Republic of Congo

Public Expenditure Management and Financial Accountability Review (PEMFAR)

Implementing public financial management reforms to stimulate growth and achieve shared prosperity

WORLD BANK GROUP

Republic of Congo

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Implementing public financial management reforms to stimulate growth and achieve shared prosperity

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Metric System

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Abbreviations and Acronyms

AFD	Agence Française de Développement *(French Development Agency)*
AfDB	African Development Bank
AICD	Africa Infrastructure Country Diagnostic
ARMP	Autorité de Régulation des Marchés Publics *(Public Procurement Regulatory Authority)*
ASYCUDA	Automated System for Customs Data
AWP	Annual Work Plans
BCR	Benefit Cost Ratio
BD	Bidding documents
BEAC	Banque des Etats de l'Afrique Centrale *(Bank of Central African States)*
BoP	Balance of Payment
BRICS	Brazil, Russia, India, China, and South Africa
CBA	Cost-Benefit Analysis
CCA	Caisse Congolaise d'Amortissement *(Congolese Debt Agency)*
CCDB	Court of Auditors
CEC	Centrale Electrique du Congo *(Turbine Gas Power Plant)*
CEMAC	Communauté Economique et Monétaire d'Afrique Centrale *(Economic and Monetary Community of Central Africa)*
CEPI	Centre des études et d'évaluation des Projets d'Investissement *(Centre for Study and Assessment Investment Projects)*
CFAA	Country Financial Accountability Assessment
CFA F/XAF	Financial Cooperation Franc of the Central Africa
CFL	Compact Fluorescent Lamps
CGAF	Compte Général des Administrations Financières *(General Account of the Financial Administration)*
CGMP	Cellule de Gestion des Marchés Publics *(Line Ministry Procurement Management Unit)*
CISPIP	Commission for the Identification and Selection of Public Investment Projects
CMR	Child Mortality Rate
CNLCCF	Commission Nationale de Lutte contre la Corruption, la Concussion et la Fraude *(National Commission against Corruption and Fraud)*

COMEG	La Congolaise des Médicaments Essentiels et Génériques *(Congo Essential Generic Drugs Agency)*
CONFEMEN	Confédération des Ministres de l'Éducation des États et Gouvernments de la Francophonie *(Confederation of the Ministers of Education from States and Governments of Francophone Countries)*
CORAF	Congolaise de Raffinage *(Congolese Oil Refinery)*
CPAR	Country Procurement Assessment Review
CPI	Consumer Price Index
CPIP	Country Procurement Issue Paper
CREFIAF	Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l'Afrique Francophone Subsaharienne (*Regional Council of Training of Supreme Audit Institutions of Public Finance of French Speaking Sub-Saharan Africa)*
CSEPPP	Committee of monitoring and evaluation of public policies and programs
CSI	Centre de Santé Intégré *(Integrated Health Center)*
CSS	Circonscriptions Socio- Sanitaire *(Socio-Sanitary Circumscriptions)*
DAAFs	Directorates of Financial and Administrative Affairs
DDS	Directions Départementales de la Santé *(Departmental Health Directorates)*
DEP	Directorates of Studies and Planification
DGCB	General Directorate of Budgetary Control
DGB	General Directorate of Budget
DGDDI	Direction Générale des Douanes et Droits Indirects *(General Directorate of Customs and Excise)*
DGH	Direction Générale des Hydrocarbures (*General Directorate of Hydrocarbons*)
DGID	Direction Générale des Impôts et des Domaines *(General Directorate of Taxes and Domains)*
DGGT	Délégation Générale des Grands Travaux *(Large Public Works Agency)*
DGPD	Direction Générale du Plan et du Dévelopment *(General Directorate of Planning and Development)*
DMFAS	Debt Management and Financial Analysis System
DPI	Directorate for Public Investment Planning
DRC	Democratic Republic of Congo
DSA	Debt Sustainability Analysis
DSM	Demand Side Management
ECOM	Enquête Congolaise auprès des Ménages pour le suivi et l'évaluation de la pauvreté *(Poverty survey)*
EDSC	Demographic and Health Survey in Congo
EESIC	Enquête sur l'emploi et le secteur informel au Congo *(Employment and Informal Sector Survey)*
EITI	Extractive Industries Transparency Initiative
ERC	Economic Recovery Credit
EU	European Union
GER	Gross Enrollment Rate
GFS	Government Financial Statistics
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immuno-deficiency Virus/ Acquired Immuno Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IGCOR	Incremental Government Spending Output Ratio
IGE	Inspection Générale d'Etat *(General Inspectorate of State)*
IGF	Inspection Générale des Finances *(General Inspectorate of Finance)*

