financial resources. But no sustained momentum leading to lasting change was built. The changes were transitory and depended on the desires of the Government in power.

4.8 *Sustainability is assessed by evaluating the risks and uncertainties faced by the project, determining whether adequate arrangements are in place to help avoid unknown operational risks or mitigate their impact.* Sustainability of the PEIDP and the PCBP are rated non-evaluable because their major objective of reform of PEs was not achieved and because Government has changed the institutional arrangements governing privatization. They are also rated as non-evaluable because past Government performance has been tightly linked to the policies and to the political strength of the sitting government. Congo Brazzaville will hold new elections in the next six months. The outcome of those elections will have a major impact on whether and how privatization of major enterprises and better management of Government finances occur.

4.9 On this dimension the ERC was rated uncertain by OED at completion and it is rated highly unlikely in this assessment. The principal reasons for this rating are: the negative influence of exogenous factors, like civil conflict and the conflicting policy signals given by the current government.⁴ Furthermore, the results of the three periods of civil conflict include the destruction of project achievements. In particular the conflicts have accelerated the degradation of the country’s human and physical assets. They have reduced per capita income and made it impossible to replenish the social security system. External indebtedness has increased.

4.10 *Borrower performance is rated as the extent to which a borrower assumed ownership and responsibility to ensure quality of preparation and implementation and complied with covenants and agreements to achieve development objectives and sustainability.* At completion borrower performance was not rated for the PEIDP and the ERC. OED rated it unsatisfactory for the PCBP. This assessment rates the PEIDP unsatisfactory and the ERC and the PCBP satisfactory. The PEIDP rating is based upon the lack of achievement of major project objectives, lack of Government commitment to phase one of implementation, and the lack of continuity in Government staff charged with executing the project during the two different implementation periods. Lack of political will, an absence of attention to basic economic data collection and analysis also marred this operation. This assessment rates the ERC as satisfactory because of the effort

4. Oxford Analytica, Oxford Analytica Brief, “Congo-Brazzaville: Presidential Authority,” September 28, 2001.

Annex Table 3: Republic of Congo—Debt Data, 1990-1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Debt Indicators										
EDT/XGS (%)	329.2	394.2	379.4	428.2	526.6	481.8	316.2	280.9	342.1	279.9
EDT/GNP (%)	212.9	212	186.7	307.6	357.4	389.6	384.6	391.5	364.5	302.7
TDS/XGS (%)	35.3	24.5	12.9	10.8	54.2	14.5	20.4	6.2	2.7	1.4
INT/XGS (%)	11.2	7.4	5.1	4.3	24.5	7.8	12	3.2	1.5	1.2
INT/GNP (%)	7.3	4	2.5	3.1	16.7	6.3	14.6	4.4	1.6	1.2
RES/EDT (%)	0.2	0.2	0.2	0.1	1	1.1	1.8	1.2	0	0.8
RES/MGS (months)	0.1	0.1	0.1	0	0.3	0.4	0.4	0.4	0	0.2
Short-term/EDT (%)	14.9	16.2	18.6	18.9	11.4	17.2	10.2	14.9	16.3	21.3
Concessional/EDT (%)	35.1	37.6	36.8	33.3	34.8	33	38.2	36.6	36.8	34.4
Multilateral/EDT (%)	11.5	11.8	11.3	10.5	13	11.7	12.9	12.2	12.2	11.9
Summary Debt Data										
Total debt stocks (EDT)	4947	4832	4770	5081	5413	6004	5241	5071	5119	5031
Long-term debt (LDOD)	4200	4041	3876	4114	4774	4955	4666	4284	4251	3932
Public and publicly guaranteed	4200	4041	3876	4114	4774	4955	4666	4284	4251	3932
Private non-guaranteed	..	..	..	..	..	..	..	..	..	..
Use of IMF credit	11	6	6	5	20	19	38	34	34	29
Short-term debt	736	785	889	962	619	1030	537	753	834	1070
of which interest arrears on LDOD	181	324	496	643	265	441	283	371	511	588
Official creditors	77	204	370	508	170	332	155	227	343	419
Private creditors	104	120	126	134	95	109	128	144	167	169
Memo: principal arrears on LDOD	571	757	1029	1255	796	1028	1011	1228	1474	1618
Official creditors	127	258	486	701	400	595	520	671	831	937
Private creditors	443	499	543	555	396	433	491	558	642	681
Memo: export credits	1877	1331	1580	1641	1865	2510	2356	2420	1671	1496
Net Transfers on Debt										
Public and publicly guaranteed	-163	-217	5	362	-202	-127	-316	-70	-13	0
Official creditors	-12	14	10	3	4	-37	-298	-70	-13	0
Multilateral	-50	-3	2	1	77	-29	-48	-53	-13	0
Concessional	-2	0	2	1	102	-3	-5	0	-1	0
Bilateral	38	17	8	2	-73	-8	-250	-17	..	..
Concessional	84	20	10	2	-9	1	-50	2	..	..
Private creditors	-151	-231	-5	360	-206	-90	-18	..	..	..
Bonds	..	..	..	..	..	..	..	..	..	..
Commercial banks	-127	-209	27	366	-153	-84	..	..	..	..
Other private	-24	-22	-32	-6	-53	-6	-18	..	..	..
Private nonguaranteed	..	..	..	..	..	..	..	..	..	..
Bonds	..	..	..	..	..	..	..	..	..	..
Commercial banks	..	..	..	..	..	..	..	..	..	..
Memo:										
IBRD	-16	-6	0	..	-110	-27	-22	-4	-4	0
IDA	-1	0	0	..	95	-3	0	0	-1	0

