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JOINT IDA-IMF STAFF ADVISORY NOTE

ON THE

**PROGRESS REPORT OF THE POVERTY REDUCTION STRATEGY PAPER
(POVERTY REDUCTION AND GROWTH STRATEGY PAPER)**

June 11, 2010

Poverty Reduction and Economic Management 3
Country Department AFCC2
Africa Regional Office

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ACRONYMS AND ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ANR	Agence Nationale de Renseignement (National Intelligence Service)
CEPGL	Economic Community of the Great Lakes Countries
DeMPA	Debt Management Performance Assessment
DGDA	Direction Générale des Douanes et Accises (Customs)
DRC	Democratic Republic of Congo
DSCR	DoCument de Stratégie de Croissance et pour la Réduction de la Pauvreté
ECF	Extended Credit Facility
FARDC	Force Army of Democratic Republic of Congo
GDP	Gross Domestic Product
GECAMINE	La Générales des Carrières et des Mines (General of Mine and Carriers)
HIV	Human Immunodeficiency Virus
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IMF	International Monetary Fund
INS	National Statistics Institute (Institute National de Statistique)
JSAN	Joint Staff Advisory Note
MTEF	Medium-term Expenditure Framework
DGDP	Direction de Gestion de Dette Publique (Office for Management of Public Debt)
PAP	Priority Action Plan
PGAI	French language abbreviation of the Platform for Management of Aid and Investment “ <i>Platform de Gestion de l’Aide et des Investissements</i> ”
PFM	Public Financial Management
PR	Progress Report
PNC	National Congolese Police
PRGF	Poverty Reduction and Growth Facility
PRGS	Poverty Reduction and Growth Strategy
REDD	UN Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
SCCA	Sino-Congolese Cooperation Agreement

Table of Contents

I. Overview 1

II. Poverty Diagnostics..... 2

III. Implementation Progress and Reform Perspectives 3

A. Good Governance and Consolidation of Peace through Strengthened Institutions 3

B. Macroeconomic Performance 3

C. Economic Diversification and Private Sector Development..... 5

D. Provision of Social Services and Reduction in Vulnerability..... 7

E. Education..... 8

F. Health 8

G. Combat HIV/AIDS 9

H. Promote Community Dynamics..... 9

IV. Monitoring and Evaluation 10

V. Conclusions and Issues for Discussion 10

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THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND
THE INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF CONGO

**Joint Staff Advisory Note on the
Progress Report of the Poverty Reduction and Growth Strategy Paper**

Prepared by the Staffs of the International Development Association and
the International Monetary Fund

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June 11, 2010

I. OVERVIEW

1. This Joint Staff Advisory Note (JSAN) reviews the April 2010 Progress Report (PR) of the Poverty Reduction and Growth Strategy (PRGS) of the Democratic Republic of Congo (DRC). The DRC authorities completed their first full PRGS in July 2006 covering the period 2006-08, which was discussed by the Boards of Executive Directors of the IMF and World Bank respectively in May and September 2007. The newly elected government confirmed its commitment to the strategy after taking office in April 2007 and prepared a priority action plan (PAP) for July 2007-December 2008 to guide the implementation of the PRGS. A government review of the PRGS over the period April 2007-December 2008 concluded that implementation needed to be strengthened if its objectives were to be achieved. In particular, budgetary spending needed to be better aligned with government priorities and the efficiency of government interventions needed to be enhanced. The authorities therefore decided to extend the implementation period of the first PRGS to end-2010 in order to assure sufficient time towards achieving its objectives and to prepare a second generation PRGS, covering the period 2011-15 using a participatory approach.

2. DRC's first full PRGS underpinned the authorities' economic policy during a particularly challenging transitional period. A new constitution was adopted in 2005 and the first democratic elections in 40 years took place in 2006. The policies and reforms under the PRGS have been supported by the international community. However, as noted in the PR, implementation of these policies was complicated by the absence of a formal IMF program,

reflecting the difficulty of implementing macroeconomic policies during a period of instability and rapidly evolving institutional changes.

3. The PR notes the difficulty of implementing the PRGS in a rapidly evolving institutional environment. The 2006 Constitution assigns a key role to the provincial authorities in the delivery of health, education and agricultural services (i.e. fiscal decentralization). Over the period of analysis, the devolution of services has been uneven across provinces due to varying degrees of institutional capacity. Resources at the disposal of the provincial authorities are gradually increasing and amounted to some 2 percent of GDP in 2009, excluding the provincial civil servants paid directly by the central government. Staffs suggest that in this context it is increasingly important to focus on strengthening public finance management and the delivery of priority social services at the provincial level.

4. This JSAN reviews the PR and provides the staffs' advice on implementation and improvements in the period ahead. Section II reviews available data on the poverty diagnostic, Section III reports on the authorities' strategy and Section IV on the implementation of the strategy. Monitoring and evaluation is discussed in Section V. Section VI provides conclusions and policy recommendations.

II. POVERTY DIAGNOSTICS

5. The PRGS 2006-2010 presents a sound basis for strengthening and diversifying the economy and reducing poverty. The strategy derives much of its strength from its broad-based participatory preparation process, which involved a series of consultations with stakeholders in different provinces of the country. Surveys were undertaken countrywide and extensive grassroots consultations were held in order to reflect the reality on the ground and the views of stakeholders in the design and implementation of the strategy.

6. Despite efforts to strengthen the capacity of the National Statistical Institute (Institute National de Statistique, INS), monitoring poverty remains a challenge. Statistical information on the causality and distribution of poverty is based on the most recent poverty assessment published in 2006, which drew on the 1-2-3 survey completed in 2005. It shows that over 71 percent of Congolese households live below the poverty line. Given the evolution of the development situation since the launch of the PRGS and PAP in 2006 and 2007, staffs encourage the Government to update and strengthen poverty monitoring by conducting a new household survey. This should be supported by an increased effort to analyze the data that have been collected in smaller surveys. Staffs note that beyond the current focus on economic growth, the next-generation PRS could explicitly recognize government strategies to reduce vulnerability and ensure inclusive growth.

III. IMPLEMENTATION PROGRESS AND REFORM PERSPECTIVES

A. Good Governance and Consolidation of Peace through Strengthened Institutions

7. **The DRC government has undertaken structural and administrative reforms to improve governance and implement the decentralization agenda outlined in the 2006 Constitution.** Progress on decentralization includes the adoption of a law on the administration of the provinces (*Loi sur la Libre Administration des Provinces*) and increased involvement of provincial authorities in the central government's decision making processes. Although the roles of the central and provincial governments have been clearly defined, implementation has been slow in the context of weak provincial institutions. Staffs welcome the Government's efforts to undertake a census of civil servants, enforce mandatory retirement, implement payroll system reform and review the legal framework of the public administration.

8. **The PRGS identifies security sector reforms as a fundamental priority for consolidating peace and development.** These reforms in the military, police and justice sectors are particularly relevant in addressing the conflict in the eastern provinces. The staffs note some progress such as the establishment of two committees for police and justice reform (*Comité du Suivi de la Réforme de la Police*, established in 2007 and *Comité Mixte de la Justice*, established in 2004). First steps toward better human resource management in the national army included the carrying out a successful biometric census that identified and eliminated 'ghost workers' and then allowed an increase in salaries. Given the unstable situation, security sector reforms need to continue, including addressing gender-based violence. To this end, staffs encourage the authorities to promptly adopt the organic and general status laws for both police and military that have been under consideration by Parliament since 2007 and 2009 and that are aimed at improving the human right situation.

9. **Despite the authorities' efforts to date, poor accountability and transparency remain fundamental problems.** Staffs note that a perceived or real lack of public accountability undermines support for the government's actions. Government is seen as detached in many parts of the country, and the security services are often mistrusted. Staffs urge the authorities to further enhance the use of social accountability mechanisms in public service delivery so as to give greater voice to recipients and improve the quality of services. The 2010 user survey provides useful information to formulate future actions in this area.

B. Macroeconomic Performance

10. **Macroeconomic management improved significantly under very difficult circumstances.** As the PR highlights, the global financial crisis and conflict in the eastern provinces weakened macroeconomic performance and complicated the implementation of macroeconomic policies. Steep declines in export prices and the slowdown in external demand due to the global financial crisis curbed economic growth from 6.2 percent in 2008 to 2.8 percent in 2009. Meanwhile, inflation, which averaged 14.5 percent in 2003-08, rose to over 100 percent in April 2009 (on annualized basis) following a sharp depreciation of the franc against U.S.

dollar in response to the sharp drop in export receipts and an uptick in central bank credit provided to the government in late 2008 to finance security related spending. Inflation has subsequently declined to 15 percent at end April 2010, reflecting prudent monetary and fiscal policies. Official reserves rose to the equivalent of seven weeks of imports by end-2009, up from one week at end 2008, buoyed by official balance of payments support, most notably the general and special SDR allocations.

11. Macroeconomic policy implementation was broadly satisfactory. Progress made on fiscal reforms bolstered the resilience of revenue in the wake of the global financial crisis. Central government revenue increased from 7.7 percent of GDP in 2003 to about 16 percent in 2009. Efforts made to contain spending—notably through improved management of commitments and enhanced monitoring—also helped limit the impact of the marked slowdown in economic activity on the fiscal deficit. Although the implementation of monetary policy was complicated by difficulties in liquidity forecasting during 2009, these weaknesses have been subsequently addressed. This, together with increases in the central bank policy rate and the mopping up of excess liquidity, helped to contain excessive monetary growth. Policy implementation during the first half of 2010 was broadly satisfactory and program objectives and targets for end-June are likely to be achieved.

12. Staffs consider the medium-term macroeconomic framework outlined in the PR, which is consistent with that of the ECF-supported program, appropriate, but emphasize that consistent implementation of prudent macroeconomic policies are needed in order to enhance macroeconomic stability. The over-riding objective of fiscal policy is to avoid the recourse to borrowing from the central bank. This is to be supported by measures to mobilize fiscal revenues— notably through ambitious reforms in tax and customs administration—along with prudent expenditure management. Additional reforms are needed to further improve fiscal discipline. In particular, a key objective is to strengthen the budget planning and execution process, by ensuring consistency between budget plans, spending commitments, and payments. Expediting ongoing reforms to recapitalize the central bank and enhance its independence will be critical for improving the overall effectiveness of monetary policy.

13. The DRC made significant progress in strengthening public finance, but more actions are needed. The authorities established and strengthened the Large Taxpayers Unit at the income tax department, through computerization and improved collection procedures. Revenues could be further strengthened by rationalizing nuisance taxes, and strengthening revenue collection from the mining sector. On customs administration, a one-stop window was established at two key border posts and import valuation was strengthened. Unfortunately, the impact of these measures was tempered by continued parallel processing of paperwork. Staffs encourage the authorities to improve trade facilitation to reduce both the transit period at border and the cost involved. On PFM, the government established transparent procedures for payments of urgent spending requests and advanced the modernization of the legal and regulatory framework of the PFM system. They also designed and adopted a medium term PFM reform

strategy plan. Recently, the authorities adopted a modern procurement law and began to establish the relevant institutions. Staffs note that further efforts will be needed to improve the consistency between the commitment, treasury, and foreign exchange budget plans and to effectively implement decentralization. More generally, a medium-term expenditure framework in combination with regular budget execution reports could help empower line ministries.

14. Although not covered in the PR, reforms in the financial sector are advancing albeit at a slow pace. On central bank reforms, the central bank (BCC) was restructured and reorganized as the first step toward recapitalization and financial independence. Banking supervision is also being reinforced, as is the central bank's capacity to conduct monetary policy. Nevertheless, several weaknesses in terms of supervisory practice need to be addressed, including: (i) regulation on the classification and provisioning of non-performing loans; (ii) off-site supervision in terms of introducing and implementing early warning system models; and (iii) on-site examination, in particular with regard to an in-depth analysis of loan files. Staffs encourage the authorities to strengthen the central bank's banking supervision capacity in order to allow it to respond in a timely manner to deal with financial sector stability issues in close coordination with the Ministry of Finance.

15. Debt sustainability will require adherence to prudent debt management policies. In this regard, Congolese authorities carefully managed the negotiation of a Sino-Congolese Cooperation agreement (SCCA) that was amended to ensure long-term debt sustainability after debt relief. Given the important opportunity provided by the exchange of natural resources for infrastructure investment and the need for the DRC to reap the full benefit of such an exchange, there is a need for strengthening government planning in selecting investments with high growth impact and ensuring long-term funding for maintenance out of the recurrent budget.

16. Debt management has improved substantially, particularly with respect to recording and reporting of debt data. The government has taken measures to centralize all debt data in a single center, under the purview of its debt management agency (DGDP). The agency has activated a computerized debt-recording system, which is capable of recording loan disbursements and service payments made, as well as generating monthly debt service projections. While there has been substantial progress, further measures are needed to strengthen debt management practices including: (i) building technical capacity and acquiring the equipment required to address the significant operational risk that may affect DRC capacity to meet its obligations on a timely basis; (ii) ensuring the maintenance of a debt database that is accurate and up to date by improving processes and inter-agency coordination of debt data flows; and (iii) the approval of an official debt management manual.

C. Economic Diversification and Private Sector Development

17. The PR assesses the progress towards alleviating the key constraints to growth in the priority sectors. Staffs welcome the authorities' emphasis on a better business climate, including

by joining OHADA, and their efforts to improve the DRC's ranking on the "Doing Business" indicators. To be far-reaching, these reforms would also need to involve the reform of state-owned enterprises and agencies, including addressing the entities' large social liabilities, such as wage arrears and payment of indemnities upon retirement. The implementation of these reforms is critical for alleviating growth bottlenecks.

18. The PR identifies the key obstacles to agricultural growth—infrastructure, inputs, technology, and access to capital. Staffs agree with this diagnosis and commend the authorities' recent progress in expanding infrastructure, notably integrated transport networks. In this regard, it is particularly welcome that the authorities were able to construct/rehabilitate almost twice the length of rural roads as planned (PR: Table 1: page 35). To facilitate moving up the agricultural value chain, market failures in rural finance need to be addressed, especially with regard to access to capital. The authorities should also consider facilitating trade by allowing cross-border supply of key inputs and services and improving access to markets.

19. Staffs welcome the Government's adoption of an agriculture sector strategy since it is a key sector for growth and poverty alleviation. This new strategy provides a clear vision, namely by (i) improving marketing efficiency; (ii) enhancing productivity of traditional, smallholder-based agriculture; (iii) re-capitalizing agricultural and livestock production sector through farm investments; and (iv) providing decentralized and de-concentrated support services to a broad range of community-led initiatives. Despite enormous potential, the agricultural sector's contribution to GDP declined dramatically between 1990 and 2001 and, as a result, the sector is in drastic need of additional resources and investment as outlined in the strategy.

20. Closer coordination between the different ministries involved in rural development, and the central and decentralized levels would improve the effectiveness of government interventions for growth and poverty reduction in rural areas. Staffs encourage the authorities to work on a harmonized strategy for agriculture and rural development at the lower levels of the public administration, in addition to the ministerial level strategies for agriculture and rural development. This strategy would provide a strong basis for improved donor coordination. Furthermore, to allow for better targeting of priorities and better orientation of public services to poor communities, the decentralization of decision making processes needs to be pursued, including budget execution in the agriculture and rural development sector.

21. Staffs agree with the role for forests and forest products in economic growth, but encourage the authorities to improve the appropriation and fair division of fiscal revenues from these activities with provinces and territories, as mandated by law. The policy and legal framework for sustainable forest management improved significantly over the period under review. The rights of local communities and indigenous people living in or close to the forest concessions were also strengthened. Staffs advise that it is important that the rural poor benefit from improved forest management, such as through tax receipts from forest concessions and the establishment of social infrastructure (schools, health care, and farm-to-market roads) by concessionaires. Staffs appreciate the progress in tax reporting by forest companies, but emphasize the need for better control of illegal exports of "informal" sawnwood. DRC is at the forefront of climate change mitigation and has a formally approved "Readiness

Plan” for Reducing Emissions from Deforestation and Forest Degradation in Developing Countries “REDD”. An implementation program is expected to be endorsed by the next Conference of the Parties to the UN Framework Convention on Climate Change.

22. Staffs agree with the PR’s assessment that governance in the mining sector is crucial to attract foreign investors, but are concerned about the application of this principle. The PR reference to the government’s commitment to obtain validation in the Extractive Industry Transparency Initiative (EITI) and its efforts to develop a strategy using the EITI++ framework to improve the management of the sector is welcome. More broadly, staffs note that DRC is severely constrained in attracting investors due to poor governance. To broaden the pool of investors beyond those willing to take high risks against high returns, government would need to strengthen governance and ensure contract stability in this sector. .

23. The PR is optimistic about the role for industrial development in economic growth and poverty alleviation. Staffs agree that such development would over time contribute to growth and employment. However, in the immediate future other sectors, such as agriculture, mining, construction and trade, are more likely to make a significant contribution to growth.

24. The PR stresses the potential benefit of electricity, transport, telecom and other infrastructure sectors for economic growth and poverty alleviation. The lack of infrastructure is a major constraint to growth and the key principles identified in the PR for strengthening economic growth in this sector are reasonable. However, severe institutional and governance capacity constraints complicate the application of these principles. The report correctly notes the need for significant investments in this sector, but could also have mentioned the need for greater focus on maintenance to avoid neutralizing the positive impact of investment. The macroeconomic analysis above underscored the lack of government resources for such investment, and hence the need to attract private capital. The authorities may want to explore more actively alternative institutional arrangements, including public private partnerships, that will allow the private sector the security to contribute to building and maintaining the required infrastructure.

D. Provision of Social Services and Reduction in Vulnerability

25. The PR highlights progress in the delivery of social services, giving due credit to the role of development partners. The coordination with development partners has improved following the adoption of the Kinshasa Agenda with an improvement in the thematic groups used to organize dialogue and policy harmonization in various sectors. Staffs note that the authorities may want to make active use of the medium-term expenditure framework that was developed in close cooperation with the Ministries of Health, Education and Agriculture to further improve the effectiveness of the various sources of financing (budget, households and development partners). More broadly, staffs would like to encourage the government to take greater leadership in the implementation of the Kinshasa Agenda, with greater involvement of the line ministries.

26. The PR notes the persistence of wide disparities in the quality of service delivery between provinces. This is an issue which may be accentuated by decentralization of government services which is moving ahead in health, education and agricultural services. Staffs recommend that this issue should be addressed explicitly in the second generation PRGS.

E. Education

27. The PR rightly notes the successful increase in access to basic education. While data issues prevent a precise assessment, various factors indicate that schooling opportunities for Congolese youth increased during recent years. Data suggest that total enrollment (primary-higher education) increased from 12 million in 2006/07 to 13 million in 2007/08. This increase is corroborated by field visits. Medium-term expenditure estimates for 2006-09 show an increase in public resources for education and important financial contributions by local communities and parents. The rising demand for education led to the establishment of schools by communities (under sponsorship of religious organizations) and the recruitment of community teachers, about 40,000 of which the government agreed to migrate to the civil service payroll to reduce the burden on communities. Staffs support this policy in principle but encourage the authorities to implement it in a transparent manner based on a civil service survey and objective criteria.

28. The PR refers to the critical inputs that have been provided to students and are expected to improve their learning experience. More than 21 million textbooks (mathematics and French) and teaching guides were distributed to all primary schools (public and private). Similarly, greater attention was paid to the provision of in-service training and teacher supervision activities, although these remained broadly insufficient and of low quality. While results of a recent beneficiary survey carried out by the Government showed that the majority of people expressed generally a positive view on the education quality, student achievement assessments underscored that acquired competencies were relatively low and that the pertinence of qualification remained an issue.

29. The PR could have discussed in more detail the expansion of primary and secondary education. The Government has made strong efforts to progressively develop an integrated strategy for these activities, aiming to ensure a balanced and sustainable expansion of the sector in the long run. As a first step, a basic Education Strategy, along with the priority action plan, was adopted by the Government in March 2010. This strategy focuses on three objectives: (i) improving access and retention in basic education; (ii) improving the quality and the pertinence of basic education; and (iii) strengthening the management and governance of the system. Staffs endorse the objectives of this strategy but - in view of the limited financial resources and the organizational and logistical challenges - caution against a hasty implementation of a free primary school policy.