IMF	International Monetary Fund
IMR	Infant Mortality Rate
INTOSAI	International Organization of Supreme Audit Institutions
IPCOR	Incremental Public Capital Output Ratio
IRR	Internal Rate of Return
L&RF	Legislative and regulatory framework
LORFE	Loi Organique relative au Régime Financier de l'Etat *(Law of the Financial System of the State)*
MAE	Ministère de l'Agriculture et de l'Elevage *(Ministry of Agriculture and Livestock)*
MAPS	Methodology of Assessment of Procurement Systems
MDG	Millennium Development Goals
MEFPPPI	Ministry of Finance
MEH	Ministère de l'Energie et de l'Hydraulique *(Power and Water Ministry)*
MEPSA	Ministère de l'Enseignement Primaire et Secondaire, chargé de l'Alphabétisation *(Ministry of Primary & Secondary Education, and Literacy)*
MES	Ministère de l'Enseignement Supérieur *(Ministry of Higher Education)*
METPFQE	Ministère de l'Enseignement Technique et Professionnel, de la Formation Qualifiante et de l'Emploi *(Ministry of Technical and Professional Education, Qualifying Training and Employment)*
MFM	Macro Fiscal Management
MH	Ministry of Hydrocarbon
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MoHP	Ministry of Health and Population
MPA	Ministère de la Pêche et de l'Aquaculture *(Ministry of Fisheries and Aquaculture)*
MPC	Magminerals Potasses Congo
MPD	Mining Project Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NER	Net Enrollment Rate
NGO	Non-Governmental Organization
NHA	National Health Accounts
NIU	Numéro d'Identification Unique *(Fiscal Unique Identification Code)*
OAC	Observatoire Anti-Corruption *(Anti-Corruption Observatory)*
OCAM	Organisation commune africaine et malgache *(Afro-Malagasy Common Organization)*
OECD/DAC	Organization for Economic Co-operation and Development/ Development Assistance Committee
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires *(Organization for the Harmonization in Africa of Business Law)*
OOPS	Out-of-Pocket Spending
OPPA	Ordre de paiement par anticipation *(Budget Exceptional Execution Procedures)*
PAAGIP	Plan d'Actions pour l'Amélioration de la Gestion des Investissements Publics *(Action Plan for Improving Public Investment Management)*
PAGGFP	Plan d'Action Gouvernementale de Gestion des Finances Publiques *(Public Financial Management Government Action Plan)*
PAP	Priority Action Plan
PASEC	Programme d'Analyse des Systèmes Éducatifs de la CONFEMEM *(CONFEMEN Analysis of Educationnal Systems Programme)*
PEFA	Public Expenditure and Financial Assessment
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Finance Management
PIM	Public Investment Management
PIMI	Public Investment Management Index
PIMR	Public Investment Management Review
PIP	Public Investment Program
PIT	Personal Income Tax