Annex Table 4—Important Political Events in the Republic of Congo, 1960-2001

<i>Date</i>	<i>Event</i>
1960	Independence is granted- Abbe Fulbert Youlou becomes first president.
1963	President Youlou resigns after a security crackdown on demonstrations and trade unionists; new president Alphonse Massemba-Debat moves Congo into radical African camp
1964	Marxist-Leninist Mouvement National de la Revolution formed; youth wing is forerunner of the Parti Congolais du Travail (PCT)
1964-68	First socialist five year plan instituted
1968-September	President Massemba-Debat overthrown by Captain Marien Ngouabi
1969-December	Parti Congolais du Travail formed (Marxist); President Ngouabi named party chairman
1977-March	President Ngouabi assassinated; Colonel Joachim Yhombi-Opango named successor
1979-February	Colonel Denis Sassou-Nguesso replaces Yhombi-Opango as PCT chairman due to perceived pro-western stance of Yhombi-Opango
1990-91	Student and worker protests and demands by church leaders force PCT to legalize opposition parties and to accede to a national conference
1991 March to June-1992	National conference meets; declares itself sovereign, replacing the PCT.
1991-1992	Government is now assured by a transitional cabinet led by Andre Milongo (former World Bank official). Bishop Ernest Kombo heads the transitional assembly, the Conseil Superieur de la Republique. President Sassou-Nguesso remains in office, but without effective power.
1992-March	Multi-party constitution is adopted by a referendum in which it is approved by 96.3 per cent of the voters
1992	First multi-party elections are held; the PCT is crushed, but none of the four major parties wins an absolute majority in the legislative elections. Mr. Sassou-Nguesso is eliminated in first round presidential elections, but supports Lissouba in second round in return for a PCT role in the new government.
1992	Mr. Lissouba wins second round of presidential elections, but loses control of Parliament when the PCT withdraws support from Lissouba. Parliament is dissolved in November. Fresh elections are scheduled for May 1993.
1993-mid year	Two coalitions dominate political scene—UPADS, the party of Mr. Lissouba, backed by AND (led by Mr. Yhombi-Opango and UDR (led by Mr. Milongo). Opposants are the URD, headed by Mr. Kolelas and the RDPS (led by Mr. Thystere-Tchicaya.) Mr. Kolelas is also allied with the PCT, but as a marriage of convenience against Mr. Lissouba. Mr. Lissouba emerges ahead of Mr. Kolelas and the latter boycotts the second round of elections, permitting Mr. Lissouba to win an absolute majority in the National Assembly. Mass protests are organized by Kolelas supporters in Brazzaville. Mediators from France and Gabon persuade both sides to re-run the second round of elections while international observers examine disputed first round results.
1993-94	Militias based on ethnicity formed in Brazzaville in the northern, central and southern districts, backing Sassou-Nguesso, Lissouba, and Kolelas. War based on ethnic differences breaks out; about 2,000 are killed.

Annex Table 4—Important Political Events in the Republic of Congo, 1960-2001 (cont.)