F. Health

30. The PR surveys the significant progress that has been made with regard to some key health indicators such as infant and under-five mortality. Maternal mortality is difficult to assess, but the trends suggest improvements in maternal health. This progress may be

attributed to significant gains in coverage with long-lasting impregnated bed nets, better performance of the national immunization program and improvements in access to essential drugs in public facilities.

31. The PR highlights that access to medical supplies and qualified medical personnel remains problematic. Provincial and district staffs with managerial responsibilities are now better equipped to steer the provision of health services, and tools to assist with decentralized planning have been developed and disseminated. However, vaccination coverage remains incomplete and is sometimes affected by recurrent shortages. Significant progress has been achieved with regard to the procurement and distribution of pharmaceuticals, although the sector remains very fragmented. The number of health staffs has steadily increased, but remains poorly distributed and imbalances persist between Kinshasa and other urban centers and the rest of the country. Staffs welcome that the authorities aim to address these challenges through the implementation of a revised national health strategy that could build on the positive experience with the mass distribution of bed nets in Kinshasa and other provinces.

32. The authorities have revised their national health strategy based on analytical work and a consultative process. The consultative process involved representatives of civil society, donors as well as provincial, districts and health zones staff. Staffs welcome the new strategy but note that important questions remain about the management of the health work force, the needs to continue building up capacities at the peripheral level, and the lack of investments in primary care facilities. Staffs also note that the financing of the sector is strongly regressive and largely funded by household out of pocket expenditures and donor support.

G. Combat HIV/AIDS

33. The PR reports that the implementation of the national strategy on HIV/AIDS is making real, but slow, progress. Blood transfusion is gradually becoming safer and there has been significant progress with regard to dissemination of messages and community mobilization. However, capacity on the ground to expand voluntary testing and counseling remains limited and less than 10 percent of eligible patients receive anti-retroviral drugs. Staffs welcome the ongoing efforts to build up the required capacity to provide HIV services at the community level. This requires extensive staff training, development of functioning supply chains for ARVs, and provision of adequate laboratory services.

H. Promote Community Dynamics

34. The scarce mention of promotion of Community Dynamics in the PR demonstrates the limited progress in this area. Community dynamics must be taken into account as a cross-cutting issue in the development of the full spectrum of activities. Staffs encourage the DRC authorities to promote local and community driven activities and develop tools to engage communities in their development endeavors. Staffs welcome the DRC government's initiative to set up a committee for civil society capacity building, and congratulates the government on the organization of national and provincial consultations over 2008-2009. Staffs recommend further efforts to strengthen the empowerment of civil society,

particularly in governance, economic activities (such as agriculture) and in social sectors (particularly health, HIV/AIDS and education).

IV. MONITORING AND EVALUATION

35. The PR highlights the continued lack of data to assess the impact of economic policies. Staffs concur that it is a challenge to obtain accurate information on economic developments, in general, and poverty indicators in particular. In the absence of a framework for data sharing among agencies, ministries and donors, publication and effective dissemination of information remains elusive. Given the apparent weakness in the statistical foundation for policy analysis, the staffs encourage the authorities and donors to request the INS to coordinate the formulation and implementation of a data collection and dissemination strategy to underpin the monitoring and evaluation of the PRGS.

36. Implementation and monitoring mechanisms for the PRGS exist, but need to be reviewed and interventions should be budgeted as advised in the 2007 JSAN. Staffs welcome the rationalization of the thematic groups and sub-groups from 45 to 19 but note that the authorities could further reduce the heaviness of the mechanisms themselves and clarify tasks and responsibilities. Staffs encourage the Government to push for a more pro-active role of sector ministries in monitoring pro-poor spending. Also, despite the existence of inter-ministerial monitoring mechanisms such as UPPE and CTR, staffs note the general lack of a structured evaluation system within the Government, which hampered an appropriate evaluation of PAP 2008. Staffs recommend that the Government, and in particular the Ministry of Planning, reinforce evaluation capacities and budgeting of poverty alleviation initiatives.

V. CONCLUSIONS AND ISSUES FOR DISCUSSION

37. Developments during recent years, and in particular the last year, demonstrate the DRC's capacity for growth and poverty alleviation if the right incentives are provided. Such incentives involve security and a manageable business environment that allows investors to enjoy the fruits of their investments. This applies not only to physical investment in all sectors but also to investment in human capital. The DRC population at every income level has demonstrated their willingness to make large financial sacrifices to ensure that their needs for health and education are addressed. This capacity to take a long-term view on investment provides confidence that the DRC will move towards sustainable growth with poverty alleviation once security and governance issues are adequately addressed.

38. Developments during the last year also indicate the authorities' commitment to address the key issues, even in the face of significant political challenges. The establishment of peace with Rwanda provides the prospect for reinvigorated regional integration in the Great Lakes Region as an engine for growth for all partners. The renegotiation of the SCCA is another example where the DRC authorities took a difficult decision that will contribute to moving towards a sustainable external debt situation. Staffs note that cooperation with all international partners will help the authorities mobilize the massive development financing needs. Such

cooperation may also help to spread the benefits of natural resources across the country and address the spatial distribution of poverty and exclusion:

39. The authorities' response to short-term concerns builds on a compelling vision of long-term development. The authorities remain committed to a long-term vision of decentralization of public services, especially in education, health and agriculture, as demonstrated by the recent efforts taken towards the use a medium-term expenditure framework (MTEF) for the preparation of the next generation PRGS. Staffs note the impressive progress realized since the 2002 peace agreements and applaud the authorities' continued commitment to economic reforms, democratic elections, decentralization and vigorous implementation of the Kinshasa Agenda that sets the stage for continued coordination with all donors. Going forward the authorities will have to (i) find the right pace to pursue the decentralization agenda, (ii) selectively engage in structural reforms to boost economic development, including modernizing public administration, restoring competitiveness of essential utility and transport services, improving the business environment and (iii) implement an incremental infrastructure plan in order to get out the vicious circle of conflict and enter into a virtuous cycle of development with a view of moving toward inclusive growth. This vision is not without risk, but it offers the best hope to address over time the underlying grievances of the conflict that has allowed a lack of security – in particular for women – to foster.

40. In considering the PR, staffs would like to consult Executive Directors' views on whether they agree with this JSAN, in particular as regards: (i) their views of PRGS implementation during the past 12-months July 2009 - June 2010, and (ii) suggestions on priority measures for further refining the PRGS and strengthening its implementation.



Democratic Republic of the Congo



Inter-Ministerial Commission on Implementation of the National Poverty Reduction Strategy
CI-SNLCP

REPORT ON IMPLEMENTATION OF THE GROWTH AND POVERTY REDUCTION STRATEGY

April 2010

TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
ACRONYMS 3	
EXECUTIVE SUMMARY.....	6
CONTEXT SURROUNDING THE PREPARATION AND IMPLEMENTATION OF THE FINAL GPRSP	13
REPORT METHODOLOGY.....	14
FRAMEWORK	14
CHAPTER 1. ANALYSIS OF MACROECONOMIC PERFORMANCE AND EXPENDITURE.....	16
INTRODUCTION	16
1.1. RECENT DEVELOPMENTS IN THE CONGOLESE ECONOMY	16
1.1.1. <i>Economic activity and prices</i>	16
1.1.2. <i>Public sector</i>	16
1.1.3. <i>External sector</i>	17
1.1.4. <i>Monetary sector</i>	17
1.1.5. <i>Economic situation at end-March 2010</i>	17
1.2. EXPENDITURE ANALYSIS	20
1.2.1. <i>Analysis of budget expenditure by category</i>	20
1.2.2. <i>Public expenditure in relation to GPRSP priorities</i>	21
1.3. MEDIUM-TERM MACROECONOMIC PROSPECTS	25
CHAPTER 2. ACTIONS IMPLEMENTED	26
INTRODUCTION	26
2.1. PROMOTING GOOD GOVERNANCE AND CONSOLIDATING PEACE THROUGH STRENGTHENED INSTITUTIONS	
26	
2.1.1. <i>Security and judicial governance</i>	26
2.1.2. <i>Political and administrative governance</i>	28
2.1.3. <i>Economic governance</i>	29
2.2. POLICIES SUPPORTING ECONOMIC GROWTH	32
2.2.1. <i>Agriculture and rural development</i>	32
2.2.2. <i>Forest and the environment</i>	33
2.2.3. <i>Mines and hydrocarbons</i>	34
2.2.4. <i>Energy</i>	35
2.2.5. <i>Transportation infrastructure</i>	36
2.2.6. <i>Industry</i>	37
2.2.7. <i>Trade</i>	37
2.3. IMPROVED ACCESS TO BASIC SOCIAL SERVICES AND REDUCED VULNERABILITY	38
2.3.1. <i>Education</i>	38
2.3.2. <i>Health</i>	38
2.3.3. <i>Water and sanitation</i>	39
2.3.4. <i>Social protection</i>	40
2.4. THE FIGHT AGAINST HIV/AIDS (ONE OF THE GPRS PILLARS)	40
2.4.1. <i>Preventing and stabilizing HIV and STI transmission</i>	40
2.4.2. <i>Speeding treatment and improving the quality of life of persons living with HIV/AIDS</i>	42
2.4.3. <i>Mitigating the socioeconomic impact of HIV/AIDS on the community</i>	42
2.4.4. <i>Building coordination, monitoring and evaluation capacities at all levels</i>	42
2.5. SUPPORT FOR LOCAL INITIATIVES	42
2.6. STRENGTHENING CAPACITIES	43
CHAPTER 3. MONITORING AND EVALUATION.....	43
3.1. INSTITUTIONAL FRAMEWORK	43
3.2. MONITORING AND EVALUATION TOOLS	43
CONCLUSION	45
CLOSING REMARKS	45
ANNEXES	48

ACRONYMS

AGT	Large-Scale Works Agency
ASNIC	Intermediate and Central Health System Support
ASNIP	Intermediate and Peripheral Health System Support
BCC	Central Bank of the Congo
CAMI	Mining rights administrator Cadastre minier
CDF	Congolese francs
CEEC	Expertise, Evaluation and Certification Center
CI-SNLCP	Inter-Ministerial Commission on Implementation of the National Poverty Reduction Strategy
CISPI	Inter-Ministerial Monitoring Commission for Financial Institution Programs
CNDP	National Congress for Defense of the People
CNMLS	National Multi-Sector Commission to Combat AIDS
COREF	Steering Committee on Public Finance Reform
CPCM	Standing Macroeconomic Framework Committee
CSMOD	Strategic Decentralization Implementation Framework
CSRP	Police Reform Monitoring Committee
CTB	Belgian Technical Cooperation
CTR	CISPI Technical Monitoring Committee
DEVINFO	Human development database
DGDA	Customs and Excise Directorate
DGDP	Directorate of Public Debt
DGE	DGDA Large Enterprises Department
DGI	Tax administration
DGRAD	Directorate of Administrative and State Revenues
DPSB	Directorate of Planning and Budget Monitoring
DPSI	Industrial Policy and Strategy Document
DRC	Democratic Republic of the Congo
DTO	Treasury Management and Payment Authorization Office
DVDA	Agricultural Feeder Roads Department
EDS	Demographic and health survey
ESB	Budget monitoring reports
FAO	United Nations Food and Agriculture Organization
FINEXPO	Belgian Export Financing
FONER	National Highway Maintenance Fund
FSRDC	Social Fund of the Democratic Republic of the Congo
GAVI	Global Alliance for Vaccines and Immunization
GECAMINES	State-owned mining company Générale de Carrières et des Mines
GMRRR	Joint Discussion Group on Reform and Reorganization of the Congolese National Police
GPRS	Growth and poverty reduction strategy
GPRSP	Growth and Poverty Reduction Strategy Paper
GTZ	German Agency for Technical Cooperation
HIPC	Heavily Indebted Poor Countries Initiative
ICCN	Congolese Nature Conservation Institute
IGT	Office of the Labor Inspector
INERA	National Institute for Agronomy Research
INS	National Institute of Statistics
OI	Opportunistic Infection
EITI	Extractive Industries Transparency Initiative
JICA	Japan International Cooperation Agency
MDG	Millennium Development Goals
MDRI	Multilateral Debt Reduction Initiative
MDRI	Multilateral Debt Reduction Initiative

MICS	Multiple Indicator Cluster Survey
MONUC	United Nations Mission to the Congo
NGO	Nongovernmental organization
NSS	National Statistics System
OCC	Ministry of Trade Inspection Office
OCPI	Congolese Poverty and Inequality Observatory
ODR	Highway Authority
OFIDA	Customs and Excise Office [DGDA predecessor]
OGEDep	Public Debt Management Office [DGDP predecessor]
OHADA	Organization for the Harmonization of Business Law in Africa
OKIMO	Kilo Moto Gold Mining Office
ONATRA	National Transportation Office
ONEM	National Employment Office
OVC	Orphans and vulnerable children)
OVD	Road Network and Drainage Authority
PAIDECO	Program in Support of Community Development Initiatives
PAP	Priority Action Plan
PARSAR	Agricultural and Rural Sector Rehabilitation Support Project in Bandundu and Bas-Congo Provinces
PARSS	World Bank Health Sector Reform Project
PASU	Emergency Social Action Project
PEASU	Peri-Urban Water Supply and Sanitation Project
PEMU	World Bank Urban Potable Water Supply Project
PFCN	World Bank Forest and Nature Conservation Project
PGAI	Aid and Investment Management Platform
PIEGMA	Better Job Market Management through Effective Data Processing
PMEDe	Domestic Electricity Markets for Consumption and Export Project
PMUEIAA	Multi-Sector Socioeconomic Rehabilitation Project
PMURIS	Emergency Multi-Sector Socioeconomic Infrastructure Rehabilitation Project
PMURR	Emergency Multi-Sector Infrastructure Rehabilitation and Reconstruction Program
PNC	Congolese National Police
PNDS	National Health Development Program
PNFOCO	National Forest and Nature Conservation Project
PNMLS	National Multi-Sector Program against HIV/AIDS
PRAPE	Equateur Province Agricultural Recovery Program
PRAPO	Oriente Province Agricultural Recovery Program
PRESAR	Agriculture and Rural Sector Rehabilitation Project in Ktanga, West Kasai and East Kasai Provinces
PRGF	Growth and Poverty Reduction Facility
PRODAP	Lake Tanganyika Integrated Regional Development Program
PROMINES	Mining promotion project
PRONAREC	National Capacity Strengthening Program
PRSP-I	Interim Poverty Reduction Strategy Paper
PS9FED	Ninth European Development Fund Health Program
PSRFP	Strategic Plan for Public Finance Reform
PURUS	Emergency Urban and Social Infrastructure Rehabilitation Project
RAAAP	Rapid Country Assessment, Analysis, and Action Planning Initiative on Behalf of Orphans and other Vulnerable Children in Sub-Sahara Africa
REGIDESO	Water Distribution Authority
RVA	National Aviation Administration
SAESSCAM	Small Scale Mining Support Department
SAPMP	Southern Africa Power Market Project
SENAREC	National Capacity Strengthening Secretariat
SENASEM	National Seed Service

SIE	Energy Information System
SNCC	Congolese National Railroad Company
SRSS	Health System Strengthening Strategy
STI	Sexually transmitted infections
TFP	Technical and financial partners
UNAIDS	United Nations Programme on HIV/AIDS
UNDP	United Nations Development Program
UNGASS	United Nations General Assembly Special Session on HIV/AIDS
UNICEF	United Nations Children's Fund
UPPE-SRP	CI-SNLCP National Poverty Reduction Strategy Coordinating Unit
USAID	United States Agency for International Development
WHO	World Health Organization

EXECUTIVE SUMMARY

The Government of the Democratic Republic of the Congo (DRC) issues its report on the implementation of its Poverty Reduction and Growth Strategy Paper (GPRSP) for 2009, in the context of achieving completion point triggers under the enhanced initiative for Heavily Indebted Poor Countries (HIPC). The DRC aims to qualify for substantial external debt cancellation under both the HIPC Initiative and the Multilateral Debt Reduction Initiative (MDRI).

The GPRSP was prepared in two phases. In the first phase, an interim poverty reduction strategy paper (PRSP-I) was put in place for practical reasons relating notably to limitations of the statistical apparatus and weakened human and institutional capacities in formulating development policies, the delayed consequence of years of political, economic, and social instability. Through the successes of one year's implementation of the PRSP-I and six months' execution of the program supported by the Poverty Reduction and Growth Facility (PRGF), a key component of the PRSP-I, the DRC reached the decision point under the enhanced HIPC Initiative in July 2003 and was granted debt relief representing approximately 90% of the State's debt service, which was used to finance spending to combat poverty.

In the second phase, a final version of the poverty reduction strategy (which had since become the Growth and Poverty Reduction Strategy Paper, GPRSP) was developed through a participatory approach. The final version of the first-generation GPRSP was first adopted by the transition government in July 2006, and subsequently endorsed by the government elected through free and democratic elections in March 2007. It was approved by the World Bank Board of Directors and the IMF Executive Board in March and April, 2007, respectively. Following practical difficulties, the action plan for implementation of the first-generation GPRSP was finalized in July 2007.

It is important to recall that the implementation of the GPRSP beginning in July 2007 took place in **an extremely challenging environment**, marked by (i) the devastation of economic and social infrastructures, a formidable obstacle to private sector growth and development; (ii) uncertainties surrounding the preparation and staging of the first truly free and democratic elections in a climate of heightened tensions; (iii) renewed hostilities in the eastern region, bringing grave humanitarian consequences; (iv) the global food and energy crises; (v) the international financial crisis (the most serious since the Great Depression of 1929); (vi) the collapse in commodity prices and resultant contraction of government revenue; (vii) the lack of budgetary support since the 2006 suspension of the PRGF program; and (viii) weak human and institutional capacities, particularly in the areas of statistics, policy formulation, and the monitoring and evaluation of policy implementation.

The combination of these factors adversely affected the conduct of macroeconomic and sector policies.

Macroeconomic policies were implemented under the program supported by the Extended Credit Facility that took effect in July 2009 and was formally concluded in December 2009. The overall results were satisfactory. The economy grew by 2.8 percent, compared to a target of 2.7 percent, sparked by a third-quarter recovery in the mining sector and the attendant spillover effects in the tertiary sector. Inflation climbed to 53.4 percent, corresponding to an annual average of 46.1 percent, compared to a target of 48.7 percent. The indicative U.S.

dollar–Congoese franc exchange rate was 902.7, representing a 29.2 percent depreciation compared to the same period of 2008.

This macroeconomic performance was the result of rigorous budgetary and monetary policies adopted in 2009 and pursued through third quarter 2010. Inflation declined from around 47.6 percent in February 2010 to 34.3 percent in March. In annualized terms, it stood at 19.6 percent in March compared to 50.9 percent in February and an annual target of 15 percent.

Viewed in terms of GPRSP pillars, public expenditure management demonstrates the importance of the strategic pillar “Promoting good governance and peace.” Spending for this pillar accounted for roughly 60 percent of primary expenditure in 2009, followed by pillar 3, “Promoting access to basic social services,” which declined slightly as a proportion of primary expenditure from 24.9 percent in 2008 to 23.6 percent in 2009. Pillar 2, “Support sectors with growth potential,” increased from 16.2 percent in 2008 to 16.5 percent in 2009.

The government recognizes that continued, sustainable growth in a stable macroeconomic climate is essential to reducing poverty. The medium-term macroeconomic objectives remain the same as agreed in the recent PRGF arrangement. Stated in quantitative terms, the objectives are: (i) reduce year-to-year inflation to 9 percent by end-2012; (ii) increase international reserves to 10 weeks of nonaid imports by end-2012; and (iii) achieve real GDP growth in the range of 6 percent per annum. The government intends to accelerate its program of reforms to achieve these objectives.