PNDS	Programme National de Développement Sanitaire *(National Health Development Plan)*
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PTR	Pupil Teacher Ratio
PVNB	Present Value of Net Benefits
QUIBB	Questionnaire Unique d'Indicateurs de Base de Bien-être *(Core Welfare Indicators Questionnaire)*
REER	Real Effective Exchange Rate
RGCP	Règlement Général de Comptabilité Publique *(General Regulations on Public Accounting)*
SARIS	Société Agricole de Raffinage Industriel de Sucre *(Sugar Company)*
SCMBF	Standing Committee of Macroeconomic and Budgetary Framework
SIBEC	Système Informatique du Budget et l'Economie du Congo *(Computerized System of Budget and Congolese Economy)*
SIDERE	Système intégré des recettes et dépenses de l'Etat *(Integrated System of the Government Revenue and Expenditure)*
SIGMAP	Integrated Management System of Public Procurement
SME	Small and Medium Enterprises
SNE	Société Nationale d'Electricité *(National Electricity Company)*
SNPC	Société Nationale des Pétroles du Congo *(Congolese National Oil Company)*
SSA	Sub-Saharan Africa
SYSCOHADA	OHADA accounting system
SYSTAF	Système de Traitement Automatisé Fiscal *(Fiscal Automated Processing System)*
TFP	Total Factor of Productivity
TIAO	Taux d'intérêt des appels d'offres *(Interest rate for bids)*
TVET	Technical and vocational education and training
UDEAC	Union douanière des Etats de l'Afrique Centrale *(Central African Customs Union)*
UNDP	United Nations Development Programme
USD/US$	Dollar of the United States
VAT	Value Added Tax
WAEMU	West Africa Economic and Monetary Union

Executive Summary

Rationale and Objectives

The Republic of Congo (Congo) boasts numerous assets that can be harnessed to build a strong and robust economy. These assets are oil, ore such as iron and potash, arable lands, and a young population. Congo is the fourth largest oil producer among West and Central African countries, both in total production (260,000 barrels per day) and production per capita terms. In addition, the country is endowed with substantial iron and potash that are yet to be exploited; it has a vast arable lands that could be useful for agricultural development; and the country boasts a young population, which, if well-educated, could be a dynamic labor force helping to spur economic growth.

However, Congo is a fragile State that emerged from a period of turbulence a decade ago. The country is coming out of a period of conflict and instability, which affected the country from 1990 to 2002. Moreover, the country has been instable since its independence in 1960, with only one constitutional and peaceful transition of power from one president to another in 1992. In fact, changes of power in 1963, 1968, 1977, 1978, and 1997 were unconstitutional and at times marked by violence. In this context, the lack of a stable environment affected the management of economic and financial issues by the government of Congo. Financial institutions of the government are still underdeveloped, with a clear lack of human capital in some segments of its structure. The staffing of the financial institutions such as those in Treasury, Budgetary Administration, and other key areas lack a clear staffing and human resources management plan.

In recent years, building on a favorable market price of oil and a low level of debt, the country enjoyed a stable macroeconomic environment. Congo reached the Enhanced completion point of the HIPC in 2010 resulting in a sharp decline of its debt burden. In addition, international oil prices were high from 2010 to 2013. These favorable economic conditions led to average GDP growth of 4.4 percent from 2010 to 2013. The non-oil sector grew at an average rate of about 8 percent while inflation at 4.1 percent remained relatively moderate over the same period, although above the CEMAC's convergence criteria of 3 percent. The current account balance was also positive, 1.3 percent of GDP.

These favorable conditions freed fiscal space and the government tapped into its substantial oil revenues to begin closing the significant basic infrastructure gap. High oil

revenues and low payment of debt services have helped the government to achieve a high level of fiscal surpluses (12.8 percent of GDP from 2004 to 2013). Since 2006, the government has used a substantial amount of these revenues to increase the level of its investment in public infrastructure. The government capital expenditure (18.8 percent of GDP) was higher than current expenditures (13.8 percent of GDP) between 2010 and 2013.

However, the benefits of growth, and investments were not evenly distributed. The poverty rate declined only slightly in recent years, and it is well above that of countries with similar income level. Based on the 2011 ECOM survey, the poverty rate declined from 50.7 percent in 2005 to just 46.5 percent in 2011. Poverty is severe in rural areas, affecting 75.6 percent of the population, compared to 32.3 percent in urban areas. The poverty rate decreases with the level of education; it stands at 53.2 percent among households whose heads have not received a formal education, compared to 15.4 percent among those who have attended universities.