<i>Date</i>	<i>Event</i>
1994	Parliamentarians from UPADS and the URD form a peace keeping committee and negotiate a compromise between Messrs. Lissouba and Kolelas. A joint peacekeeping force is organized by the army and by opposition groups. The force begins to collect weapons.
1994 mid year	Mr. Lissouba persuades supporters to back Mr. Kolelas as mayor of Brazzaville. Another major political figure, Mr. Thystere-Tchikaya is elected mayor of Pointe Noire.
1995-January	A coalition government is created between the two major, southern Congo-based parties headed by Messrs. Lissouba and Kolelas. Relations with the PCT militia remain tense
1995-September	After his militia is forced out of its traditional districts in Brazzaville, former President Sassou-Nguesso leaves Congo to reside in France
1997-February	Former President Sassou-Nguesso returns to Brazzaville to a warm welcome
1997-June	War breaks out in Brazzaville between the forces of President Lissouba and mayor of Brazzaville, Mr. Kolelas and former president Sassou-Nguesso
1997-October	Forces backing Sassou-Nguesso prevail; Sassou-Nguesso declares himself president
1998-December – 1999 April	War breaks out between Government and forces backing Messrs. Lissouba and Kolelas; the latter two are defeated. Approximately one third of the country's total population is displaced during the war. Many not killed due to fighting suffer from malnutrition and from living in the forests without adequate resources.
1999-Nov	Peace accords signed. Formal peace agreement ratified in December.
2000-2001 March	National reconciliation dialogue conducted in regions of Congo, culminating in a National Reconciliation Conference in Brazzaville in March 2001
2001-autumn	National elections to be held

Source: Table based on data provided in the Economist Intelligence Unit, country profiles for Congo Brazzaville, 1992-93-1999-2000.

Annex Table 5: Objectives of Assessed Projects

<i>Objectives</i>	<i>Projects</i>		
	<i>PEIDP (1988-89; 1995-96)</i>	<i>PCBP (1995-97; closed 1999)</i>	<i>ERC (1994-95)</i>
Structural Reform, including improving management of public finance	Advisers in privatization, industrial policy, and legal issues and preparation of financial projections for key PEs: ACT, CORAF, Hydrocongo, ONPT, SNDE, SNE Funds for studies to formulate medium term sector policies and for advisers to assist in external debt restructuring	Preparation of regulatory frameworks for six major public enterprises in petroleum distribution, transportation, telecommunications, power, and water distribution	Cancellation of existing oil refinery agreements Liberalization of imports of petroleum products Selection of the office to audit the petroleum sector Adjustment of public utility rates for water, electricity, telephone, and transport
Support to the PE technical unit	Adviser on PE for technical and policy aspects of the reform, coordinator of short term consultants		Appointment of a management team for Hydrocongo. Signing of a management contract for the railroad; signing of an agreement of liberalize management of river transport; signing of an agreement to create a port management company; reorganization of the Congolese road maintenance office
	Legal/institutional expert to review public enterprise institutional framework		Passage of Petroleum and Privatization Laws; revision of the Code Miniere
	TA to prepare financial projections for key public enterprises		
	Logistical and operational support		
Support for implementation and monitoring of reform measures	Assistance in divesting public enterprises	Establish interim administrations for six major public enterprises	
	Review of inter-enterprise arrears		
	Monitoring of banking sector reform and credit ceilings	Creation of a restructuring committee for the financial sector (BEAC, Ministries of Finance and Planning) Formulation of a rehabilitation plan for the financial sector	Completion of two major bank audits UCB and BIDC by the central African states bank audit commission (COBAC)
	Review of public enterprise salary structures, personnel statutes, management procedures, and staffing plans	Formulation of a program to clean up civil service records	Improvement of public sector efficiency through better resource management—retrenchment of 8,000 civil service posts and revision of labor legislation
	Elaboration of financial agreements in key PEs		

Annex Table 5: Objectives of Assessed Projects (cont.)