The accomplishments in regard to **sector policies** are highly encouraging. **With respect to security**, operations successfully reestablished peace and the government’s authority in the eastern and western parts of the country (the Goma peace accord, the Amani Programme for the Security, Pacification, Stabilization and Reconstruction of the Kivu Provinces, the joint Umoja Wetu operation with Rwanda, Kimia I and II, Operation Amani Leo, and the assimilation (*brassage*), disarmament, demobilization, and integration of ex-combatants).

There was notable progress in the **administration of justice**, including review of the Ministry of Justice organizational framework, the new Constitutional Court act awaiting adoption by the Parliament, the construction of a new Palais de Justice, and rehabilitation of courthouses, prosecutors’ offices and prisons in Kinshasa and the provinces.

Police reform efforts continued in the context of the Joint Discussion Group on Reform and Reorganization of the Congoese National Police (GMRRR), yielding the following preliminary results to date: (i) a preliminary draft framework law, which has been submitted to the Parliament; (ii) establishment of the Police Reform Monitoring Committee (CSRP); (iii) construction and equipping of an office building for the finance, budget, data processing, and human resources departments; and (iv) collection of data on police force staffing.

There were no significant developments in **reform of the public administration** in 2009, but 3,741 civil service positions were eliminated nationwide through retirements. Modest progress was made in the decentralization process, where a progressive approach was ultimately adopted in regard to the principle of transferring 40 percent of national revenue and authority to the provinces. The transfer of powers is currently limited to the functions of the provincial governments and assemblies, and is supported by an institutional and human capacity strengthening program. The proposed framework law on the organization and

operations of the Independent National Electoral Commission and the proposed annex to the electoral law establishing the distribution of seats were adopted.

In regard to economic governance, the government continued its program to modernize the public financial management system and financial administrations (establishment of provincial tax centers, conversion of the Customs and Excise Office (OFIDA) from government enterprise to government agency, creation of a unit within the tax administration (DGI) responsible for strategic sectors such as mining and telecommunications) and a legal and regulatory framework (proposed public finance act, proposed customs code, promulgation of a public procurement code). The expenditure cycle was extended to all expenditures, including emergency expenditures, to ensure transparency and traceability of government financial operations. The government adopted the Strategic Plan for Public Finance Reform (PSRFP) in March 2010.

In regard to public debt, the prime minister issued a regulatory text confirming the central role of the Directorate of Public Debt (DGDP), and an automated debt management system was installed.

Other significant actions. A new regulatory framework (National Statistics System, SSN) governing the production and use of statistics in the DRC was implemented in February 2010. Laws providing for the conversion of public enterprises and the government's withdrawal from commercial enterprises were implemented. The improved business climate, intended to improve the DRC's position in the Doing Business ranking, was central to the DRC's ratification of the OHADA Treaty. Also noteworthy was the creation of the Arbitration Center and National Mediation Center, which were provided with furniture, equipment, and information systems. Measures were implemented to simplify the creation of businesses. An AML/CFT and financial intelligence unit was established and began operations in October 2009.

To improve information on the **employment situation** in the DRC, two systems were implemented in February 2010, a registration system for individuals seeking employment and the Better Job Market Management through Effective Data Processing (PIEGMA) program.

Policies to support economic growth targeted agriculture, rural development, forests and the environment, mines and hydrocarbons, energy, and transportation infrastructures. The government adopted the harmonized agricultural and rural development strategy. It finalized a majority (30 of 42) of the implementing regulations under the 2009 forestry code. The first report under the Extractive Industries Transparency Initiative (ITIE), covering 2007, was produced in 2009 and is pending validation by an independent consultant. In regard to electricity production, an investment program funded the completion of a number of actions, including: (i) rehabilitation of Group 3 at the Inga 2 plant; (ii) acquisition of a Francis turbine runner at the Inga 2B plant; (iii) completion of a rehabilitation study for the Zongo plant; (iv) installation of a 500 KVA floating hydropower plant at Kananga; and (v) the provision of electric power to the city of Kindu.

In regard to **transportation infrastructure**, 22,900.60 kilometers of roads were completed, representing 113 percent of the target of 20,352.05 kilometers. The principal efforts involved modernization, rehabilitation, re-opening unpaved and rural roads, and large-scale maintenance projects.

Significant progress was made in providing access to basic social services. In the education sector, the government's actions raised primary school enrollment from 64.1 percent in 2006 to 84.3 percent in 2008, compared to a target of 80 percent projected in 2005. Enormous challenges remain in regard to tuition-free, universal primary education and the achievement of Millennium Development Goals (MDGs). In the health sector, in addition to legal and regulatory measures, a number of national campaigns were conducted to combat disease (polio vaccination campaign, distribution of vitamin A and insecticide-treated mosquito nets, and vaccination of over 2 million infants under age one with financial support from the Global Alliance for Vaccines and Immunisation (GAVI) and the United Nations Children's Fund, UNICEF). Additional actions reduced the under-five mortality rate from 172 to 148 per thousand over the reporting period; stabilized the neonatal mortality rate at roughly 38 per thousand; and increased BCG vaccination coverage. Finally, in regard to urban and rural drinking water supply, the rehabilitation of water collection plants in Lukaya and N'kjili and construction of the second water collection plant in Boma served to increase access to drinking water to approximately 27 percent.

In regard to the fight against HIV/AIDS, the strategy focused on preventing and stabilizing the transmission of HIV and sexually transmitted infections (STIs), accelerating treatment, improving the quality of life of persons living with HIV/AIDS, attenuating the socioeconomic impact of HIV/AIDS on the community, and strengthening coordination, monitoring, and evaluation capacities at all levels.

In the chapter on institutional arrangements for implementation, monitoring, and evaluation, the government recognizes weaknesses in strategic coordination at both central and provincial levels. In contrast, the implementation, monitoring, and evaluation activities of sector-level entities proceeded as planned, with support from technical and financial partners (TFPs). Beginning in mid-2009, the government began to address the situation by instituting weekly meetings to monitor progress toward reaching the completion point triggers under the HIPC Initiative.

To facilitate monitoring and evaluation of the Growth and Poverty Reduction Strategy, appropriate indicators were defined in the sectors identified as priorities in the first-generation GPRSP (education, health (including HIV/AIDS), agriculture, rural development, transportation infrastructure, and water and sanitation).

In conclusion, the Congolese government is pleased to have initiated an effort, with support from its technical and financial partners, to systematize its medium-term development planning, and to have resolutely done so in a very hostile domestic and external context. The results achieved are less important than the ultimate adherence to an approach that represents a clear break with ad hoc practices that marked years of poor governance.

The first-generation GPRSP would have produced more successful results were it not for the constraints faced over the entire implementation period, chief among which were:

- Limited internal resources to finance the GPRS, due to government revenue remaining low despite a relatively high rate of growth. This situation was exacerbated by a contraction of budgetary support following suspension of the program supported by the PRGF, which slowed the pace of reforms;
- De-linking of the priority action plan (PAP), a key tool in implementing the GPRS,

from the national budget, preventing it from being executed through the expenditure cycle. This situation is the result of lack of cohesion between the Budget Preparation and Monitoring Department, the Planning Department, and the sector ministries;

- Lack of communication between the government and the Bretton Woods institutions, which initiated the planning approach through the GPRSP, in regard to a the use of a tool that was in an experimental phase in a post-conflict country. This state of affairs was not conducive to the understanding or full-fledged adoption of such an approach;
- Burdensome administrative procedures imposed on project execution by both TFPs and the government, impacting project cost evaluations in most cases;
- Social and political uncertainties created by the tensions of the 2006 elections, exacerbated by the climate of insecurity in the eastern part of the country, and their repercussions for public financial management and macroeconomic stability;
- The international food and financial crises followed by the collapse of commodities prices, which had devastating effects on economic activity and the management of public finances and currency.

Despite the constraints identified above, implementation of the GPRS produced encouraging results, as summarized below:

- Social sector indicators (health, HIV/AIDS, education, water and sanitation) improved. The greatest gains were made in the education sector, where the various indicators are on par with those of sub-Saharan African countries.
- The macroeconomic programs implemented during the period under review restored macroeconomic stability, as demonstrated by the conclusion of the IMF Extended Credit Facility in December 2009. However, the modest performance observed in regard to budgetary and monetary policies could have been strengthened if the reform program had not slowed, in which case the macroeconomic policies would have made a significant contribution toward reducing poverty.
- The emergency sector programs, projects, and actions in the areas of planning, security, transportation infrastructure, health, education, and water have restored peace and security and improved socioeconomic conditions, albeit slightly, for the Congolese people. They had a genuine impact on poverty reduction, primarily in terms of improved economic and social infrastructures and access to basic social services. The results described represent the execution of only half of the actions planned.
- The government recognizes that the strategic coordination of the GPRS was not commensurate with the importance of the issues at stake. It notes, however, that the weekly meetings instituted in the second half of 2009 to monitor progress on the HIPC Initiative completion point triggers signal a new direction in adapting government programs. In this regard, the government expects to intensify and rationalize its efforts in the context of the second-generation GPRSP.

Recommendations

The recommendations draw on the lessons learned from implementation of the first-generation GPRSP. They shed light on the options that could emerge from the participatory consultations on the second-generation GPRSP. Certain GPRSP pillars, noted below form the basis of tomorrow's challenges:

- a) Consolidating peace and security through continued actions to complete the pacification of national territory and end the humanitarian crisis, and by accelerating reform of the security sector;
- b) Expanding the government's capacity to deliver quality social services by creating consensus as to the government's role and the need to better focus that role on its sovereign missions, and adapt the central and provincial administrations accordingly;
- c) Promoting administrative and economic governance by continuing the decentralization process, adjusting it to reflect our available resources; through a relationship of accountability between government and the governed; through continued financial reforms and reforms of public enterprises; and through a genuine commitment to transparent mechanisms in managing natural resources (EITI++);
- d) Strengthening the conditions of sustainable growth, through an improved business climate and implementation of a roadmap to raise the country's standing in the "Doing Business" category; intensified support for sectors with growth potential and the road, energy, and transportation infrastructures; and implementation of an aggressive commercial policy;
- e) Giving serious consideration to the effects of climate change and issues pertaining to nature conservation; and
- f) Mobilizing the private sector (including through public-private partnerships) to address the problems of financing development programs.

In reference to the important task of monitoring and evaluation, the government will face six major challenges: (i) reviewing and formalizing the monitoring-evaluation framework; (ii) securing the production of statistical data; (iii) renewing the operational and budgetary programming framework; (iv) implementing reporting tools; (v) developing a minimal framework for evaluating public policies; and (vi) increasing participation and communication.

INTRODUCTION

The Government of the Democratic Republic of Congo (DRC) issues its second report on implementation of its Growth and Poverty Reduction Strategy Paper (GPRSP) for 2009 and its projections for 2010. This fulfills a twofold commitment made in adopting the GPRSP: first, to prepare an annual report on progress under the National Growth and Poverty Reduction Strategy (GPRS) in reference to the objectives of that strategy and the Millennium Development Goals (MDGs). In this regard, a midterm report on progress in implementing the GPRSP (for the period April 2007 to December 2008) was issued at end-2008; and second, to accomplish, through the progress report, one of the triggers required to reach the completion point under the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC).

The DRC is determined to accomplish all of the HIPC completion point triggers in order to qualify for cancellation of substantial stocks of external debt under both the HIPC and the Multilateral Debt Reduction Initiative (MDRI).

In view of its participatory nature, the GPRSP is the frame of reference for the development of the DRC's economic and social development policies and programs. It establishes the approach and the clear, harmonized, shared objectives underlying the development of those policies and programs. It provides the framework for coordinating the efforts of the government and its social and external partners both in implementing the strategic pillars and in mobilizing the resources to finance implementation. The elected administration based its program and contract of governance (2007-11) on the strategic pillars of the GPRSP and secured its adoption by the Parliament in March 2007.

Preparation of the GPRSP occurred in two phases that required more than one year to complete due to practical difficulties, including limitations of the statistical apparatus and weakened human and institutional capacities in formulating development policies, the delayed consequence of years of political, economic, and social instability.

In the first phase, a participatory approach begun in 2001 led to the preparation of an interim version of the poverty reduction strategy paper (PRSP-I), in light of the difficult context marked by the initial steps away from armed conflict and government efforts to restore authority over the national territory and institute good governance. Through the successes of one year's implementation of the PRSP-I and six months' execution of one of its key components, the program supported by the Poverty Reduction and Growth Facility (PRGF), the DRC reached the decision point under the enhanced HIPC Initiative in July 2003 and was granted debt relief representing approximately 90% of the State's debt service, which was used to finance poverty-reduction expenditures.

In the second phase, a final version of the poverty reduction strategy (which had since become the Growth and Poverty Reduction Strategy Paper, GPRSP) was developed through a participatory approach involving all sectors of the population and the development partners. At the end of the process, the final version of the first-generation GPRSP was adopted by the transition government in July 2006, and subsequently endorsed by the government elected through free and democratic elections in March 2007. It was then presented to the World Bank Board of Directors and the IMF Executive Board, which adopted it in March and April, 2007, respectively. Following practical difficulties, the action plan for implementation of the first-generation GPRSP was finalized in July 2007. It should be noted, however, that the

actions undertaken in 2006 with government and external financing had previously been finalized in the context of the Growth and Poverty Reduction Strategy (GPRS).

In July 2006, when the final version of the GPRSP was adopted by the transition government, the DRC was no longer under the formal program supported by the PRGF under which the macroeconomic stabilization efforts could be evaluated. This was an important element missing from both the second Enhanced HIPC completion point trigger and Pillar 2 of the GPRSP. An IMF staff monitoring program was instituted to restore the necessary conditions for conclusion of the new program under the PRGF. However, while awaiting renewal of that program, which would support the macroeconomic stabilization and growth program as one of the pillars of poverty reduction, and to allow sufficient time to prepare the second-generation GPRSP covering the period 2011 to 2015, the government decided in July 2009 to extend the term of the first-generation GPRSP to December 31, 2010.

After several renewals of the IMF staff monitored program on grounds of insufficient results, the government succeeded in December 2009 in demonstrating the outcomes required to conclude a new program under the new Extended Credit Facility, thereby filling the gap in the GPRS and kindling hopes for achieving the HIPC completion point by no later than June 2010.

However, it is important to bear in mind the historical context in which the final GPRSP was prepared and implemented.

Context surrounding the preparation and implementation of the final GPRSP

The process of preparing the final version of the GPRSP, begun in 2003, and its implementation beginning in July 2007 took place in an extremely difficult context marked by:

- Widespread damage and destruction of economic and social infrastructures, posing a formidable obstacle to growth and development of the private sector,
- Uncertainties in regard to preparing and organizing the first genuinely free and democratic elections in a climate of heightened tension,
- Resumption of hostilities in the eastern part of the country, bringing grave humanitarian consequences,
- The global food and energy crises,
- The international financial crisis (the most serious since the Great Depression of 1929),
- The collapse of commodities prices and resultant contraction of government revenue,
- Lack of budgetary support since the 2006 suspension of the PRGF program, and
- Weak human and institutional capacities, particularly in the areas of statistics management, policy formulation, and the monitoring and evaluation of policy implementation.

All of these factors adversely affected the management of public finances and currency and weakened the macroeconomic framework with volatile swings in the inflation and exchange rates and a sharp decline in economic activity. Moreover, they delayed the program of reforms, leading to disappointing results under both the IMF staff monitoring program and sector projects and programs. In particular, public financial management continued to contend with an obsolete legal framework, opaque budgetary procedures, ineffective control mechanisms, and lax budgetary schedule.

The environment, then, was hardly conducive to the DRC's fully embracing and embarking upon an unprecedented task of the scope, complexity, and technical rigor involved in the preparation and implementation of the GPRSP.

Report methodology

The report on implementation of GPRSP was prepared during March 2010 through a participatory approach that involved various working groups conducting sector reviews in addition to an overall review. These working groups comprised close to 500 participants, including representatives of the Parliament, the Office of the President, the Prime Minister's office, the public administrations, social society organizations, the technical and financial partners (TFPs), the private sector, and the provincial governments.

The sectors identified in the GPRSP as priorities (health, education, and water and sanitation) and as having growth potential (agriculture and rural development) were reviewed separately. Civil society organizations also formed working groups to compile their assessments with respect to implementation of the GPRSP. The results of these evaluations were presented at the general review of the GPRSP on March 8 and 9, 2010.

The evaluation of the GPRS implementation basically addresses actions undertaken both under the priority action plan (PAP) and otherwise during 2009. Note that this report does not address the incidence of poverty. Given that no new 1-2-3 survey was conducted during implementation of the GPRS, it was not possible to update the poverty profile and identify trends. The government expects to launch the survey, with support from the TFPs, no later than October 2010, which will enable it to gather the information required to analyze poverty.

In addition, the DRC's development partners conducted a midterm assessment of the Country Assistance Framework. The conclusions of their evaluation were incorporated into this report.

Framework

The introduction to this report reviews the purpose of the report and the steps taken in formulating the GPRSP, and describes the context surrounding the preparation of the GPRSP and the methodology used to review the implementation of the GPRS. The remaining three chapters of the document address the principal pillars of the GPRS, macroeconomic policies, sector policies, and the monitoring and evaluation mechanism.

The first chapter reviews macroeconomic performance between January 2009 and March 2010, which demonstrated that domestic growth and price stability, brought about by rational, prudent budgetary and monetary policies, influenced poverty. This section also reviews sector budget allocations to highlight the quality of public expenditure, particularly in respect of the GPRS priorities.

The second chapter reviews sector policy results and trends in terms of improved social conditions for citizens.

The third chapter addresses the operation of the GPRS coordination structure and the monitoring and evaluation mechanisms.

The conclusion reviews the lessons learned from implementation of the GPRS and recommendations in terms of future challenges.

Chapter 1. ANALYSIS OF MACROECONOMIC PERFORMANCE AND EXPENDITURE

Introduction

One of the pillars of the war on poverty identified in the participatory consultations was the consolidation of macroeconomic stability and growth. It is important, then, to evaluate the results of the economic and financial policies implemented in the context of the GPRS. To that end, two macroeconomic stabilization programs were executed.

The first program covered the period from 2006 to November 2009 (independent IMF staff monitoring program), and was instituted in April 2006 following suspension of the PRGF program. The second program, supported by the Extended Credit Facility, was concluded in December 2009. Sector reforms were implemented in support of that program. The evaluation focuses on the results of macroeconomic policies conducted in 2009 and early 2010. The first part of this chapter examines macroeconomic performance, and the second reviews budget allocations by category and by GPRSP pillar and component.

1.1. Recent developments in the Congolese economy

The effects of the financial crisis continued to weigh heavily on the Congolese economy during 2009. The decline of mining exports, primarily in the first half, and their effects on the rest of the economy considerably dampened economic activity.

1.1.1. Economic activity and prices

In 2009, economic growth slowed in comparison with the previous year (6 percent) but was slightly above the established target. According to central bank (BCC) estimates based on end-December 2009 business surveys, real GDP growth was 2.8 percent compared to an objective of 2.7 percent, the result of a third-quarter recovery in the mining sector and spillover effects on the tertiary sector.

Inflation reached 53.4 percent, corresponding to an annual average of 46.1 percent, compared to a target of 48.7 percent. The indicative US dollar-Congolese franc exchange rate was 902.7 at end-December, representing a depreciation of 29.2 percent compared to the same period of 2008.

1.1.2. Public sector

The overall public sector financial situation improved from 2008 to 2009 despite the fact that not all external resources programmed were disbursed. Domestic revenue excluding [concession-related] bonuses fell, reflecting a drop in customs and petroleum receipts as a result of the international financial crisis. The government remained determined to control spending to maintain macroeconomic stability, despite increased security expenditures due to the worsened security situation in the eastern provinces and recently in the west. As a result,

the domestic budget deficit (cash basis) was -3.1 percent of GDP, compared to a projected surplus of 3.3 percent.