In addition, in recent years the efficiency of public spending has been a great challenge for the country, primarily due to weaknesses in the country Public Financial Management (PFM) system. The efficiency and the quality of public expenditures on infrastructure remain weak despite a significant scaling up of capital spending in recent years. This is evidenced by frequent power outages and poor road conditions. Large budgeted investments have not yet led to significant narrowing of the social and infrastructure gaps. From 2000 to 2013, the country spent, on average, approximately US$600 million per annum for infrastructure, representing about one third of its GDP per capita. The issue of the efficiency of public investment is important in Congo as highlighted by Dabla-Norris et al. (2011), which ranked the country second to last on efficiency of public investment spending. This inefficiency was due to poor selection, evaluation, and monitoring of investment projects as well as to previously non-regulated public procurement systems, highlighting the weak state of PFM in Congo.

In order to improve the efficiency of its spending, the government adopted a number of PFM reforms. Three main reforms were adopted: i) the Action Plan of Government Public Financial Management (PAGGFP) in 2006; ii) the Action Plan for Improving Public Investment Management (PAAGIP) in 2008; and iii) the public procurement code in 2009.

At the same time, major innovations have been introduced to strengthen the management of public finances. These include: i) the introduction of SYSTAF and a Unique Identification Number, which enabled the tax administration to register all taxpayers on a single file; ii) the establishment at the customs administration of the ASYCUDA software for better control of the tax base and secure customs revenue; iii) the improvement of the transparency and governance in the oil sector by the quarterly certification of oil revenues; iv) the creation of the department of the computerization of the Ministry in charge of Finance; and (v) the adoption of a decree clarifying and simplifying the expenditure circuit and the respective roles of the main actors.

However, many of these reforms have experienced implementation issues, due in part to the lack of coordination between ministries. After the achievement of the completion point of the Enhanced HIPC initiative, the government disbanded the structure responsible for coordinating economic reforms. Many of the above-mentioned reforms missed a key deadline during the implementation phase. For the PAGGFP, the new organic law of September 2012 is still missing implementation regulations related to the government accounting and the budgetary nomenclature. Also, the Court of Auditors has not yet started to audit performance for the effectiveness of judicial and parliamentary reviews. For the PAAGIP, resources were allocated in the 2010 budget to carry pre-feasibility studies, but these studies have yet to begin; meanwhile the MTEF process, which was completed in 2010 at central as well as at sector level, is still not used in the budgeting process. For the Public Procurement Code, the processing times of the revised expenditure chain of 2011 is too long; the system has yet to be fully implemented.

Therefore, the main objective of the PEMFAR is to inform the ongoing national debate on a comprehensive implementation of the budgetary, fiscal,

procurement, and disbursement reform. The government has been implementing fiscal reforms, including procurement and disbursement reform. However, Congo is currently facing a situation of lower budget execution in line ministries; also, there is worsening accountability for expenditures and persistent low quality of public service delivery. This PEMFAR constitutes an opportunity to engage in a constructive dialogue with government counterparts on improving implementation and coordination of these ongoing reforms.

The PEMFAR format was chosen because it allows a combined assessment of budget results through a Public Expenditure Review (PER), an assessment of public financial accountability through a Country Financial Accountability Assessment (CFAA), and a Country Procurement Assessment Review (CPAR). These parts of the report are complemented by an analysis of the macroeconomic and fiscal context. Each component of the report focuses on a key question: i) Part I (macroeconomic context): Are Congo's fiscal policies sustainable in the context of the current and projected macroeconomic framework? ii) Part II (PER): Are allocations of public expenditures and their execution in line with strategic objectives? and iii) Part III (CFAA and CPAR): Are minimum fiduciary standards met at different stages of the expenditure process? And, are procurement processes properly implemented during the budget execution process?

Key Policy Issues under Investigation

First issue: Understanding economic fundamentals that led to large fiscal space from 2008 to 2013 and explaining the prospect of a tight fiscal space in coming years.