Objectives	Projects		
	<i>PEIDP (1988-89; 1995-96)</i>	<i>PCBP (1995-97; closed 1999)</i>	<i>ERC (1994-95)</i>
	Development of procedures to monitor PE investments as part of public investment program		
Accounting and auditing assistance	Assistance to the national accounting commission to continue audits of 20 PEs per year and training of commission personnel		
Specific assistance to key PEs	<ul style="list-style-type: none"> a) SNDE-preparation of comprehensive reorganization plan and customer inventory and implementation of enterprise rehabilitation plan b) ONPT-computerization of the accounting system, preparation and updating of accounts, improvements in personnel management organization strategy, including a tariff review c) privatization of ATC peripheral activities, implementation of decentralized management information, accounting and personnel systems d) Hydrocongo—assistance in implementing the rehabilitation program 	Privatize six major public enterprises, ATC, CORAF, Hydrocongo, ONPT, SNDE, SNE Liquidate non viable enterprises	
Public information campaigns		Implementation of a public awareness campaign among targeted social groups	
Human resources development-support for establishment of a training program	Preparation and implementation of a management training program for the national center for management Development of in-house training capability and provision of courses and seminars for PE managers and Government officials responsible for overseeing PE performance		Examination of financing levels for non-wage budgetary items in the human resources sector and determination of appropriations levels Inventory of repairs needed for classrooms and health centers in urban areas and adjacent areas Measures to protect prices of key input items like supplies and priority medicines
Environment			Approval by Council of Ministers of a National Environmental Action Plan

Annex Table 6: Average Spot Price for Congolese Djeno Crude (US\$ per barrel)

<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>
16.2	17.0	14.7	13.9	15.5

Source: Economist Intelligence Unit, Congo Country Profile, 1996-97, p. 43.

List of Persons Interviewed

The Republic of Congo

Public Sector

Ministry of Economy, Finance, and Budget

M. Jean-Claude Montbouli, Directeur du Cabinet
 M. Léon Raphaël Mukoko, Directeur des Relations Extérieures
 M. Pascal Bobassa-Ebale, Conseiller aux Restructurations et Privatisations
 Mme. Albertine Nsakaboueya, Conseiller

Ministry of Commerce and Small and Medium Enterprises

M. Michel Niama, Directeur des Petites et Moyennes Entreprises

The Congolese State Oil Refinery

M. Nestor Mawandza, Directeur Général

Privatization Committee

M. Portella, Secrétaire Général du Comité
 M. Jérôme Goma, Chef Comptable
 M. Alain Akouala, Conseiller de Communication

Private Sector

Unicongo (private sector large firm professional association)

M. Jean-Christophe Tranchepain, Président Unicongo et Directeur Général de la SDV
 M. Jean-Jacques Samba, Secrétaire Général
 Mme. Nicole Labarre, Secrétaire Général Adjoint

Shell Congo

M. Jean Paul Bidiet, Directeur Administration

Law Firm—Pointe Noire

M. Boniface Carle-Malilou
 Two other lawyers

Public enterprise liquidator

M. Nicolas Makaya, Président Directeur-Gerant, Cabinet MNDE-Fiduciaire International Sarl

Union

La Confederation Syndicale des Travailleurs Congolais

M. Louis Gondou, Président

M. Joseph Kiafouka, Secrétaire charge des Finances et Matériels

Mme. Alphonsine Kando, Secrétaire Générale charge de l'Administration

M. Dieudonné Mengobi, Secrétaire au Conflits de Travail

Mme. Anne Marie Nzila, Secrétaire charge de la Promotion de la Femme

M. Michel Souza, Secrétaire a l'Economie

M. Fidele Biyambika, Secrétaire charge de la Jeunesse Travailleuse

Newspapers

M. Joachim Mbanza, Directeur de Publication, La Semaine Africaine

M. Joseph Ngouala, Coordonnateur Générale, Charge de la Publication, Le Tam-Tam

NGO

M. Roger Bouka-Owoko, Responsable de la Communication de l'Observatoire Congolais de Droits de l'Homme

Donors

M. William Paton, Représentant du PNUD

M. Raymond Janssens, Représentant de l'UNICEF

M. André Meyer, Directeur, Agence Française de Développement

M. Joseph Pihl, Economiste, PNUD

Private Person

M. Félix Ngoulou, ancien Secrétaire Permanent, Comite de Privatisation

The World Bank

Mr. Demba Ba, former task manager, PCBP

Mr. Jerome Chevalier, former Division Chief, Congo Brazzaville

Mr. Pierre Demangel, former Resident Representative, Congo Brazzaville

Mr. Mamadou Dia, former Resident Representative, Congo Brazzaville

Mr. Jean-Michel Happi, author ICR PCBP

Mr. Paul Lignieres, author ICR PEIDP

Mr. Serge Michailof, former Country Director, Congo Brazzaville

Mr. Andre Ryba, Lead Adviser Finance Sector, AFR

Mr. Naiem Sherbiny, former country economist, Congo Brazzaville
Mr. Nils Tcheyan, former Country Director, Congo Brazzaville