1.1.3. External sector

The Congolese economy withstood the effects of the international financial crisis in 2009, with a better overall external position in comparison to the previous year. The current account deficit, which increased sharply in 2008 to nearly 15.9 percent of GDP due to increased imports and the drop in prices of key commodity exports (particularly copper and cobalt during the second half of 2009), declined to about 12.9 percent of GDP in 2009. This reflects a substantial increase in emergency international aid, which enabled Congolese authorities to limit the impact of the financial crisis on the economy. Disbursement of the first tranche of funds under the Sino-Congolese arrangement also helped cushion the exogenous shock.

These positive developments and increased balance-of-payment support from the IMF, especially the general and special allocations of special drawing rights (SDR) totaling SDR 424.5 million (approximately US\$662.3 million) and disbursements under the Exogenous Shocks Facility and Extended Credit Facility, significantly increased international reserves in 2009, despite low levels observed in first quarter 2009. International reserves, which stood at US\$27.16 million on March 11, increased to US\$999.4 million, representing 9.1 weeks of nonaid imports.

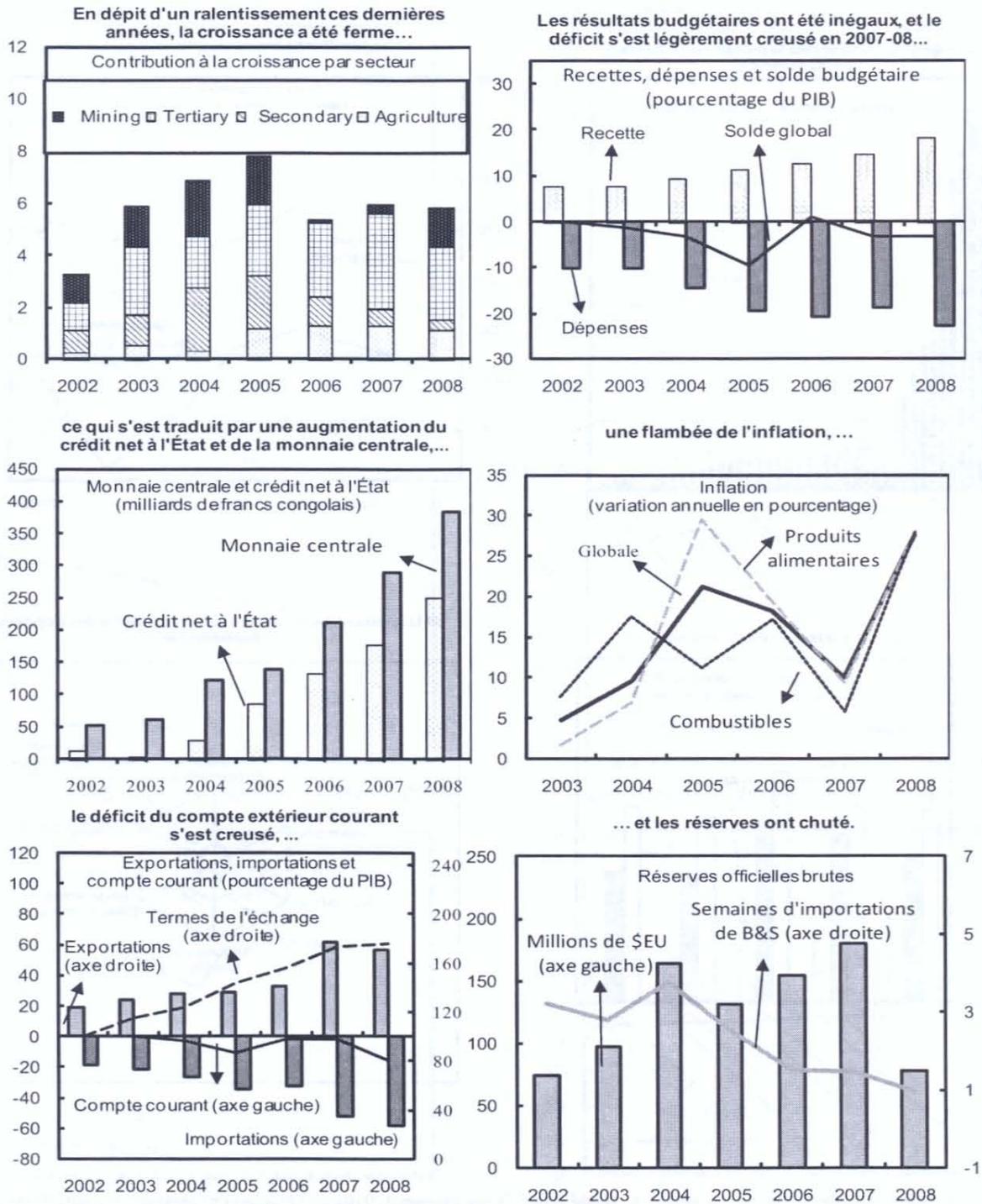
1.1.4. Monetary sector

The money supply expanded, due essentially to external contributions despite improvement of public finances. Of the 50.5 percent increase in comparison to the previous year, 66.1 percent was contributed by net domestic assets, despite a 26.3 percent decline in net credit to the government. The share of internal assets contributing to growth was also significant, at 33.4 percent including external financing disbursed in 2009, and allowed the BCC to execute currency market interventions totaling US\$124 million to control volatility. In addition, under its restrictive policy to limit deviations of inflation from the targeted 31.2 percent, the BCC modified the official rate three times in 2009 (in January and October) raising it from 40 percent at end-2008 to 55 percent, 65 percent, and 70 percent, and increase the required reserve ratio from 5 to 7 percent between January 2008 and October 2009.

1.1.5. Economic situation at end-March 2010

Macroeconomic developments at end-March 2010 were encouraging. Year-to-year inflation declined from close to 47.6 percent in February to 34.3 percent in March, and annualized inflation stood at 19.6 percent in March compared to 50.9 percent in February and an annual target of 15 percent. The Congolese franc (CDF) appreciated 1.6 percent against the US dollar, from CDF 921.1 at end-February to 906.3 at end-March. The lull in currency and goods and services markets allowed management of the treasury plan on a cash basis, resulting in a budget surplus at end-March 2010. Amid the relative stability, the BCC lowered the base rate on March 23 to 52 percent from 70 percent (in February) to reduce the positive spread.

Figure 1. DRC Economic Trends, 2002-2008



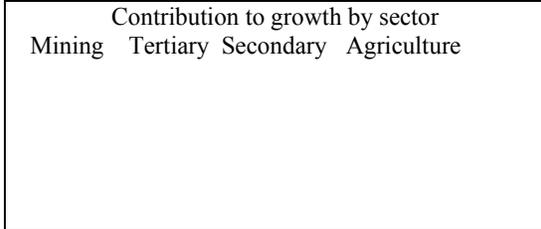
Sources : Autorités congolaises et estimations des services du FMI.

NDT: graphique 1 : Mines; Tertiaire; Secondaire; Agriculture.

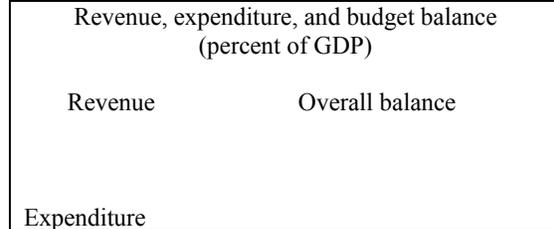
[Text of preceding tables]

Figure 1. DRC economic trends, 2002-2008

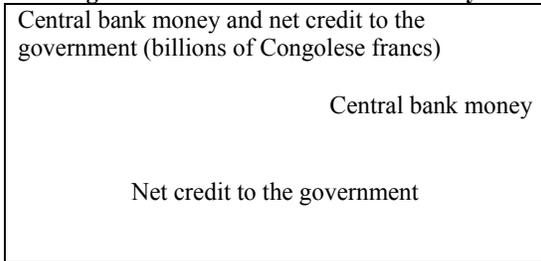
**Solid growth despite the slowdown
in recent years**



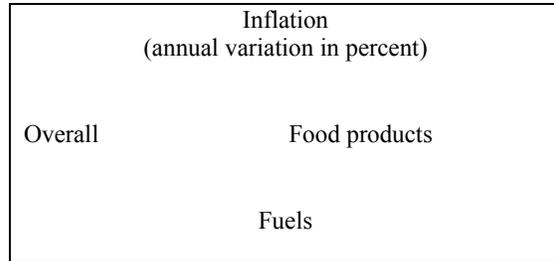
**Budget outturn was uneven and the deficit grew
slightly in 2007-08**



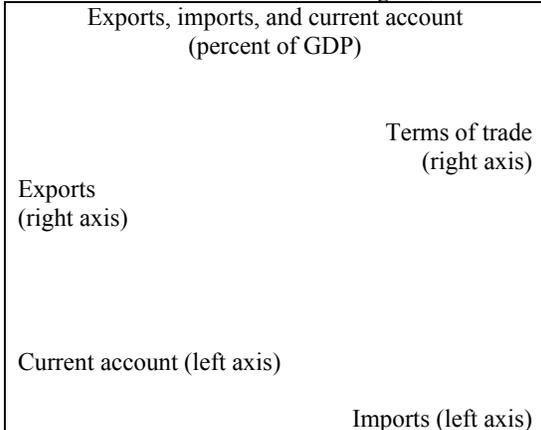
**which is reflected by an increase in net credit to
the government and central bank money ...**



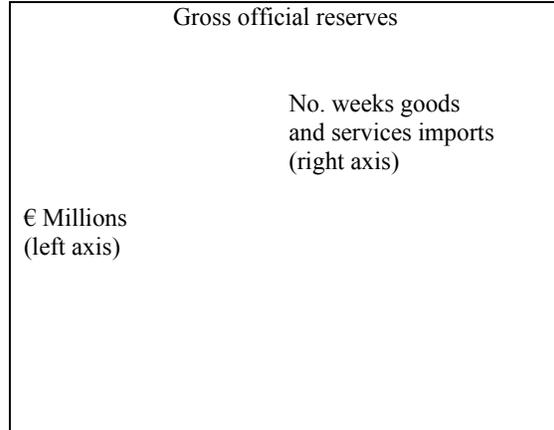
... skyrocketing inflation,...



the current account deficit grew, ...



... and reserves fell.



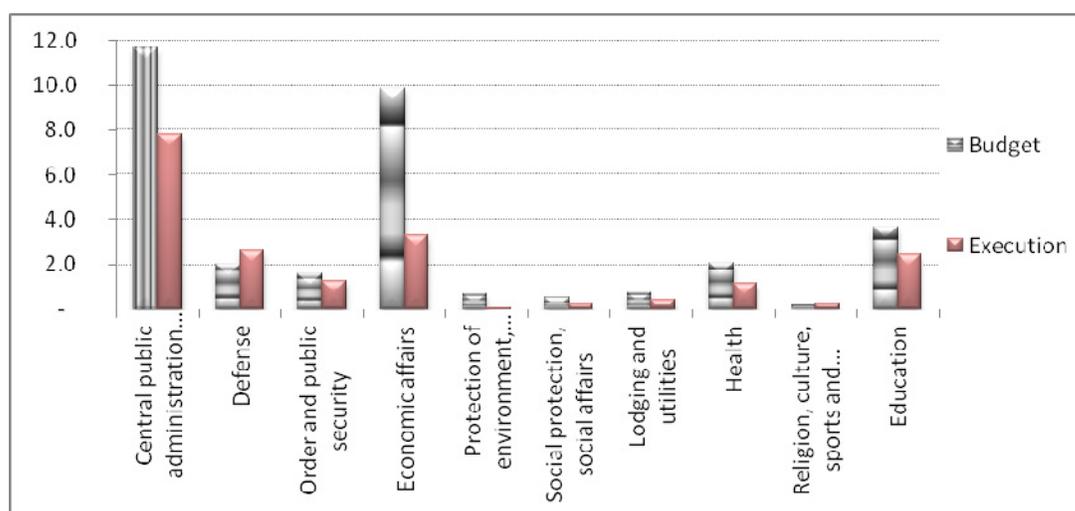
Sources: Congolese authorities and IMF estimates.

1.2. Expenditure analysis

1.2.1. Analysis of budget expenditure by category

Overall, the government budget execution rate was 63.2%. This under-execution represents an increase of 13 percent in comparison with the previous year. Compared to GDP, however, it represents a decrease of roughly 4 percentage points, largely explained by the decline in revenue produced by the international financial crisis, described in the above paragraph on macroeconomic performance, particularly in the public sector. The under-execution conceals the overrun in the “defense” function representing 0.6 percent of GDP, which was more than offset by under-consumption in all other functions except “religion, culture, sports, and recreation,” for which the impact of the global overrun was deemed minor. Note that the “Central public administration” and “national defense” functions alone absorb more than one-half of credit, compared to the two-fifths provided in the budget.

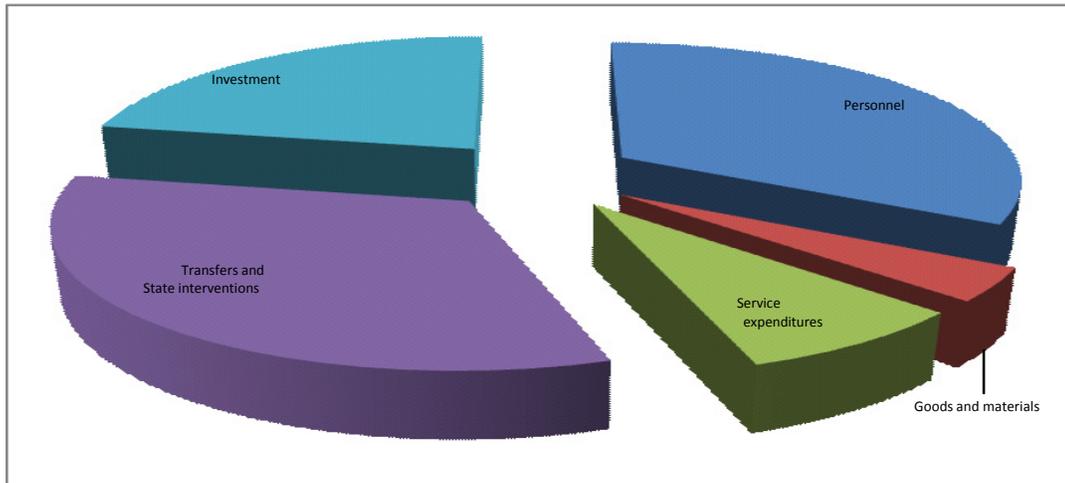
Figure 2. DRC - Budget composition by function, 2006-09
(As % of GDP)



Personnel expense in proportion to total primary expenditure decreased from 35.2 percent to 32.9 percent between 2008 and 2009. This demonstrates the government’s close attention to this item in economic programming, given that it can be a potential source of inflationary pressures in a context of limited capacity to mobilize domestic resources.

Current non-salary primary expenditure remained the largest item of public expenditure. This was due primarily to government transfers and interventions, which increased from 22.7 percent to 33.0 percent of primary expenditure between 2008 and 2009 following decentralization and transfers to revenue-collecting agencies. In contrast, the proportion of spending for goods and services declined sharply over the period, from 6.6 percent of primary expenditure in 2008 to 3.9 percent in 2009, well below the level needed to support effective functioning of public administrations.

Figure 3. DRC - Composition of primary expenditure by category, 2009



Public investment expenditure declined from 4.7 percent of GDP in 2008 to 4.3 percent in 2009. The overall share of these items in proportion to total primary expenditure remained stable at roughly 21 percent between 2008 and 2009. However, this ratio is clearly inadequate to meet the reconstruction objectives fixed by the government. At the same time, much of this investment is financed by external resources, which are not fully captured in the national budget. In other words, the above analysis underestimates public investment.

In 2009, repayment of principal represented 4.7 percent of total public expenditure, compared to 3.6 percent in 2008. Interest payments on the debt represented 3.1 percent of public expenditure in 2009, compared to 3.8 percent in 2008 and 9.8 percent in 2004. Total debt-related public expenditure represented 7.9 percent of GDP in 2009 compared to 7.4 percent in 2008. Public debt remains a significant burden for the government, representing 7 percent of total public expenditure in 2009, more than all health-related spending for the same year. It is essential, then, that the DRC achieve the HIPC Initiative completion point in order to free up additional fiscal headroom needed for a more active development policy.

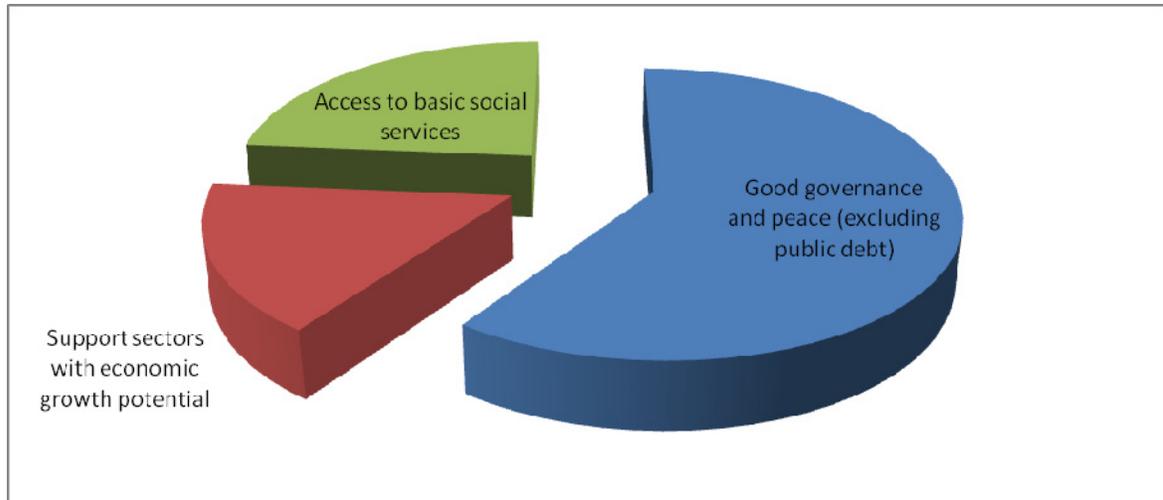
1.2.2. Public expenditure in relation to GPRSP priorities¹

The analysis of expenditure by pillar following Figure 4 below highlights the importance of the strategic pillar “Promoting good governance and peace.” Spending for this pillar represented roughly 60 percent of primary expenditure in 2009. This spending was bloated by increasing sovereignty and security expenditure relating to the conflict in eastern Congo, and recently in the West, and above all by transfers to the provinces and revenue-collecting

¹ The analysis of budget allocations to the various sectors of the national poverty reduction strategy required the preparation of a correspondence table to convert functional budget classifications to the thematic classifications used in the GPRSP. The table shows primary public expenditure for the period broken down by strategy pillar and sector. Certain approximations were unavoidable in re-classifying the functional categories by pillars and sectors. Also, since it was not possible to segregate expenditures for Pillar 4, “Combat HIV/AIDS,” from Pillar 5, “Local initiatives,” they are not presented in the analysis but are included in Pillar 2, “Support sectors with growth potential” and Pillar 3, “Promoting access to basic social services.”

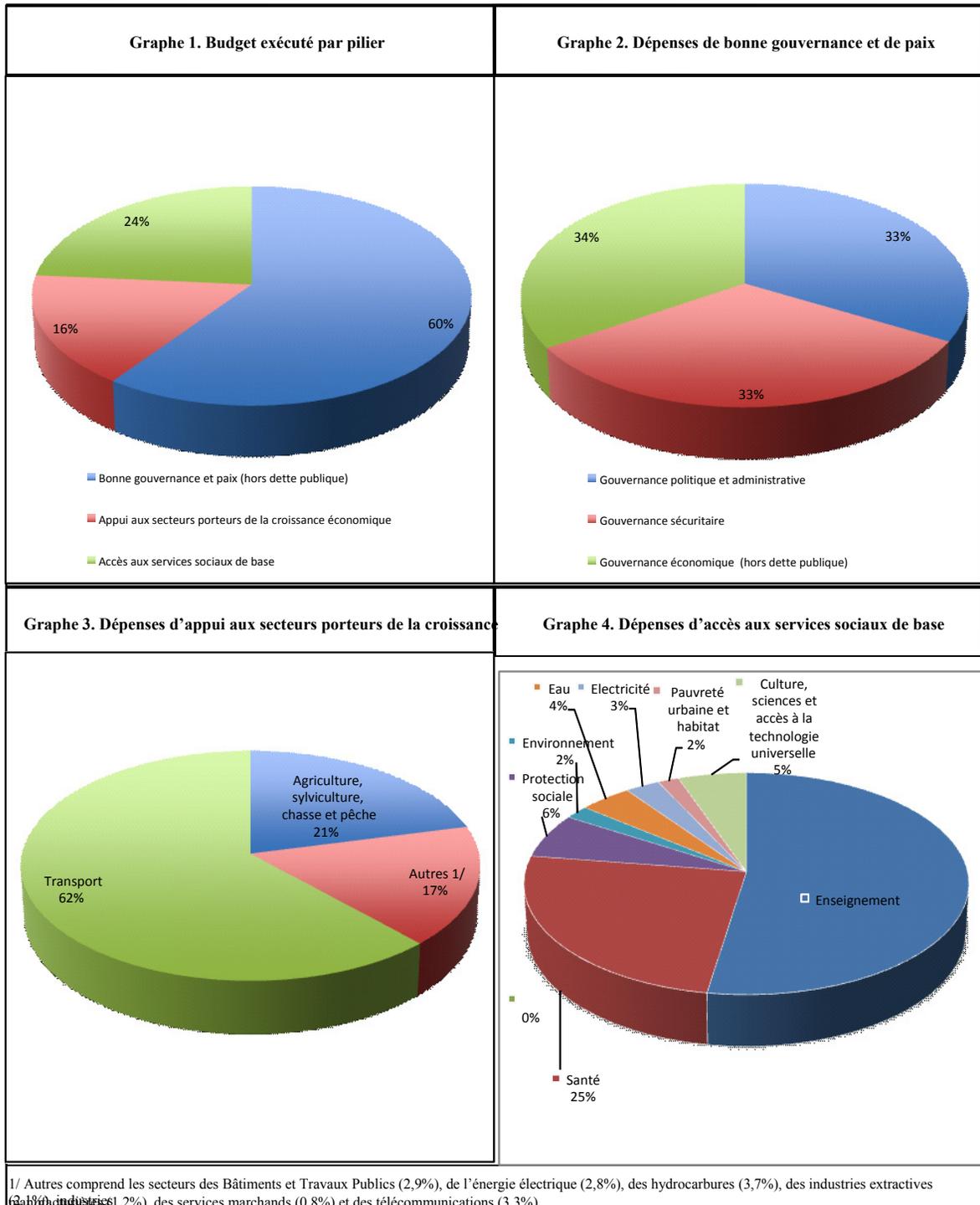
agencies. The predominance of this spending reflects the post-conflict context and the need to strengthen institutions and administrations and consolidate peace.

Figure 4. Budget execution by strategic pillar, 2006-09
(As % of primary expenditure)



The second most important pillar is Pillar 3, “Promote access to basic social services,” which declined slightly in proportion to total primary expenditure, from 24.9 percent in 2008 to 23.6 percent in 2009. Pillar 2, “Supporting sectors with growth potential,” increased from 16.2 percent in 2008 to 16.5 percent in 2009.

Figure 5. Composition of budget expenditures by strategic pillar, 2009



[Text of preceding pie charts]

Figure 5. Composition of budget expenditure by strategic pillar, 2009

<p>Graph 1. Budget executed by pillar</p> <p>[Key:]</p> <ul style="list-style-type: none"> Good governance and peace (excluding public debt) Support sectors with economic growth potential Access to basic social services 	<p>Graph 2. Expenditure supporting good governance and peace</p> <p>[Key:]</p> <ul style="list-style-type: none"> Political and administrative governance Security governance Economic governance (excluding public debt)
<p>Graph 3 Expenditure supporting sectors with growth potential</p> <p>[Key:]</p> <ul style="list-style-type: none"> Green: Transportation Blue: Agriculture, forestry, hunting, and fishing Red: Other 	<p>Graph 4. Expenditure supporting access to basic social services</p> <p>[Key, clockwise from lower left:]</p> <ul style="list-style-type: none"> Red: Health 25% Purple: Social protection 6% Turquoise: Environment 2% Gold: Water 4% Light blue: Electricity 3% Pink: Urban poverty and habitat 2% Green: Culture, science, and universal access to technology Blue: Education
<p>1/ Other includes the following sectors: building and public works (2.9%), electricity (2.8%), hydrocarbons (3.7%), extractive industries (2.1%), manufacturing industries (1.2%), public services (0.8%) and telecommunications (3.3%)</p>	

The above graphs confirm the substantial expenditures devoted to political, security, and administrative governance, totaling roughly two-thirds of primary expenditure for all of 2009. This increase could be explained by significant over-execution in 2009, close to 180 percent, relating to emergency security measures. Spending on economic governance (excluding debt) is also substantial in proportion to total primary expenditure following an execution rate of only 191.7 percent.

The sector-specific analyses clearly show that transportation, particularly road infrastructure, accounts for over one-half of spending for this pillar. However, the execution rate for this sector appears particularly low, with less than 30 percent of Pillar 2 expenditure executed in 2009. The next largest sector for this pillar is agriculture, although it represents only one-third the amount of transportation spending. Finally, the extractive industries, manufacturing, and building and public works (excluding roads) represent a small proportion of Pillar 2 expenditure.

Social expenditure (Pillar 3) declined relative to GDP, from 5.8 percent of GDP in 2008 to 4.6 percent of GDP in 2009, and its relative share in proportion to total primary expenditure declined over 2008-09. The largest sector of the pillar in terms of expenditure was education, which declined in proportion to total primary expenditure from 13.7 percent in 2008 to 12.4 percent in 2009. Despite a high execution rate, close to 74 percent, spending in this sector relative to GDP declined from 3.2 percent of GDP in 2008 to 2.4 percent in 2009. The second-largest social sector, health, was more stable relative to total primary expenditure, increasing 0.2 percentage points between 2008 and 2009. The execution rate in this sector was relatively weak, at 61.6 percent in 2009. The share of spending on other social sectors (social protection, environment, urban poverty and housing, and culture) was relatively marginal in terms of both GDP and total primary expenditure, remaining flat or declining slightly over the period. Given the crisis context, execution rates for these sectors varied widely and were generally low, particularly for social protection, the environment, and water.

1.3. Medium-term macroeconomic prospects

The government recognizes that continued, sustainable growth in a stable macroeconomic climate is essential to reducing poverty. The medium-term macroeconomic objectives remain in line with those agreed in the recent PRGF arrangement. Stated in quantitative terms, the objectives are: (i) reduce year-to-year inflation to 9 percent by end-2012; (ii) increase international reserves to 10 weeks of nonaid imports by end-2012; and (iii) achieve real GDP growth in the range of 6 percent per annum. To achieve these objectives, the government intends to reduce the domestic balance and refrain from central bank financing while increasing fiscal headroom to provide essential public goods. It will achieve this by implementing reforms to increase revenue and rationalizing and prioritizing public expenditure. Progress in the consolidation effort will strengthen the central bank's capacity to meet inflation objectives. The government will continue economic reforms to promote the private sector, the driver of the Congolese economy. These policy options were among the principal recommendations of the 2007 Article IV consultations. The government will also adjust the composition of expenditure to better serve the objective of reducing poverty.

Chapter 2. ACTIONS IMPLEMENTED

Introduction

We review below the record of reforms and projects implemented in an attempt to explain the decline of property. We should note, however, that it was not possible to undertake the task of establishing cause-and-effect relationships during implementation of the GPRS, for the following reasons:

- The sector ministries included a number of actions in the priority action plan (PAP) despite insufficient visibility in terms of feasibility studies and identification of confirmed sources of financing. Several actions reflected intentions expressed by partners or ministers for which the costs and execution time tables had not been determined;
- Certain TFPs preferred to execute the projects or activities they financed directly, with support from sector ministries or NGOs;
- The PAP and the budget were not reconciled in regard to executing the actions identified in the PAP. However, in order to provide a comprehensive view of the efforts undertaken to achieve the GPRS objectives, the report includes both PAP activities and non-PAP activities aligned with GPRS priorities.

2.1. Promoting good governance and consolidating peace through strengthened institutions

2.1.1. Security and judicial governance

a. Security

The government set itself the objective of consolidating national reunification and territorial administration; accelerating integration of the army, police, and security services; and ensuring the return and reintegration of displaced persons within and outside the country. Actions were taken to reestablish peace and the government's authority in the eastern and western provinces. The Goma peace accord (Amani Programme) signed on January 23, 2008 resulted in the cessation of hostilities with armed groups, assimilation of militiamen into the regular forces (*brassage*), and the gradual disengagement of various armed groups.

The government launched the joint Umoja Wetu (Our Unity) operation with Rwanda, which put down the CNDP rebellion and ended hostilities in the eastern part of the country. The Congolese army, with support from the UN peacekeeping mission (MONUC), initiated the Kimia I and II peace operations targeting the remaining pockets of armed groups. The effort continues today with Amani Leo. The assimilation, disarmament, demobilization, and integration of former CNDP combatants and other armed groups (Mayi Mayi, PARECO, etc.) continued under several government programs, including the program supported by several partners to pay ex-combatants US\$100 to surrender their arms. In parallel, several units were established and equipped at the the Kisangani, Kamina, and Ruberizi assimilation centers.

b. The judicial system

The government's policies in the administration of justice are based on reform, improving access to justice, promoting and protecting human rights, modernizing the legal framework, combating corruption and impunity, and strengthening human and institutional capacities.

The following actions were implemented or are in progress: (i) an organizational and institutional audit of the Ministry of Justice, resulting in modification of the ministry's structural framework; (ii) the drafting of the Constitutional Court act, which is pending adoption by the Parliament; (iii) construction in progress on a new courthouse in the context of the Governance Support Project (PAG); (iv) the organization of awareness-raising campaigns for hundreds of citizens and users of public services in the provinces of Kinshasa, South Kivu, Maniema, and Equateur; and (v) restructuring of the Conseil Supérieur de la Magistrature, the administrative body of the judicial branch.

Box 3. Strengthened judicial system infrastructures

To promote the sound administration of justice, infrastructures supporting the courts, prosecutors' offices, and penitentiary institutions were constructed or rehabilitated in the provinces of Kinshasa (the the Ndolo military prison and the commercial courts of Kinshasa/Gombe and Kinshasa Matete), Bas-Congo, Bandundu (the Prison du Cinquantenaire), North Kivu (the Beni magistrate's court and Goma military courthouse), South Kivu (Kalehe and Uvira magistrate's courts, the Uvira and Bukavu military courthouses), West Kasai, East Kasai, Orientale (the Aru, Mombasa, and Mahagi magistrate's courts), and Katanga (the Katanga commercial court). A number of them were equipped for operation.

c. Army

In February 2008, a roundtable on security reform was held in Kinshasa and attended by a number of bilateral partners. The roundtable produced the following recommendations:

- In the context of a new master plan, implementation of a Congolese coordinating unit to review contributions to army deterrence programs, MONUC retraining efforts, and the formation and equipping of general-purpose combat units;
- Rigorous control of personnel through biometric identification;
- Establishment of a rapid-response force capable of relieving the MONUC, securing the eastern part of the country, and performing the constitutional responsibilities incumbent on the army (implemented with financing from the Netherlands). This effort was undertaken in 2008, implementing the second phase of the strategic plan for reform of the army.

Regarding the military component of the master plan, the partners agreed to support the DRC in implementing a human resources management tool.

d. Police

With support from the TFPs, the Government continued the work of modernizing the Congolese National Police undertaken by the Joint Discussion Group on Reform and Reorganization of the Congolese National Police (GMRRR). These reforms resulted in: (i) the preliminary draft of a framework law, which has been submitted to the Parliament for adoption, and establishment of the Police Reform Monitoring Committee (CSRP); (ii)

construction and equipping of an office building for the finance, budget, data processing, and human resources departments; and (iii) collection of police force staffing data.

e. Sexual violence

The government is committed to eradicating sexual violence. The following actions were implemented: validation of the communication and prevention strategy document on sexual violence, meetings and advocacy actions among stakeholders in the fight against sexual violence, implementation of a sexual violence hotline, informational activities in regard to the law on sexual violence, and comprehensive care for victims of sexual violence.

2.1.2. Political and administrative governance

a. Public administration

The government's objective in this sector is to reorganize and modernize public services at all levels of the public administration by strengthening the institutional framework and human capacities and controlling staffing levels in the central and provincial governments. A draft legal framework for the public administration was prepared in 2009 and is awaiting adoption by the Council of Ministers. Also, in the interest of controlling civil service staffing, actions were implemented to compile a comprehensive register and ensure the conformity of employees and officials. Also, to reduce the average age and increase the efficiency of government agencies, the government processed the retirements of 3,741 government employees and officials nationwide during the period 2009-2010.

b. Local governance

The government's decentralization policy aims to: (i) allow citizens to participate in the public sphere and formulate development policies in the areas that concern them; (ii) refocus the central government mission on establishing major policy objectives; (iii) promote rapprochement between government and the governed; (iv) simplify administrative procedures and promote a participatory, inclusive culture to strengthen the development of decentralized administrative entities.

To further the process of decentralization, a single, consensus-based frame of reference, the Strategic Decentralization Implementation Framework (CSMOD), was established in June 2009. A gradual approach was adopted with respect to the principle of transferring 40 percent of national revenue and authority to the provinces. In particular regard to the transfer of authority, the functional institutions at this time are the provincial governments and assemblies.

With support from the TFPs, the government also took action to promote local leadership, accountability and skills in basic tools in the central and provincial administrations and decentralized agencies. The program to train provincial deputies, decentralized agency personnel, and civil society stakeholders in provincial and local planning processes continued in the provinces of Bandundu, Katanga, Maniema, and South Kivu. The government also conducted missions through the planning and budget ministries in 2009 to support the development of planning and programming tools (the PAP, macroeconomic framework, and medium-term sector expenditure frameworks) in all provinces, in cooperation with the World Bank and the United Nations Development Program (UNDP).

c. Elections

The proposed law establishing the organization and operations of the Independent National Electoral Commission and the proposed annexed to the electoral law establishing the distribution of seats were adopted.

2.1.3. Economic governance

a. Tax and customs revenue policies

Tax policy and tax and customs administrations. The government is committed to implementing an efficient, modern fiscal and customs policy. The proposed VAT law was approved by the government and submitted to the Parliament for adoption. At the same time, the government continued establishing tax centers in certain provinces. To improve security in the collection of customs revenue, the Customs and Excise Directorate (DGDA) improved information systems based on Asycuda++ by completing the migration from Asycuda 2.7 to Asycuda++ at the Eastern Kinshasa and Kinshasa airport offices. The results of the first signal test were conclusive. The Asycuda++ software was presented to all service providers at the inspection certification offices (BIVAC) on Friday, January 22, 2010, and the DGDA information center was officially launched on Tuesday, January 27, 2010. In addition, to strengthen the supervision and implementation of reforms, the Customs and Excise Office (OFIDA) was elevated by Executive Order (*Décret*) 09/43 of December 3, 2009 to an executive agency under the Ministry of Finance to become the DGDA. The proposed new customs code was also approved by the government on January 8, 2010 and submitted to the Parliament for review and adoption.

Taxation of the mining sector and streamlining of exemptions. The government intends to increase revenue by increasing mining sector contributions to domestic revenue and rationalizing exemptions. Strategic, specialized sector units, including a mining tax unit, were established within the DGDA Large Enterprise Department (DGE) on April 27, 2009. In regard to rationalizing exemptions, the government adopted the report of the commission charged with evaluating the tax incentives and exemptions provided under the Mining Code, the Investment Code and special agreements in March 2010. The report includes an action plan for implementing its recommendations.

b. Public financial management

Modernization of the public financial management system. The government recognizes the need to modernize public finances to ensure effective budget preparation and execution. To this end, a Strategic Plan for Public Finance Reform (PSRFP) was adopted by the government in March 2010. The plan includes three components: (i) the strategy framework document, which presents the government's strategic options in this area and serves as a convenient reference for the various stakeholders in order to better coordinate actions; (ii) a three-year action plan for reforms to be implemented in five areas: (a) budget planning and preparation, (b) the fiscal system, (c) expenditure management, (d) accounting and cash management, and (e) the system of controls, and (iii) indicative cost tables. The government strengthened the mechanism for coordinating and implementing public finance reforms by establishing the Steering Committee on Public Finance Reform (COREF) in August 2009.

Legal framework governing public financial management. The government adopted a proposed law on public finance in March 2010. The proposed public procurement code was adopted by the Parliament in April 2010 and is pending official publication; the implementing regulations have also been prepared and will be promulgated following publication of the code. Efforts are under way to revise the general public accounting regulations. The government has also begun to rationalize revenue nomenclature used by the Directorate of Administrative and State Revenue (DGRAD), anticipating forthcoming efforts to prepare and adopt a proposed law on revenue nomenclature recognized by the provinces in accordance with constitutional provisions.

Budgetary transparency, traceability of State financial operations, and control of wages and salaries. In February 2010, the manual on the budget process and public expenditure cycle was revised. The revision reflects the integration of emergency spending procedures in the expenditure cycle. For the provinces, the March 2010 validation of the provincial expenditure cycle manual established the standard for executing public expenditure. In regard to the accounting system, the Treasury Management and Payment Authorization Office (DTO) produced account balances through end-December 2009. The government improved the reliability of the Simplified Transitional Procedure implemented in July 2007. A roadmap was adopted to extend this automated procedure to all payroll items in all the provinces. Budget monitoring reports were produced on a regular basis, despite certain weaknesses in terms of reliability and completeness of information. The government is endeavoring to correct malfunctions that persist in the budget monitoring system. Similarly, the expenditure cycle was strengthened through the inclusion of payroll and public debt expenditure. In parallel, the government undertook actions to modernize the cycle by acquiring new hardware and more robust software. The government also intends to strengthen public financial control through the support of oversight entities. In this regard, plans are under way to establish a financial inspector's office and court of accounts.

c. Public debt management

The government is committed to pursuing a prudent borrowing policy to ensure that public debt is sustainable. Government actions focused on strengthening institutional and human capacities to manage debt and settling domestic debt. In this context, Executive Order 08/04 strengthening the central role of the Directorate of Public Debt (DGDP, the former Public Debt Management Office, OGEDEP) in managing public debt, was signed on February 28, 2008, and implementation of the related action plan adopted in May 2008 began with the launch of data collection efforts and informational activities. The DGDP also collected data on public debt in Kinshasa and the provinces for the purpose of centralization.

In October 9, the government amended the cooperation agreement with a consortium of Chinese enterprises to ensure that its terms were compatible with the imperatives of debt sustainability. The accord provided sovereign guaranteed financing for project infrastructures totaling US\$3 billion. The debt contracted to finance the project will be repaid from profits of the joint venture formed by Congolese public enterprise GECAMINES and the Chinese enterprises. The sovereign guarantee would be executed only if the joint venture fails to repay the full amount of the debt within the first 25 years of the joint venture, or 2034. In this context, the government believes that the cooperative agreement contributes to the objective of debt sustainability and incorporates the level of concessionality required to ensure debt sustainability.

The government is normalizing relationships with all its creditors. On February 25, 2010, the government concluded the eleventh rescheduling arrangements with Paris Club creditors following approval of the new PRGF arrangement on December 11, 2009. Once the HIPC Initiative completion point is reached, the authorities will open bilateral negotiations with each of the Paris Club, non-Paris Club and Kinshasa Club creditors. The Paris Club secretariat will provide the DRC with an ex ante valuation of the amount owed to each creditor prior to the conclusion of bilateral negotiations. In addition, the World Bank has provided a grant to the DRC to support repayment of its London Club commercial debt.

d. Restructuring the national statistics apparatus

The government identified statistics as a priority area of strengthening to improve policy formulation and monitoring. To this end, the government strengthened the capacity of the National Institute of Statistics (INS) by converting it to a public institution with separate legal status. Currently, the production and use of statistics in the DRC are governed by Executive Order 10/05 of February 11, 2010 on the National Statistics System (SSN). In addition, the INS has made its DEVINFO human development database available online through its website.

e. Promoting the private sector

Actions to promote the public sector proceeded in [four] directions, reforming public enterprises, reviving the business climate, employment, and reforming the financial system.