The International Monetary Fund

Mr. Michael Hadjimichael, former Mission Chief, Congo Brazzaville

Basic Data Sheet

PRIVATIZATION AND CAPACITY BUILDING PROJECT (CREDIT 2775-COB)

Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Loan amount (IDA)	9.0	4.6	51
Parallel financing - <i>Agence Française de Développement</i>	0.9	0.9	100

Cumulative Estimated and Actual Disbursements (amount in US\$ million)

	<i>FY96</i>	<i>FY97</i>	<i>FY98</i>	<i>FY99</i>
Appraisal estimate	2.5	6.3	8.1	9.0
Revised estimate	0.9	4.7	6.5	9.0
Actual	0.9	2.93	2.96	2.96
Actual as % of appraisal	36	46	36	32
Date of final disbursement: September 1997				

Project Dates

	<i>Original</i>	<i>Actual</i>
Identification		n.a.
Preparation (Pre-appraisal mission)	March 1995	April 3, 1995
Appraisal	June 1995	May 26, 1995
Negotiations	July 1995	July 18, 1995
Letter of development/Sector policy	-	July 24, 1995
Board Presentation	-	September 5, 1995
Signing	-	October 11, 1995
Effectiveness	October 1995	January 5, 1996
Midterm review	-	March 5, 1997
Completion	December 31, 1998	
Closing date	June 30, 1999	June 30, 1999

Staff Inputs (staff weeks)

<i>Stage of project cycle</i>	<i>Planned</i>		<i>Actual</i>	
	<i>Weeks</i>	<i>US\$ '000</i>	<i>Weeks</i>	<i>US\$ '000</i>
Through appraisal	n.a.*	n.a.*	36.9	92.2
Appraisal to Board	8.6	19.7	6.6	13.6
Supervision through completion	119.5	257.3	123.12	296.4
TOTAL	128.1	277.0	166.62	402.2

* Not available

Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Days in field</i>	<i>Specializations represented</i>	<i>Performance^a rating</i>	
					<i>Implem.. Status</i>	<i>Dev. Objectives</i>
Through appraisal	06/1995	7	20	TTL, Peer Reviewer, Lawyer, Disburs. Analyst, Financial Analyst, Consultant		
Appraisal through Board approval	12/1995		14	TTL		
Supervision	4/1996	2			HS	HS
Midterm review	3/1997	2	8	Sr. Operations Officer, Economist	S	S

a. S: Satisfactory

HS: highly satisfactory

Other Project Data

Borrower/Executing Agency: **Republic of Congo**

RELATED OPERATIONS

<i>Preceding Operations</i>	<i>Purpose</i>	<i>Year of Approval</i>	<i>Status</i>
First Technical Assistance Project (Loan 2285-COB)	To improve: (a) the quality of government's public finance management; and (b) the execution of its urban infrastructure program (PCR No. 8834 date 06/01/90)	1983	Closed on 06/30/87
Second Technical Assistance Project (Loan 2753-COB)	To help the government: (i) design and implement measures to promote growth in the non-oil productive sectors; (ii) improve public investment programming and the management of public finances, including debt management; and (iii) formulate a more effective petroleum strategy (PCR No. 10792 dated 06/10/92)	1987	Closed on 12/31/90
Public Enterprise Institutional Development Project (Loan 2868-COB)	The main objective of the PEIDP was to facilitate formulation and implementation of the Structural Adjustment Program. It also aimed at strengthening the GOC's capacity to implement PE reforms and improve their management, through: (a) technical and logistical support; (b) consultant services for general sector reforms, including liquidation and privatization, banking sector reform, PE staff reduction, and financial agreements between PEs and Government; (c) management training programs through CENAGES; (d) auditing and accounting assistance through CNC; (e) advisory services to improve management and restructure key public utilities, including ONPT (telecoms); SNDE (water); SNE (electricity); Hydro-Congo and CORAF (oil); and ATC (transport); and (f) services for other adjustment tasks to supplement resources under the Second TA Project.	1988	Closed on 12/31/1996
Economic Recovery Credit (Credit 2635-COB)	To (i) improve public sector efficiency through better public resources mgmt & PE reforms; (ii) strengthen the country's production capacity through trade and reg. Reforms and remove impediments to sectoral development, including private sector; and (iii) develop human resources and reduce poverty.	1994	Closed on 06/30/1995