- **Reform of public enterprises**

The actions taken in 2009 consisted of: (i) implementation of four laws reforming public enterprises² enacted in July 2008; (ii) the implementation of management contracts to stabilize the technical and financial activities of the National Transportation Office (ONATRA), the Congolese national railroad company (SNCC), and the National Aviation Administration (RVA); and (iii) transfer of customs-related activities from the Ministry of Trade Inspection Office (Office Congolais de Contrôle) to OFIDA (now the DGDA).

- **Business climate**

Actions in regard to the business climate included establishing commercial courts in Kinshasa and Lubumbashi, ratifying the OHADA Treaty, and equipping the national arbitration center and national mediation center with computer hardware and furnishings. Measures were also implemented to streamline the process of creating enterprises.

To protect the financial sector from instability in regard to funds of doubtful origin, a financial reporting and anti-money laundering and terrorism financing unit was created and put in operation in October 2009.

- **Employment**

² The laws concerned the conversion of public enterprises, the organization and operation of public institutions, privatization of government-owned enterprises, and the organization and management of public enterprises.

The 2009-2010 PAP identified two programs to stimulate employment: (i) support for formulation of the national policy on employment and professional training and jobs for youths; and (ii) strengthened institutional capacities and human resources development. In regard to the first program, a proposed national policy on employment and professional training was drawn up in 2009 with support from the International Labour Organization. The document was validated in March 2010 by committees formed in connection with the thematic group.

In regard to strengthening the capacities of ministry and legislative secretariats and the Office of the Labor Inspector (IGT), an information requirements questionnaire was drawn up and administered in February 2010. In order to improve the quality of employment-related information in the DRC, the National Employment Office (ONEM) implemented a registration system for the jobless. The database includes 60,000 individuals seeking employment at this date. In March 2010, ONEM began issuing biometric cards to registrants. In the same vein, the Better Job Market Management through Effective Data Processing (PIEGMA) program was implemented in February 2010, and the Employment and Professional Training Observatory was also created.

Box 4. The PIEGMA Program

The Better Job Market Management through Effective Data Processing (PIEGMA) program is charged with: (i) producing indicators on job opportunities and training by implementing a mechanism to monitor graduates and other categories of job seekers in the labor market; (ii) publishing key market indicators; (iii) periodically conducting surveys by compiling censuses, lists of occupations and similar tools to determine labor needs by qualification in the national economy; and (iv) preparing job descriptions that specify the required skills, conditions of access, and other terms relevant to each position to provide the job market with adequate information on job opportunities.

- **Financial system reform**

To improve access to financing and strengthen the financial sector's role in reviving the national economy, the standards and criteria for supervision of commercial banks were strengthened. In July 2009, the BCC published statements of financial affairs for the two public banks in liquidation (Nouvelle Banque de Kinshasa and Banque de Cr dit Agricole). In 2008 and 2009, the government approved charters of private banks and micro-finance institutions, thereby increasing the number of banks in the country and the level of financial intermediation. In June 2009, a strategy was adopted to reorganize the BCC, streamline its operations, and reduce its operating deficit. Actions to modernize the BCC and introduced new liquidity management instruments are continuing.

2.2. Policies supporting economic growth

2.2.1. Agriculture and rural development

The government's objective in this sector is to restore a level of agricultural production to meet the nutritional needs of the entire population, and restore the bases of social cohesion so as to ensure sustainable peace and stability in the country. To this end, the Government undertook institutional reforms of the Ministry of Agriculture and conducted a preliminary institutional assessment; and developed a proposal for restructuring the Ministry of Rural Development; and adopted a harmonized strategy for the agriculture and rural development sector.

To support agricultural production,³ improved seeds were distributed and rural producers were provided with training; these actions served to improve crop production and stabilize prices. The physical achievements during implementation of the GPRSP include: (i) 10,317 kilometers of rural roads rehabilitated and 7,500 kilometers of rural roads being maintained with financing from the Kingdom of Belgium; (ii) 120 kilometers of rivers and streams improved; (iii) buoys installed in 40 kilometers of waterways with government financing; (iv) three National Seed Service (SENASA) laboratories rehabilitated; (v) 32 sources of drinking water provided; (vi) four animal containment areas with paddocks and water troughs; and (vii) 94 markets and storage facilities are being constructed with financing from the African Development Bank in the provinces of Katanga, East Kasai, West Kasai, Bandundu, and Bas-Congo.

In addition, 702 tractors and 30 cultivators were acquired and sent to all provinces and selected National Institute for Agronomy Research (INERA) stations. Also noteworthy are the purchase of 85 pair of draught animals and training of 125 pair of show animals and 410 pair of farm animals. These actions served to maintain the agriculture and rural development sector share in GDP at roughly 3 percent.

Despite the above outcomes, the agriculture and rural development sector continues to face significant challenges in terms of access to markets and credit, particularly for investments; access to technology and quality plant products; access to land and land management; and labor availability and productivity.

2.2.2. Forest and the environment

The government's policy in regard to forests is to rehabilitate the sector and promote sustainable management of flora and fauna to increase their contribution to the economic, social, and cultural development of present and future generations.

To this end, the Government established the following objectives: (i) combat desertification through sustainable management of lands and forests, (ii) promote awareness of forest laws; (iii) reduce emissions due to deforestation and degradation, (iv) improve the forest management information system, (v) strengthen the capacities of the ministry and its agencies, and (vi) administer a national action plan to adapt to climate change.

The government finalized the majority (some 30 of 42) of the implementing regulations under the forest code in 2009. At the same time, it strengthened commercial services and support to the Sustainable Land and Forest Management Board by establishing a national committee on forest and land degradation. Civil society stakeholders supported a number of local communities in concluding terms of reference for monitoring of forest management plans. To support implementation of the forest code, seminars and consultations were arranged as part of the participatory zoning process in the provinces of Equateur, Bandundu, and Orientale.

³ Plans implemented in the context of restoring agricultural production and integrating and organizing rural production areas: the Emergency Multi-Sector Infrastructure Rehabilitation and Reconstruction Program (PMURR), the Agriculture and Rural Sector Rehabilitation Project in Katanga, West Kasai and East Kasai Provinces (PRESAR), the Agriculture and Rural Sector Rehabilitation Support Project in Bandundu and Bas-Congo Provinces (PARSAR), the Lake Tanganyika Integrated Regional Development Program (PRODAP), the Program in Support of Community Development Initiatives (PAIDECO), the Orientale Province Agricultural Recovery Program (PRAPO), the Equateur Province Agricultural Recovery Program (PRAPE), and the Emergency Social Action Plan (PASU).

Informational campaigns about the forest code were also conducted through the provincial administrative centers, with support from the United Nations Food and Agriculture Organization (FAO).

Monitoring to reduce emissions due to deforestation and degradation commenced in 2009 and continues, and the report on country preparation for this effort was finalized. A statistical forest information database was also created to strengthen the forest management information system.

In regard to strengthening the institutional capacities of the ministry and its agencies, selected staff were trained in data collection and monitoring activities concerning protected areas under the National Forest and Nature Conservation Project (PNFOCO).⁴ Additional technical office staff received training in forest oversight and management, land management, and biodiversity in the DRC and abroad (in China, Sweden, France, and Spain). Also noteworthy in connection with the World Bank Forest and Nature Conservation Project (PFCN) is a project being executed with funding from the German Agency for Technical Cooperation (GTZ) to provide institutional strengthening for the Congolese Nature Conservation Institute (ICCN).

In the area of adaptation to climate change, the government developed profiles of projects supporting recovery of the agricultural and rural sector in the context of its initiative on “environmental awareness for the agricultural and rural population.” The project, an effort to raise awareness of cultural practices found harmful to biodiversity, is being carried out in the Bas-Congo and Bandundu provinces.

2.2.3. Mines and hydrocarbons

In the mining subsector, the strategy adopted by the government during implementation of the GPRSP sought to increase the subsector contribution to economic growth. The government’s growth policy was built upon three pillars, promoting private capital, restoring production, and improving management.

To promote private capital, the government conducted informational and awareness-raising activities relating to the Mining Code and regulations and finalized the organizational and financial audits of the mining rights administrator (Cadastre Minier, CAMI). Workshops were organized in 2009, and the resultant recommendations are being incorporated into the Mining Code in connection with the mining promotion project (PROMINES). To support mining production, the Small-Scale Mining Support Department (SAESSCAM) was strengthened in its support and oversight role vis-à-vis small-scale operators, resulting in the deployment of provincial offices in the East and West Kasai, Katanga, and North and South Kivu.

To strengthen the capacities of sector enterprises, mining companies and related services were restructured, including (i) the state-owned mining company, GECAMINES, (ii) the Kilo Moto Gold Mining Office (OKIMO), and (iii) the Expertise, Evaluation, and Certification Center (CEEC). Additional entities are in the reorganization process. In addition, most of the mining contracts revisited were renegotiated. Also, in regard to implementing the principles of the Extractive Industries Transparency Initiative (ITIE), the first report for 2007 was produced in 2009 and is pending validation by an independent consultant.

⁴ The PNFOCO budget of US\$64 million is financed by the World Bank.

Nevertheless, the sector continues to face major challenges: (i) lack of funds to finalize the deployment of SAESSCAN and CAMI, (ii) encouraging and promoting microcredit for artisanal operators and continuing informational activities in connection with the Mining Code, (iii) infrequent payment of agreed bonuses to ministry agencies, and (iv) lack of transparency on the part of certain companies in reporting revenues and payments to the government.

In the hydrocarbon subsector, the government intends to leverage petroleum and gas reserves to make the DRC one of the largest African producers. This effort will rely on: (i) reducing the risk of gas production, (ii) reducing the energy deficit in the eastern sub-region, and (iii) drafting the petroleum code.

In connection with reducing gas production risks, the government implemented an experimental, artificial lake degassing mechanism at the Gulf of Kabuno during 2009, pending complete degassing of the lake.

To offset the energy deficit in the eastern sub-region, the government signed a memorandum of understanding with private partners to produce methane gas. A joint Congolese-Rwandan entity was created to exploit the gas and produce electricity in North and South Kivu. The government also prepared a proposed hydrocarbon code and presented it to the Parliament in 2009 for adoption.

2.2.4. Energy

The initiatives in this sector primarily concerned the production and distribution of electricity. The government's aim is to increase access to reliable energy for all communities in all segments of society to increase coverage from 6 percent to 12.5 percent by 2015, in line with the MDGs, 60 percent by 2025, and ultimately to the entire national territory.

To this end, the government's actions focused on (i) improving the sector institutional and regulatory framework, (ii) investments to improve reliability, (iii) rehabilitation of existing infrastructures, (iv) development of new infrastructures, and (v) construction of distribution networks associated with the production centers.

The African Development Bank has arranged US\$15 million in financing to conduct reliability studies for development of the Inga site and related interconnections. A new electricity code was validated by stakeholders in 2009. An Energy Information System (SIE) was created to publish up to date information on the DRC's energy situation by June 2010.

Also, in connection with the PMEDE and SAPMP projects,⁵ the government undertook a large-scale investment program enabling it to implement and complete the following actions in 2009: (i) rehabilitation of the Inga plant, including Group 3, (ii) acquiring a Francis turbine runner for Inga 2B, (iii) completing a rehabilitation study for the Zongo plant, and (iv) installing a 500 KVA floating hydropower plant at Kananga.

⁵ The Domestic Electricity Markets for Consumption and Export Project (PMEDE) and the Southern Africa Power Market Project (SAPMP) are jointly financed for US\$900 million by the World Bank, the European Investment Bank, and the African Development Bank.

2.2.5. Transportation infrastructure

With support from the development partners,⁶ 22,900.60 kilometers of roads were completed of a planned 20,352.05, representing 113 percent of the objective. The principal actions related to modernization, rehabilitation, re-opening of unpaved and rural roads, and large-scale infrastructure maintenance.

Box 5. Selected highway infrastructure actions

A number of roads were rehabilitated during the last 12 months or are in the process of construction. These include the Kenge-Kikwit, Lubumbashi-Kasumbalesa, Beni-Kisangani, and Mbandaka-Bikoro segments. Rehabilitation work was also begun on the Bukavu-Kavumu, Kamituga-Kasongo, Kisangani-Banalia-Buta-Bunduki and Lisala-Bumba-Bunduki segments and is well under way at this time. Work is beginning on the Ilebo-Kananga, Kikwit-Tshikapa-Kananga-MbujiMayi-Kabinda-Kasongo, Uvira-Fizi-Kalemie-Pweto-Kasomeno, Beni-Lubero-Rutshuru-Goma, and Niania-Isiro roads. Travel times and costs of road transportation have declined significantly. Also, to complement the rehabilitation efforts on agricultural feeder roads, 20 ferries were built or rehabilitated and deployed in Bandundu, Equateur, and East and West Kasai.

In the railroad sector, repairs were completed on a number of arteries in the city and province of Kinshasa. Additional projects under way aim to rehabilitate 300 kilometers of railroad track in the capital. The National Highway Maintenance Fund (FONER) also began operations.

In regard to airport infrastructures, work began on the runway and main pavilion of the N'djili Airport.

The following table summarizes achievements in the highway sector.

Table 1. Summary of highway sector outcomes

Description	Planned (in Km)	Completed (in Km)	%
General-purpose roads	10,793.6	5,000	46
- Paid from own funds	438	158	36
- Paid with external funds *	10,355.6	4,842	47
Urban railways	158.45	83.9	53
- Paid from own funds	107.25	58	54
- Paid with external funds*	51.20	25.9	51
Rural roads	9,400	17,817	190
- Paid from own funds	-	-	-
- Paid with external funds	9,400	17,817	190
TOTAL	20,352.05	22,900.9	113

Source: Calculations based on information obtained from the Agricultural Feeder Roads Department (DVDA), the Highway Authority (ODR), the Road Network and Drainage Authority (OVD), and the Large-Scale Works Agency (AGT).

* includes the Sino-Congolese program.

Box 6. Social and economic impacts of highway infrastructure works

Since the completion of rehabilitation work on State Route 4 (RN4) between Kisangani and Beni (in north Kivu), the resumption highway traffic has eclipsed the airplanes which until then had transported most goods in this part of the area, located in the eastern part of the Democratic Republic of Congo (DRC). In the center of Butembo, mattresses

⁶ The main partners involved in this sector are the African Development Bank, through PARSAR; the Kingdom of Belgium; and the World Bank, through PMURR.

wrapped in plastic, baskets full of onions, garlic, and assorted commodities are strewn along the stadium avenue. Amid the chaos, warehouse workers load sacks of beans onto heavy vehicles, each labeled “Kisangani Express.”

“There is always a vehicle to be loaded. That’s how we earn a living here,” said Bamimbi Vumi, a loader, straining to catch his breath. A makeshift parking lot was set up in late 2008, just beside the branch office of the largest ground transport company that transports passengers and goods between Butembo and Kisangani. Just months ago, only a few passengers would jostle one another to board vehicles and travel the 900 km that separates the two cities.

Air carriers losing market share

Before the road was rehabilitated, most passengers and goods travelled by air. Air carriers ruled. But demand for air transport has been in freefall since the completion of the road, for which the World Bank provided US\$55 million in financing through the Emergency Economic and Social Reunification Support Project (PUSPRES). A visit to the empty hangars of the few airline companies that still resist the arrival of vehicles reveals the effects of the competition. “Vehicle operators in Kisangani are really killing our business,” complained Dominique Mbavumoja, branch manager for Mango Airlines, a local operator. “We are on the verge of folding, but are thinking up strategies to retain our clients.”

Of the 13 airline companies operating between 2000 and 2005, only three are still trying to stay afloat. “What do you expect? Clients see where their interests lie. And besides, our government banned Antonov flights some time ago,” said Pascal Karungu, vice-president of the Drivers’ Association of Congo (ACCO). In his view, air transport “benefited foreign pilots more than anyone, but now it’s our drivers who are profiting.” “We used to charge US\$1.4 per kilo, but the truck drivers came along and lowered the price to US\$0.5 per kilo. Some even go as low as US\$0.25,” said Muyisa Kambine, head of marketing for Galaxie Kavatsi airline. “Before the truckers came along, we handled between 150 and 200 tons of goods per month through Kisangani. Now it’s around 29 metric tons,” said Dominique Mbafumoya, bitterly.

Source: *World Bank document.*

2.2.6. Industry

The government’s objective is to make the industrial sector competitive, create jobs, and fully integrate the sector in regional and international trade.

To date, the Ministry of Industry has issued the first draft of the Industrial Policy and Strategy Document (DPSI), which is pending adoption and implementation, and prepared action plans for agro-industry and construction materials, the priority segments.

In regard to management and oversight of legal standards of measurement in the DRC, 217 standards were adopted in agrifood (134 standards), units of measurement (13 standards), common cements (11 standards), wood (13 standards), steel (54 standards), and compliance assessment (one standard). A preliminary proposed law on standards of measurement was validated by an inter-ministerial commission and is pending adoption by the Council of Ministers. The government began construction of the Orientale Province cement plant, completed a study on pilot agrifood plants in Kalemie, North Kivu and Bas-Congo, and established a representational office for the Bas-Congo - Kinshasa development corridor. It also presented and defended before Parliament a proposed law to preserve national industry; promulgation of the law, establishment of the regulatory authority, and the choice of N’sele as the initial site for the proposed Special Economic Zones.

2.2.7. Trade

The government contracted a trade integration assessment with support from the World Bank in order to compile the information on which to base its trade policy and global strategy to support trade. The preliminary conclusions of the study were made public at a conference in February 2010.

2.3. Improved access to basic social services and reduced vulnerability

2.3.1. Education

The government's policy for this sector is to develop an inclusive, effective educational system to promote economic growth, combat poverty, and promote peace and active, democratic citizenship. The government's objective was to raise the primary school enrollment rate from 64.1 percent to 80 percent during 2006-2008. This policy was implemented by strengthening leadership in the educational system, expanding access, and improving equity and quality at all educational levels.

A strategic framework for tuition-free primary, secondary, and professional education was developed, and the primary, secondary, and professional education strategy was adopted. Under the social component of the PMURR, financed by the World Bank, 140 schools were rehabilitated. As part of the Emergency Social Action Project (PASU) funded by the Social Fund of the Democratic Republic of the Congo (FSRDC) and TFPs, the government issued educational kits to primary school teachers and students and provided teacher guides to supplement reading and mathematics textbooks during 2006-2009. Also, with financing from the World Bank and the Belgian Technical Cooperation (BTC), textbooks were provided for primary school students.

As a result of these actions, the gross primary school enrollment rate increased from 64.1 percent in 2006 to 84.3 percent in 2008, compared to 80 percent projected in 2005. However, enormous challenges remain in regard to meeting the constitutional standard of universal, tuition-free primary education and achieving the MDGs.

2.3.2. Health

The government's policy in this sector is to provide access to quality healthcare for all citizens, particularly vulnerable groups, and combat major epidemics and communicable diseases. The expected outcome of this objective is a reduction in the infant mortality rate from 126 per 1,000 live births in 2001 to 89 in 2008, and reduction of the maternal mortality rate from 1,289 to 944 per 100,000 births over the same period.

To achieve these outcomes, the government took the following actions:⁷ (i) adopted transitional measures to support the decentralization process, (ii) prepared health sector facility inventories, a demographic and health survey (EDS), and a survey of the capacity of training establishments nationwide to generate data for the national policy review, rolled out the National Health Development Program (PNDS), and updated the Health System Strengthening Strategy (SRSS) and national health map (*carte sanitaire*), (iii) in connection with reform of the public administration, conducted an institutional audit with support from the WHO, and (iv) revised and disseminated health standards and directives.

⁷ These actions were carried out with technical and/or financial support from the following development partners: the World Bank Health Sector Reform Project (PARSS), the World Health Organization (WHO), the Japan International Cooperation Agency, the United Nations Children's Fund, the United Nations Population Fund, the Global Fund, the United States Agency for International Development (USAID) AXxes project, the 9th European Development Fund Health Program (PS9FED), GAVI, the GTZ, and the Belgian Intermediate and Central Health System Support (ASNIC) and Intermediate and Peripheral Health System Support (ASNIP) projects.

In addition to regulatory actions, several initiatives targeted illnesses and disease: (i) the polio vaccination campaign and distribution of vitamin A and mebendazole to improve child health; (ii) a campaign to distribute insecticide-treated mosquito nets; and (iii) the vaccination of 2 million infants under age one with financial support from GAVI and UNICEF.

In December 2009, the government began construction work on a large 500-bed hospital in Kinshasa.

Several additional actions produced the following outcomes: (i) the under-five mortality rate declined over the reporting period from 172 to 165 per thousand, and thereafter to 148 per thousand; (ii) the neonatal mortality rate stabilized at roughly 38 per thousand; and (iii) the BCG vaccination coverage rate increased from 53 to 72 percent, DTP3 from 30 to 45 percent, Polio 3 from 42 to 46 percent, and the proportion of children who have completed the recommended vaccines increased from 23 to 31 percent.

2.3.3. Water and sanitation

The government's objective is to increase drinking water coverage from 22 percent in 2005 to 26.9 percent in 2008, with the aim of reaching 40 percent by 2015. The efforts to reach this objective will include: (i) strengthening and developing drinking water supply systems and restoring the capacities of the Water Distribution Authority (REGIDESO); (ii) rehabilitating existing infrastructures; (iii) drilling wells and collecting water from rural sources; (iv) improving management of water supply facilities; and (v) rehabilitating sewage lines in large cities.

The following actions⁸ were taken in regard to urban and rural drinking water supplies: (i) delivery of drinking water to several neighborhoods bordering East Kinshasa; (ii) construction of 19 wells, 14 in Kabalo and five in neighborhoods outside East Kinshasa; (iii) rehabilitation of a water collection facility at the Lukaya water treatment plant; (iv) rehabilitation of N'djili water collection facilities; (v) construction of a second module at the Boma collection plant and rehabilitation of the Kinshasa training center, maintenance shop, and central lab; and (vi) rehabilitation of secondary and tertiary networks in 10 communes of Kinshasa. Out of 32 projects identified, seven were completed for a cost evaluated at US\$423 million compared to US\$428 million, representing a financial execution rate of 99 percent.

The government actions served to increase access to drinking water to a rate currently estimated at 27 percent.

However, a number of difficulties were encountered in implementing actions in this sector:

- lack of a water and sanitation sector development strategy;
- weak progress in legal and institutional sector reforms;
- nonalignment of several actions planned in the government budget;
- insufficient financial resources to make use of investments (government counterpart for implementation of projects financed by external partners);

⁸ The following partners provided support in the water and sanitation sector: the World Bank, the African Development Bank, the European Union, UNICEF, the German Development Cooperation (KFW Development Bank), and Belgian Development Cooperation / Belgian Export Financing (FINEXPO), in connection with the Emergency Urban and Social Rehabilitation Project (PURUS), the Urban Water Supply Project (PEMU), the Multi-Sector Socioeconomic Infrastructure Rehabilitation Project (PMURIS), the Peri-Urban Water Supply and Sanitation Project (PEASU), PMURR, and others.

- weak alignment of external financing with government priorities; and
- weak technical and financial capacities of local enterprises to carry out works.

2.3.4. Social protection

The government's objective in this sector is to improve living conditions for vulnerable groups, women and children in difficulty, persons living with handicaps, the elderly, and displaced persons and/or refugees. To achieve its objectives, the government conducted informational and awareness campaigns regarding the social protection strategy, community development, and creation of wealth adapted to the situation of target groups.

The principal actions implemented were: (i) adoption and publication of the child protection law; (ii) provincial consultations and development of a document on child protection in case of divorce or family separation; (iii) the removal of 12,000 children working in mines; (iv) reintegration of 570 youths affected by the war; (v) the adoption of policies and a national action plan on orphans and vulnerable children; (vi) a census of street children in Kinshasa, estimated to number 14,000; and (vii) the development of training modules for social workers and capacity-strengthening activities for 130 social workers in four provinces (Kinshasa, East Kasai, Katanga, and Bandundu).

2.4. The fight against HIV/AIDS (one of the GPRS pillars)

The government's policy is to: (i) prevent the transmission of HIV; (ii) improve the quality of life for persons living with HIV; (iii) mitigate the impact of AIDS on the community; and (iv) strengthen coordination, monitoring, and evaluation at all levels.

The actions taken to achieve these results concerned preventing and treating HIV/AIDS, attenuating the socioeconomic impact of HIV/AIDS, and strengthening coordination and monitoring-evaluation actions in the fight against HIV/AIDS.

2.4.1. Preventing and stabilizing HIV and STI transmission

This component was central to the government's efforts. Awareness and mobilization campaigns were conducted to encourage communities to change behaviors relating to vulnerability factors. These included informal educational talks and activities to promote STI services, voluntary counseling and screening, and the use of condoms by specific vulnerable populations (sex workers, persons living with HIV, men in uniform, transport workers, miners, truck farmers, etc.).

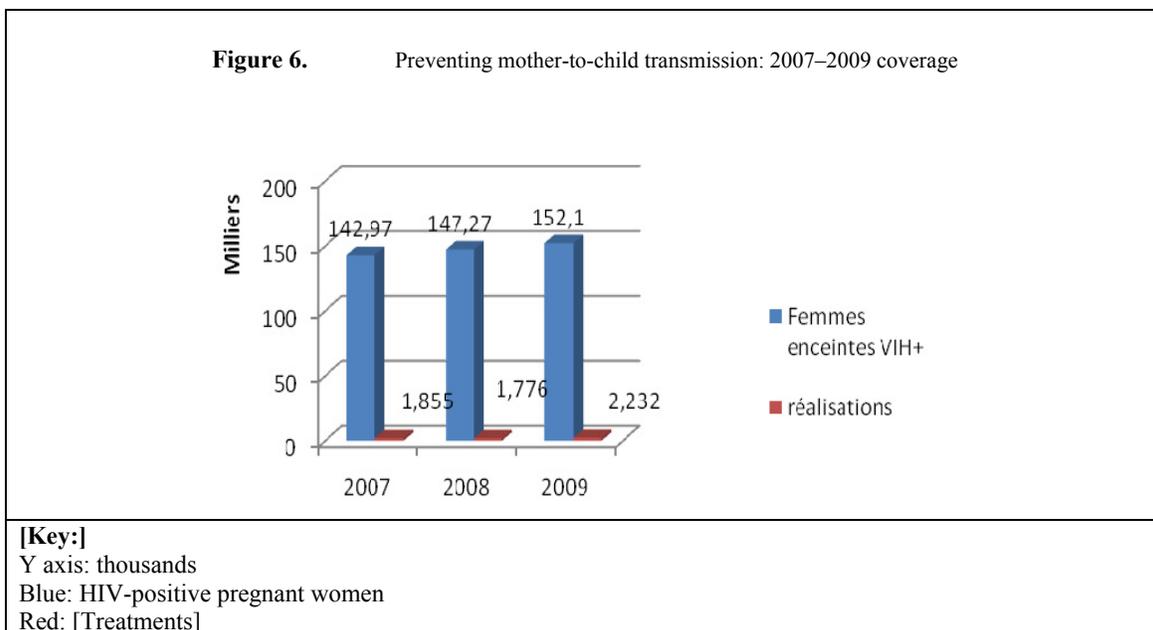
Fifty million condoms were distributed per year in recent years, and 220 million were ordered in 2009. The rate of use remains low, however, and the estimated rate of use among teenagers is estimated at 21 percent. A number of initiatives targeting the young were also conducted, including efforts to delay the start of sexual activity, promote monogamous relationships, and promote proper use of condoms. In addition, approximately 4,098,750 individuals received comprehensive services between 2007 and 2009, including test results, voluntary counseling and screening to raise awareness of individual vulnerability, and early treatment of persons living with HIV.

During the same period, 642,096 out of 1,674,330 IST cases were treated in accordance with national directives, representing 38 percent coverage of requirements (National Multi-Sector

Program against HIV/AIDS (PNMLS) annual reports, 2007-2009) as illustrated in the graph below.

As the following graph shows, there was a slight change in terms of coverage, although the gap persists. In total, from 2007 to 2009, 98.7 percent of pregnant women did not receive prophylactic antiretroviral (ARV) therapy to prevent mother-to-child transmission.

The proportion of infants born to HIV-positive mothers who were also infected by HIV was 25 percent (National Multi-Sector Program against HIV/AIDS (PNMLS), United Nations General Assembly Special Session on HIV/AIDS (UNGASS), 2007).



In addition, to reduce the risk of HIV transmission, the government distributed post-exposure prophylactic kits to female victims of sexual violence, and continued regular programming and distribution of condoms to vulnerable groups. In 2008, over 18,407 incidents of sexual violence were recorded in the DRC, and only 2,254, or 14 percent, had access to post-exposure kits,⁹ revealing an 86 percent gap in terms of victims of sexual violence with access to post-exposure kits to prevent HIV. Also, several million condoms were distributed throughout the DRC.

In regard to safety of transfusions, the government’s intent remains to expand coverage to populations in need while ensuring the quality of transfused blood. In regard to the figure below, only 686,379 blood transfusions of the stated need (1,136,000) occurred in three years, representing 60.42 percent coverage. When quality screening aspects are taken into account, including compliance with the national protocol, training of transfusion service providers, and quality control, the 2007 UNGASS report indicates that only 46.8 percent of transfused blood units underwent quality screening.

⁹ United Nations Population Fund (UNFPA), 2008 annual report.

2.4.2. Speeding treatment and improving the quality of life of persons living with HIV/AIDS

In order to improve the quality of life of persons living with HIV, the government provided ARV treatment to eligible persons living with HIV as well as treatment for opportunistic infections (OI). In 2009, 34,947 patients from Kinshasa (11,701), Kisangani (4,751), and Katanga (3,041) received ARV treatment, compared to only 15,561 persons treated in 2006.

Until 2008, treatment of OIs was provided in only 33.6 percent of health zones, representing a coverage gap of 64.4 percent. To date, 15 percent of health zones, or 80 out of a total of 515, provide care for HIV-tuberculosis co-infection. Out of 100,000 cases detected each year, 97 percent did not have access to HIV screening, and over 60 percent of those infected did not receive ARV therapy. In 2009, 56,563 new OI cases were recorded. Tuberculosis, with 5,161 cases (PNMLS annual report, 2009), is the most widespread opportunistic infection. The estimated percentage of persons with HIV/TB co-infection who received both TB and [HIV] therapy was 0.1 percent (PNMLS, UNGASS Report 2007).

2.4.3. Mitigating the socioeconomic impact of HIV/AIDS on the community

To prepare a strategy to support orphans and vulnerable children (OVCs) data collection workshops were organized in connection with the Rapid Country Assessment, Analysis, and Action Planning Initiative on Behalf of Orphans and other Vulnerable Children in Sub-Sahara Africa (RAAAP). As a result, 135,708 OVCs identified were enrolled in school, 53,418 received nutritional assistance, and 87,124 received legal assistance. Also, in the public sector, the HIV/AIDS offices 17 ministries and the national assembly prepared and implemented national and provincial operational plans to combat HIV/AIDS.

In the private sector, the following services were offered: (i) treatment of STIs; (ii) distribution of condoms; and (iii) ARV treatment. Regarding educational efforts, HIV education was included in the primary school curriculum.

Also, to strengthen the legal framework for persons living with HIV, a law on protection of persons living with HIV and other affected persons was published on July 14, 2008. The law requires the government to make available medicines for the treatment of AIDS and HIV screening tests free of charge, and expands the government's responsibilities in combating expansion of the pandemic through a more coherent policy for treatment of affected persons and sanctions for discrimination against them.

2.4.4. Building coordination, monitoring and evaluation capacities at all levels

In 2009, the National Multi-Sector Commission to Combat AIDS (CNMLS) adopted the 2010-2014 National Strategy to Combat AIDS. In order to speed implementation of the strategy, two sector plans to combat AIDS were developed for the health and education sector.

2.5. Support for local initiatives

In connection with the PASU program, the government rehabilitated public infrastructures in selected communities using the high labor intensive (HLI) approach, and strengthened social security. In the same context, selected communities in 11 provinces received micro-grants,

information, education, and communication campaigns, training sessions, and technical advisory services for project monitoring and evaluation.

2.6. Strengthening capacities

No integrated capacity-strengthening programs were carried out during the GPRS implementation period. To remedy this situation, the National Capacity Strengthening Secretariat (SENAREC) was directed to implement a National Capacity Strengthening Program (PRONAREC). The program is to be included in the 2011-2015 Five-Year Development Plan.

Chapter 3. MONITORING AND EVALUATION

The GPRS provides for an institutional mechanism to coordinate implementation and tools to provide monitoring and evaluation.

3.1. Institutional framework

The institutional coordinating structure for the GPRS includes the Inter-Ministerial Commission on the National Poverty Reduction Strategy (CI-SNLCP) and its technical arm, the National Poverty Reduction Strategy Coordinating Unit (UPPE-SRP); and the Inter-Ministerial Monitoring Commission for Financial Institution Programs (CISPI) and its Technical Monitoring Committee (CTR). In addition to these bodies are institutions such as the INS, the Congolese Poverty and Inequality Observatory (OCPI) and the Aid and Investment Management Platform (PGAI).

Thematic groups were instituted in 2008 to serve as framework for consultations between the government, the TFPs, and civil society organizations in implementing the actions provided in the GPRS.

In the provinces, implementation of the GPRS was coordinated by the provincial executive, with technical support from provincial and local committees and cooperation from the TFPs.

All of the coordination structures supporting GPRS implementation were placed under the authority of the prime minister. The strategic coordination proved less than satisfactory at the central and provincial levels. However, the implementation, monitoring, and evaluation activities of sector structures performed well with support from the TFPs. In mid-2009, the government promoted corrective action by instituting weekly meetings to monitor progress on HIPC Initiative completion point triggers.

3.2. Monitoring and evaluation tools

For the purpose of monitoring and evaluating the GPRS, appropriate indicators were defined in the sectors identified as priorities under the first-generation GPRSP. These were the education, health (including HIV/AIDS), agriculture, rural development, transportation infrastructure, and water and sanitation sectors.

The indicators were derived from the 1-2-3 surveys (2004-2005), the Multiple Indicator Cluster Survey II (MICS 2) (2001), and participatory consultations (2004-2005). No other

major surveys have been conducted since 2006 other than the Demographic and Health Surveys (EDS) to measure comparative progress in regard to the MDGs.

With respect to macroeconomic performance, the indicators were established in the context of the IMF staff monitoring program and the program currently being supported by the Poverty Reduction and Growth Facility (PRGF). Other indicators were defined as projects or sector programs were being designed.

It should be noted that weaknesses in the Congolese statistical apparatus precluded the monitoring of most indicators during execution of the GPRS, which would have enabled the necessary adjustments to be made during implementation of the GPRS.

However, midterm reviews of portfolio performance conducted, inter alia, by the World Bank, the African Development Bank Group, agencies of the United Nations and European Union, and several bilateral partners provided the DRC with indications on progress in the sectors benefiting from their interventions.

CONCLUSION

Closing remarks

The Congolese government is pleased to have initiated an effort, with the support of its technical and financial partners, to systematize its medium-term development planning, and to have resolutely done so in a very hostile internal and external context. The results achieved are less important than the ultimate adherence to an approach that represents a clear break with ad hoc practices that marked years of poor governance.

Having reviewed the implementation of the GPRS, the government believes it has done so satisfactorily and has therefore accomplished Trigger No. 1 of the Completion Point under the HIPC Initiative. The first-generation GPRSP would have produced more successful results were it not for the constraints faced over the entire implementation period, chief among which were:

- Limited internal resources to finance the GPRS, due to government revenue remaining low despite a relatively high rate of growth. This situation was exacerbated by a contraction of budgetary support following suspension of the program supported by the PRGF, which slowed the pace of reforms;
- De-linking of the priority action plan (PAP), a key tool in implementing the GPRS, from the national budget, preventing it from being executed through the expenditure cycle. This situation is the result of lack of cohesion between the Budget Preparation and Monitoring Department, the Planning Department, and the sector ministries;
- Lack of communication between the government and the Bretton Woods institutions, which initiated the planning approach through the GPRSP, in regard to a tool being attempted for the first time in a country emerging from conflict. This situation did not advance the purpose of developing an understanding of the approach and adapting it;
- Burdensome administrative procedures imposed on project execution by both TFPs and the government, impacting project cost evaluations in most cases;
- Social and political uncertainties created by the tensions of the 2006 elections, exacerbated by the climate of insecurity in the eastern part of the country, and their repercussions for public financial management and macroeconomic stability;
- The international food and financial crises followed by the collapse of commodities prices, which had devastating effects on economic activity and the management of public finances and currency.

Despite the constraints identified above, implementation of the GPRS produced encouraging results, as summarized below:

- Social sector indicators (health, HIV/AIDS, education, water and sanitation) improved. The greatest gains were made in the education sector, where the various indicators are on par with those of sub-Saharan African countries.

- The macroeconomic programs implemented during the period under review restored macroeconomic stability, as demonstrated by the conclusion of the IMF program known as PEG II, supported by the PRGF, in December 2009. However, the modest performance observed in regard to budgetary and monetary policies could have been strengthened if the reform program had not slowed, in which case the macroeconomic policies would have made a significant contribution toward reducing poverty.
- The emergency sector programs, projects, and actions in the areas of planning, security, transportation infrastructure, health, education, and water have restored peace and security and improved socioeconomic conditions, albeit slightly, for the Congolese people. They had a genuine impact on poverty reduction, primarily in terms of improved economic and social infrastructures and access to basic social services. The results described represent the execution of only half of the actions planned.
- The government recognizes that the strategic coordination of the GPRS was not commensurate with the importance of the issues at stake. It notes, however, that the weekly meetings instituted in the second half of 2009 to monitor progress on the HIPC Initiative completion point triggers signal a new direction in adapting government programs. In this regard, the government expects to intensify and rationalize its efforts in the context of the second-generation GPRSP.

Recommendations

The recommendations draw on the lessons learned from implementation of the first-generation GPRSP. They shed light on the options that could emerge from the participatory consultations on the second-generation GPRSP. Certain GPRSP pillars, noted below form the basis of tomorrow's challenges:

1. Consolidating peace and security, through continued actions to complete the pacification of national territory and end the humanitarian crisis, and by accelerating reform of the security sector;
2. Expanding the government's capacity to deliver quality social services by creating consensus as to the government's role and the need to better focus that role on its sovereign missions, and adapt the central and provincial administrations accordingly;
3. Promoting administrative and economic governance by continuing the decentralization process, adjusting it to our means; through a relationship of accountability between government and the governed; through continued financial reforms and reforms of public enterprises; and through a genuine commitment to transparent mechanisms in managing natural resources (EITI++);
4. Strengthening the conditions for sustainable growth, through an improved business climate and implementation of a roadmap to raise the country's standing in the "Doing Business" category; intensified support for sectors with growth potential and the road, energy, and transportation infrastructures; and implementation of an aggressive commercial policy;

5. Giving serious consideration to the effects of climate change and issues pertaining to nature conservation; and
6. Mobilizing the private sector (including through public-private partnerships) to address the problems of financing development programs.

In reference to the important task of monitoring and evaluation, the government will face six major challenges: (i) reviewing and formalizing the monitoring-evaluation framework; (ii) securing the production of statistical data; (iii) renewing the operational and budgetary programming framework; (iv) implementing reporting tools; (v) developing a minimal framework for evaluating public policies; and (vi) increasing participation and communication.