Basic Data Sheet

PUBLIC ENTERPRISE INSTITUTIONAL DEVELOPMENT PROJECT (LOAN 2868-COB)

Key Project Data (amounts in US\$ millions)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Loan amount	15.2	14.22	94
Cancellation		0.98	

Cumulative Estimated and Actual Disbursements (amount in US\$ millions)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Appraisal estimate	2.4	4.5	7.1	9.9	12.4	14.3	15.2	15.2	15.2	15.2
Actual	5.1	8.3	10.1	11.1	11.1	11.1	11.1	11.6	13.7	14.2
Actual as % of appraisal	213	184	142	112	90	78	73	76	90	93
Date of final disbursement: March 31, 1997										

Project Dates

	<i>Original</i>	<i>Actual</i>
Identification	05/1986	10/1986
Preparation		11/1986
Appraisal	03/02/1987	03/03/1987
Negotiations	05/26/1987	05/29/1987
Letter of sector policy	06/15/1987	06/15/1987
Board presentation	07/21/1987	07/21/1987
Signing	07/31/1987	07/31/1987
Effectiveness	09/1987	01/27/1988
Completion	07/30/1994	12/31/1996
Closing date	07/31/1994	04/30/1997

Staff Inputs (staff weeks)

	<i>Actual</i>	<i>US\$</i>
Through appraisal (preparation, pre-appraisal)	n.a.	24.2
Appraisal to Board (negotiation)	n.a.	9.1
Board approval to Effectiveness	n.a.	--
Supervision	n.a.	154.1
Completion	n.a.	14.5
TOTAL	n.a.	201.9

Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Days in field</i>	<i>Specializations represented</i>	<i>Performance rating^a</i>		<i>Type of Problems</i>
					<i>Implem. Status</i>	<i>Dev. Impact</i>	
Through appraisal	11/1986	4	21	Sr. Financial Analyst, Economist, Consultants	None	None	
Appraisal through Board approval	03/1987	2	14	Economist, T.A. Officer, Consultants	None	None	Timetable for conditionalities
Board to Effectiveness	07/1987	1	4	T.A. Officer	None	None	Conditions for Loan Effectiveness
	10/1987	2	14	T.A. Officer Economist			
Supervision							
I	05/1988	4	12	T.A. Officer, Economist	1	1	Overall supervision
II	07/1988	1	4	T.A. Officer, Economist	1	1	Training and overall supervision
III	11/1988	6	18	Sr. Op. Officer	1	1	Overall supervision
IV	05/1989	1	14	Sr. Op. Officer	2	2	Extension of TA
V	07/1989	1	14	T.A. Officer	2	2	Preparation of ICR on SAP, counterpart funds
VI	10/1989	1	10	T.A. Officer, Sr. Count. Officer	2	2	Overall supervision
VII	12/1989	2	9	T.A. Officer, Sr. Count. Officer	2	2	Assistance to CCA
VIII	06/1990	2	13	T.A. Officer, Sr. Count. Officer,	2	2	Implementation issues
IX	11/1990	1	14	T.A. Officer	2	2	T.A., counterpart funds, Acc & Aud.
X	07/1991	3	13	T.A. Officer, Economist, Sr. Count. Officer\	3	3	Establish dialogue with new GOC on PE reform
XI	05/1994	1	7	Pr. Count. Officer	2	2	Review of project priorities
XII	11/1994	3	12	Op. Officer, En. Economist, Cons.	2	2	PE sector review

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Days in field</i>	<i>Specializations represented</i>	<i>Performance rating^a</i>		<i>Type of Problems</i>
					<i>Implem. Status</i>	<i>Dev. Impact</i>	
XIII	05/1995	3	7	TM, En. Economist, Cons.	U	U	Project restructuring
XIV	12/1995	6	16	TM, Lawyer, Telecom,	S	S	Financial, energy, post, telecom & transport issues
	04/1996	2	21	Infrast., Op Officer, Cons	HS	HS e	Financial covenants
Completion	03/1997	2	5	Economists, Sr. Operations Officer	S	U	ICR preparation

a. Key to status as shown in Supervision Form 590: Rating are S (satisfactory), or from 1 (highest) to 4 (lowest)