ANNEXES

1. Summary budget by function, 2008-09
2. Summary budget by category of expenditure, 2008-09
3. Summary budget by GPRSP pillar, 2008-09
4. Tables on macroeconomic framework
5. Millennium Development Goal Indicators
6. Priority actions: 2009 outcomes and 2010 programming

Table 1.1. Democratic Republic of the Congo - Summary budget by function, 2008-09
(CDF billions)

	2008	Budget	2009	Execution rate
	Actual		Actual	
Grand total primary expenditure	1,514,680	2,552,880	1,701,365	66.6
Central public administration (excluding public debt)	624,754	904,352	682,060	75.4
Defense	141,016	156,168	224,585	143.8
Order and public security	125,276	120,812	107,375	88.9
Economic affairs	254,098	763,497	288,521	37.8
Protection of environment, flora and fauna	8,091	50,728	7,824	15.4
Social protection, social affairs	26,162	38,748	22,990	59.3
Lodging and utilities	41,975	57,417	35,082	61.1
Health	69,635	161,580	99,517	61.6
Religions, culture, sports and recreation	16,910	15,170	22,208	146.4
Education	206,765	284,409	211,205	74.3
	(Percentage of GDP)			
Grand total primary expenditure	23.2	32.9	19.5	...
Central public administration (excluding public debt)	9.6	11.7	7.8	...
Defense	2.2	2.0	2.6	...
Order and public security	1.9	1.6	1.2	...
Economic affairs	3.9	9.8	3.3	...
Protection of environment, flora and fauna	0.1	0.7	0.1	...
Social protection, social affairs	0.4	0.5	0.3	...
Lodging and utilities				
	0.6	0.7	0.4	...)
Health	1.1	2.1	1.1	...
Religions, culture, sports and recreation	0.3	0.2	0.3	...
Education	3.2	3.7	2.4	...
	(Percentage of total primary expenditure, unless otherwise indicated)			
Grand total primary expenditure	100.0	100.0	100.0	...
Central public administration (excluding public debt)	41.2	35.4	40.1	...
Defense	9.3	6.1	13.2	...
Order and public security	8.3	4.7	6.3	...
Economic affairs	16.8	29.9	17.0	...
Protection of environment, flora and fauna	0.5	2.0	0.5	...
Social protection, social affairs	1.7	1.5	1.4	...
Lodging and utilities	2.8	2.2	2.1	...
Health	4.6	6.3	5.8	...
Religions, culture, sports and recreation	1.1	0.6	1.3	...
Education	13.7	11.1	12.4	...
For reference:				
Nominal GDP (CDF billions)	6,525,983	7,760,000	8,729,320	...
Total expenditure	1,635,292	2,922,394	1,846,675	
Public debt (CDF billions)	120,612	369,513	145,310	...

Source: Budget monitoring reports, printed April 7, 2010

Table 1.2. DRC. Summary budget by category of expenditure, 2008-09
(CDF billions)

	2008		2009	
	Actual	Budget	Actual	Execution rate
Grand total primary expenditure	1,515,072	2,552,888	1,701,365	67
Operations	1,208,303	1,589,538	1,325,330	83
Personnel	533,641	590,116	559,789	95
Excluding personnel	674,662	999,422	765,541	77
Goods and materials	100,620	44,020	65,724	149
Service expenditures	153,897	58,677	137,715	235
Government transfers and interventions	420,145	896,725	562,103	63
Investment	306,769	963,350	376,035	39
(Percentage of GDP)				
Grand total primary expenditure	23.2	32.9	19.5	...
Operations	18.5	20.5	15.2	...
Personnel	8.2	7.6	6.4	...
Excluding personnel	10.3	12.9	8.8	...
Goods and materials	1.5	0.6	0.8	...
Service expenditures	2.4	0.8	1.6	...
Government transfers and interventions	6.4	11.6	6.4	...
Investment	4.7	12.4	4.3	...
(Percentage of total primary expenditure)				
Operations	79.8	62.3	77.9	
Personnel	35.2	23.1	32.9	...
Excluding personnel	44.5	39.1	45.0	...
Goods and materials	6.6	1.7	3.9	...
Service expenditures	10.2	2.3	8.1	...
Government transfers and interventions	27.7	35.1	33.0	...
Investment	20	39	22	
For reference:				
Total expenditure	1,635,292	2,922,394	1,846,675	63
Public debt, principal	120,612	369,513	145,310	39
Nominal GDP (CDF billions)	6,525,983	7,760,000	8,729,320	...

Source: Budget monitoring reports, printed April 7, 2010

Table 1.3. DRC. Summary budget by GPRSP pillar, 2008-09
(CDF billions)

	2008		2009	
	Actual	Budget	Actual	Execution rate
Grand total primary expenditure	1,514,680	2,552,880	1,701,365	66.6
Good governance and peace (excluding public debt)	891,563	1,157,332	1,018,361	88.0
Political and administrative governance	359,279	728,150	338,952	46.5
Security governance	260,353	247,103	330,400	133.7
Economic governance (excluding public debt)	271,932	182,079	349,009	191.7
Support for sectors with economic growth potential	245,859	752,213	281,059	37.4
Agriculture, forestry, hunting and fishing	31,216	48,189	59,331	123.1
Buildings and public works	18,783	21,841	8,206	37.6
Electricity	37,800	34,670	7,892	22.8
Hydrocarbons	26,993	10,975	10,514	95.8
Extractive industries	17,396	9,275	5,830	62.9
Manufacturing industries	1,202	6,726	3,483	51.8
Goods and services	1,591	3,534	2,293	64.9
Telecommunications	9,488	14,226	9,256	65.1
Transportation	101,389	602,776	174,254	28.9
Access to basic social services	377,258	643,335	401,944	62.5
Education	206,765	284,499	211,205	74.2
Health	69,635	161,580	99,517	61.6
Social protection	33,883	73,942	26,109	35.3
Environment	8,091	50,728	7,824	15.4
Water	34,124	42,382	17,054	40.2
Electricity	13	3,000	11,243	374.8
Urban poverty and habitat	7,839	12,035	6,785	56.4
Culture, science, and universal access to technology	16,910	15,170	22,208	146.4
		(Percentage of GDP)		
Grand total primary expenditure	23.2	32.9	19.5	59.2
Good governance and peace (excluding public debt)	13.7	14.9	11.7	...
Political and administrative governance	5.5	9.4	3.9	...
Security governance	4.0	3.2	3.8	...
Economic governance (excluding public debt)	4.2	2.3	4.0	...
Support sectors with economic growth potential	3.8	9.7	3.2	...
Agriculture, forestry, hunting and fishing	0.5	0.6	0.7	...
Buildings and public works	0.3	0.3	0.1	...
Electricity	0.6	0.4	0.1	...
Hydrocarbons	0.4	0.1	0.1	...
Extractive industries	0.3	0.1	0.1	...
Manufacturing industries	0.0	0.1	0.0	...
Goods and services	0.0	0.0	0.0	...
Telecommunications	0.1	0.2	0.1	...
Transportation	1.6	7.8	2.0	...
Access to basic social services	5.8	8.3	4.6	...
Education	3.2	3.7	2.4	...
Health	1.1	2.1	1.1	...
Social protection	0.5	1.0	0.3	...
Environment	0.1	0.7	0.1	...
Water	0.5	0.5	0.2	...
Electricity	0.0	0.0	0.1	...
Urban poverty and habitat	0.1	0.2	0.1	...
Culture, science, and universal access to technology	0.3	0.2	0.3	...
		(Percentage of total expenditure for pillar concerned, unless otherwise indicated)		
Good governance and peace (excluding public debt)	100.0	100.0	100.0	...

Political and administrative governance	40.3	62.9	33.3	...
Security governance	29.2	21.4	32.4	...
Economic governance (excluding public debt)	30.5	15.7	34.3	...
Support sectors with economic growth potential	100.0	100.0	100.0	...
Agriculture, forestry, hunting and fishing	12.7	6.4	21.1	...
Buildings and public works	7.6	2.9	2.9	...
Electricity	15.4	4.6	2.8	...
Hydrocarbons	11.0	1.5	3.7	...
Extractive industries	7.1	1.2	2.1	...
Manufacturing industries	0.5	0.9	1.2	...
Goods and services	0.6	0.5	0.8	...
Telecommunications	3.9	1.9	3.3	...
Transportation	41.2	80.1	62.0	...
Access to basic social services	100.0	100.0	100.0	...
Education	54.8	44.2	52.5	...
Health	18.5	25.1	24.8	...
Social protection	9.0	11.5	6.5	...
Environment	2.1	7.9	1.9	...
Water	9.0	6.6	4.2	...
Electricity	0.0	0.5	2.8	...
Urban poverty and habitat	2.1	1.9	1.7	...
Culture, science, and universal access to technology	4.5	2.4	5.5	...
For reference:				
Public debt (CDF billions)	120612	369,513	145,310	39.3
Nominal GDP (CDF billions)	6,525,983	7,760,000	8,729,320	...

Source: Budget monitoring reports, printed April 7, 2010

Table 1. DRC: GDP at constant prices by sector of activity, 2006-09

	2006 Est.	2007 Est.	2008 Est.	2009 Est.
(in constant CDF billions, base 100 = 2000)				
Primary sector	204.3	210.5	221.3	226.1
Agriculture, forestry, hunting and fishing	153.2	158.2	162.9	167.8
Extractive industries	51.1	52.4	58.4	58.3
Secondary sector	50.8	53.3	54.9	55.9
Manufacturing industries	16.2	17.0	17.5	17.8
Buildings and public works	31.8	33.5	34.8	35.4
Electricity, water	2.8	2.9	2.7	2.7
Tertiary sector	122.6	136.3	147.6	152.7
Wholesale and retail trade	71.3	80.6	90.5	96.4
Transportation and communications	22.3	24.7	26.8	27.8
Goods and services	23.2	24.8	26.0	26.7
Public services	7.7	8.2	8.5	6.2
Imputed production of bank services	-1.8	-2.0	-4.3	-4.4
GDP at factor cost	377.7	400.1	423.8	434.7
Import duties and fees	9.0	10.8	12.4	13.5
GDP at market price	386.7	410.9	436.2	448.2
(Change in percentage from prior year)				
Primary sector	2.6	3.1	5.1	2.2
Agriculture, forestry, hunting and fishing	3.2	3.3	3.0	3.0
Extractive industries	0.9	2.5	11.4	-0.2
Secondary sector	8.5	5.1	3.0	1.8
Manufacturing industries	0.9	5.1	2.7	2.1
Buildings and public works	13.2	5.4	3.8	2.0
Electricity, water	4.3	1.8	-4.9	-1.6
Tertiary sector	9.0	11.1	8.3	3.5
Wholesale and retail trade	8.9	13.1	12.3	6.5
Transportation and communications	12.5	10.9	8.4	3.7
Goods and services	7.5	6.9	4.8	2.7
Public services	5.8	6.2	4.2	-26.6
Imputed production of bank services	14.8	13.0	110.3	4.0
GDP at factor cost	5.4	6.0	5.9	2.6
Import duties and fees	14.0	19.0	15.4	8.5
<u>Real GDP</u>	<u>5.6</u>	<u>6.3</u>	<u>6.2</u>	<u>2.8</u>

Source: CPCM

Table 2 Democratic Republic of the Congo, Public Sector Financial Operations, 2009 (CDF Millions)

	2006	200	2008	2009	
	Est.	Est.	Est.	Est.	Prog
(Percentage of GDP; unless otherwise indicated)					
Total revenue and grants	18.8	16.3	23.4	27.3	21.3
Total fiscal and non-fiscal revenue	12.8	14.7	18.5	18.0	16.8
<i>excludes Sino-Congolese arrangement</i>				15.7	15.8
Customs and excise (OFIDA)	4.7	5.4	6.5	6.3	6.2
Direct and indirect contributions (DGI)	3.8	5.0	6.6	6.4	6.2
Petroleum (royalties and taxes)	3.2	3.1	3.5	1.4	1.5
Other	1.0	1.2	1.8	3.9	3.0
Sino-Congolese arrangement	0.0	2.3	1.1
Other				1.6	1.9
Revenue from China Mining project					
Total grants	6.0	1.6	4.9	9.4	4.5
Budgetary grants	1.0	0.0	0.0	2.7	1.7
Project grants	4.0	0.6	1.1	4.2	2.0
HIPC debt relief	1.0	0.9	3.8	2.5	0.8
Total expenditure	21.5	18.9	23.0	28.9	25.7
Current expenditure	14.1	15.7	18.1	16.3	15.4
Salaries	5.3	5.8	6.9	6.3	6.0
Interest payable on debt	3.5	3.8	3.4	3.3	3.1
<i>Of which: interest on external debt</i>	3.0	3.2	2.9	2.9	2.7
<i>Of which: interest on domestic debt</i>		0.6	0.5	0.4	0.4
Subsidies and transfers	2.1	2.2	3.5	3.0	2.8
Economic interventions	0.0	0.2	0.2	0.2	0.2
Auxiliary organizations	0.4	0.1	0.1	0.1	0.1
Transfers to provinces	0.8	1.0	1.9	1.6	1.5
Payments to revenue-collecting agencies	0.9	0.9	1.1	1.1	1.0
Goods and services	3.2	3.9	4.3	3.7	3.6
<i>Of which: Institutions</i>	0.5	0.9	1.2	0.9	0.8
Ministries	1.5	2.8	2.5	2.1	2.1
Centralized payment	0.6	0.3	0.5	0.7	0.7
Capital expenditures	6.4				8.8
External financing	3.2	2.3	3.7	9.2	7.8
Domestic financing	2.2	1.5	2.1	6.2	5.1
Central government investment	1.0	0.9	1.6	2.9	2.7
Provincial investment	1.0	0.9	1.6	1.6	1.6
Provincial investment	0.0	0.0	0.0	1.3	1.1
Exceptional expenditure 2/	4.2	0.9	1.2	3.4	2.5
External financing	3.2	0.0	0.1	2.3	1.1
Domestic financing	1.0	0.9	1.1	1.2	1.5
		0.0	0.0	0.1	0.0
General balance (commitment basis)	-2.8	-2.6	0.4	-1.6	-4.4
Domestic balance (commitment basis)	0.6	1.4	1.6	-0.7	0.3
	-0.4	0.5	0.5	-1.9	-1.2
Variation in arrears	-0.2	-0.2	-0.2	-0.6	-0.5
Central bank balance	-0.5	-0.4	-0.5	-0.9	-0.9
Consolidated general balance	-2.9	-3.2	-0.4	-3.0	-5.9
Domestic balance	0.5	0.8	0.9	0.1	-0.1
Total financing	2.9	3.2	0.4	3.0	5.9
Domestic financing	1.1	0.9	0.9	-0.8	0.0
<i>of which: Banking sector</i>	1.2	0.9	1.1	-1.2	-0.7
External financing	1.8	2.9	-0.9	3.3	5.6
Amortization payable before debt relief	-3.7	-3.9	-3.8	-4.9	-4.3
Project loans	1.3	1.2	0.8	4.6	4.4
Debt relief	3.5	3.8	0.7	0.3	3.3
Cumulative external arrears	0.7	1.8	1.4	-6.4	2.2
Financing gap	0.1	-0.6	0.5	0.6	0.3

Source: CPCM

Table No. 1. Progress toward Millennium Development Goals in the DRC

Objectives	Indicators used in DRC	Value in 1990	Value in 2001	Value in 2007
1. Reduce extreme poverty and hunger	Incidence of poverty	60.0%	73.0%	71.34%
	Proportion of persons living on less than US\$1 per day	60.0%	73.0%	71.3%
	Human development index			41.1%
	Proportion of underweight children	28.0%	34.0%	25.1%
	Proportion of population consuming less than the minimum caloric intake	31.0%	73.0%	
2. Universal primary education	Net primary school enrollment rate	56.0%	52.0%	62.0%
	Gross primary school enrollment rate		64.0%	83.4%
	Primary school completion rate	51.0%	25.0%	50.0%
	Literacy rate			75.0%
3. Promote equality of the sexes and empowerment of women	Ratio of girls/boys in elementary school	74.0%	90.0%	78.0%
	Ratio of girls/boys in secondary school	45.0%	54.0%	
	Percent elected by gender (% of women)	6.0%	10.3%	8.4%
4. Reduce infant mortality	Infant mortality rate	148 of 1,000	126 of 1,000	98 of 1000
	Proportion of children under age 2 vaccinated against measles			62.9%
5. Improve maternal health	Maternal mortality rate	870	1289	549
	Proportion of attended births		60.7%	74.0%
	Prenatal care coverage (1995)	56.0%	68.2%	85.3%
6. Combat HIV/AIDS, malaria, and other disease	Prevalence of HIV AIDS	nd	4.2% (2003)	3.4% (2009)
	Use of contraceptives (all methods)		31.4%	21.0%
	Use of contraceptives (modern method)	15.0%	4.4%	5.7%
	Under-5 malaria mortality rate per 100,000	...	1000.0%	
	Number of children orphaned by AIDS		nd	7000
	Children under 5 protected by insecticide-treated mosquito nets		0.7%	6.0%
	Incidence of tuberculosis			160 of 100,000
7. Ensure environmental sustainability	Proportion of urban population with access to potable water		-	38.0%

	Proportion of rural population with access to potable water	25.7%	28.5%	16.7%
	Proportion of urban population living in a clean environment		-	9.0%
	Proportion of population with reliable access to better-quality water	41.5%	45.7%	22.1%
	Proportion of population with access to sanitation services	12.6%	8.8%	10.0%
	Proportion of rural population living in a clean environment	6.3%	39.4%	11.0%
8. Implement a global partnership for development	Completion rate for seven triggers		-	Low
	Proportion of APD in relation to GDP		Extremely low	Very low

Source: EDS 2007; MICS 1, 2, 3; 1-2-3 Survey Sector statistics, MDG Report 2004

Summary of actions implemented under the 2008-2009 Priority Action Plan

No.	PILLARS	COMPLETED	IN PROGRESS	NOT COMPLETED (as of April 2009)	Actions planned
I	PROMOTING GOOD GOVERNANCE AND CONSOLIDATING PEACE THROUGH INSTITUTIONAL STRENGTHENING				
	JUDICIAL AND SECURITY GOVERNANCE				
	<i>Security</i>	0	1	6	7
	<i>Justice</i>	12	7	11	30
	<i>Police</i>	17	31	40	88
	<i>Army</i>				0
	<i>Sexual violence</i>	10	1	0	11
	POLITICAL AND ADMINISTRATIVE GOVERNANCE				
	<i>Public administration</i>	3	2	4	9
	<i>Local governance</i>	2	1	6	9
	<i>Election</i>	2	0	6	8
	ECONOMIC GOVERNANCE				0
	<i>Transparency in public financial management</i>	0	0	15	15
	<i>Debt management</i>	0	0	10	10
	<i>Restructuring of statistical apparatus</i>	0	2	2	4
	<i>Reform of public enterprises</i>	4	0	1	5
	<i>Business climate</i>	0	0	0	0
	<i>Jobs</i>	0	2	23	25
	<i>Financial system reform</i>	6	7	4	17
	Subtotal (1)	56	54	128	238
II	POLICIES SUPPORTING ECONOMIC GROWTH				238
	<i>Agriculture and rural development</i>	0	0	0	0
	<i>Forest and environment</i>	10	9	6	25
	<i>Mines and Hydrocarbons</i>	2	5	11	18
	<i>Energy</i>	18	27	14	59
	<i>Transportation infrastructure</i>	14	22	17	53
	<i>Industry</i>	10	6	26	42
	Subtotal (2)	54	69	74	197
III	ACCESS TO SOCIAL SERVICES AND REDUCING VULNERABILITY				
	<i>Education</i>	10	4	64	78
	<i>Health</i>	51	18	49	118
	<i>Water and sanitation</i>	3	4	32	39
	<i>Social protection</i>	0	0	0	0
	<i>Gender</i>	6	1	1	8
	Subtotal (3)	70	27	146	243
IV.	Combating HIV/AIDS	17	5	3	25
	Subtotal (4)				0
V	SUPPORT LOCAL INITIATIVES	1	3	4	8
	Subtotal (5)	1	3	4	8
	TOTAL (1)+(2)+(3)+(4)+(5)	198	158	355	711