Other Project Data

Borrower/Executing Agency: **Republic of Congo**

<i>RELATED OPERATIONS</i>			
<i>Preceding Operations</i>	<i>Purpose</i>	<i>Year of Approval</i>	<i>Status</i>
First Technical Assistance Project Loan 2285-COB	To improve: (a) the quality of Government's public finance management; and (b) the execution of its urban infrastructure program (PCR No. 8834 dated 06/01/90)	1983	Closed on 06/30/87
Second Technical Assistance Project (Loan 2753)	To help the Government: (i) design and implement measures to promote growth in the non-oil productive sectors; (ii) improve public investment programming and the management of public finances, including debt management; and (iii) formulate a more effective petroleum strategy. (PCR No. 10792 dated 06/01/92)	1986	Closed on 12/31/90
<i>Simultaneous Operations</i>			
First Structural Adjustment Loan (Loan 2866-COB)	To assist the Government (a) re-establish overall financial equilibrium, independent of the vagaries of the oil market; (b) lay the foundations for durable economic growth over the medium-term, with strong emphasis on development of non-oil sectors; (c) diversity productive activities, especially in agriculture; and (d) restore Congo's creditworthiness. (PPAR No. 9745 dated 06/01/91)	1987	Closed on 03/31/89
<i>Following Operations</i>			
Economic Recovery Credit (Credit 2635-COB)	To support the Government: (i) improve public sector efficiency through better public resources management and PE reforms; (ii) strengthen the country's production capacity through trade and regulatory reforms and remove impediments to sectoral development, including private sector; and (iii) develop human resources and reduce poverty (ICR No. 15765 dated 06/01/96)	1994	Closed on 06/30/94
Privatization and Capacity Building (Credit 2775-COB)	To help the Government: (a) prepare regulatory framework for the six major PEs and open the sectors up to competition progressively; (b) conduct the privatization of these PEs; (c) liquidate other non-viable PEs; and (d) support regulation and competition in the financial sector and reforms in banking institutions.	1995	Closed on 06/30/99

Basic Data Sheet

ECONOMIC RECOVERY CREDIT (CREDIT 2635-COB)

Key Project Data (amounts in US\$ millions)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Credit amount	100	100	100

Cumulative Estimated and Actual Disbursements (amount in US\$ millions)

	<i>FY95</i>
Appraisal estimate	100.0
Actual	100.0
Actual as % of appraisal	100%
Date of final disbursement: June 30, 1994	

Project Dates

	<i>Original^a</i>	<i>Actual</i>
Identification		02/1994
Preparation		3 months
Appraisal		04/02-24/1994
Negotiations	06/6-7/1994	06/6-7/1994
Letter of Development Policy		02/02/1994
Board approval	06/28/1994	06/28/1994
Signing		06/29/1994
Effectiveness	07/05/1994	06/29/1994
Closing date	07/05/1995	06/30/1995

a. As provided in the President's Report

Staff Inputs (staff weeks)

	<i>Actual</i>	<i>US\$ (000)</i>
Preparation to appraisal	66.7	161.7
Appraisal	17.0	46.1
Negotiations through Board approval	8.0	21.8
Supervision	14.4	45.8
Completion	1.6	1.2
TOTAL	107.7	276.6

Other Project Data

Borrower/Executing Agency: **Republic of Congo**

<i>RELATED OPERATIONS</i>			
<i>Preceding Operations</i>	<i>Purpose</i>	<i>Year of Approval</i>	<i>Status</i>
Privatization and Capacity Building project (Credit 2775)	(a) Help the Government prepare regulatory frameworks for the 6 major public enterprises and open the sectors up to competition progressively; (b) conduct the privatization of these PEs; liquidate other non-viable PEs; and (d) support regulation and competition in the financial sector and reforms in banking institutions.	1995	Closed on 06/30/1999
Public Enterprise Institutional Development Project (Credit 2868)	Assist the Government in acquiring the necessary technical and administrative capacity to implement PE reforms and to improve PE management	1987	Closed
	(a) Re-establish overall financial equilibrium independently of the vagaries of the oil market; (b) lay the foundations for self-sustaining economic growth over the medium term, with strong emphasis on development of the non-oil sectors; and (c) restore the country creditworthiness.	1987	Closed