From 2008 to 2013, Congo benefited from high oil prices and from substantial reduction of the payment of debt services consecutive to reaching the completion point of the enhanced HIPC initiative. Over this period, the oil price has averaged about US$100 per barrel, compared to about US$20 per barrel from 1990 to 2002, representing a quintupling of the price of oil from 2002 to 2012. Additionally, in 2010, Congo reached the completion point of HIPC initiative. As a consequence, almost all its debt to debtor's stakeholder of the Enhanced HIPC process was canceled. Following this, the payment of debt services dropped from 20 percent of total spending in 2008 to 8 percent in 2013.

These two key economic developments led to fairly strong growth over this period. A higher oil price has increased the dominance of oil sector in the Congolese economy while increasing the demand of non-oil good and services as a result of higher disposable income by households. Moreover, a high oil price has led to high government oil revenues, which has allowed the government to invest heavily to catch up on its basic public infrastructure. This investment in infrastructure has further strengthened the non-oil sector, which grew at an average rate of about 8 percent over this period, compared to 5.4 percent GDP growth.

In addition, high oil prices and low debt service generated fiscal space, which was used to finance emerging domestic demands by various constituencies. The high level of oil price increased government oil revenues, while the debt cancellation reduced its recurrent spending. As a result, the government posted strong fiscal surpluses from 2010 to 2013. However, high oil prices were the primary driver of these surpluses (given that the country started posting fiscal surplus in 2003 at the beginning of the oil price boom) with debt cancellation contributing to a lesser degree. More importantly, the fiscal space is expected to close as a result of important government commitments to salary increases to civil servants, major multi-year infrastructure investments, and a forecasted low level of oil prices in coming years.

High dependency of the fiscal space to volatile oil revenues raises the issue of natural resources and overall revenue management. Oil prices are well known to be very volatile, and this has been the case during 2008–2013, with a higher drop in 2009, which reduced government revenues significantly. Oil is also a non-renewable resource, which posits a threat on the long-term sustainability of government finances in Congo. However, realistic forecasting of oil revenues for

budget management remains a serious challenge and transparency in the use of oil and mining revenues is still not fully applied.

Second issue: Understanding difficulties faced by budget allocation and execution in general and in priorities sectors

Fast increase of overall budget spending in a context of volatility of budget execution

Total spending increased slightly in real terms by about 6 percentage points (percentage points) of GDP on average over 2008–2013. It accounted for about 36.6 percent of GDP on average over the 2008–2009 period and 42.9 percent over 2010–2013. This increasing trend of spending was driven mainly by capital expenditures, where spending increased in real terms and on average at an annual rate of more than 30 percent during the period and to lesser extent by recurrent spending, which grew at an average annual rate of more than 13 percent during the same period. In fact, the government has used most of the available resources from debt reduction to increase its domestic investment spending. Hence, during this period the share of recurrent expenditure in the budget decreased, revealing the government's efforts to implement its development priorities set forth in the National Development Plan (NDP).

The infrastructure and economic sectors increased their share in total spending over this period. Total spending in infrastructure and economic sectors increased in real terms on average at an annual rate of more than 30 percent in 2008–2013, mainly driven by spending of the Ministry of Public Works, the Ministry of Transport, and the Ministry of Energy and Water, which together account for about 90 percent of total spending on infrastructure. The budget of each of these ministries grew on average during the period at an annual rate of greater than 20 percent. When infrastructure is embodied in the economic sectors, these three ministries account for more than 40 percent of the budget of the economic development sector.

The volatility of the budget execution rate has been an important challenge for Congo. The budget execution rate has been volatile, fluctuating between 88.4 percent and 104.4 percent, which overall is in line with low-middle income country standard. The execution rate varies substantially by sector, line ministry, and institution. Both poor budget planning and limited absorption capacity have been key in explaining this volatility of budget execution.

Insufficient level of budget planning led to overrun or low execution rate in priorities sectors

The budget in the agriculture sector faced two key issues: low budget allocation and a very low execution rate. Budget allocation in the agriculture sector is far below the recommended share of total budget by the African Union (AU). The agricultural sector's share of total expenditures increased from 0.9 percent in 2008 to 1.6 percent in 2012, with a peak of 2.6 percent reached in 2011. This share of expenditures is far below the 10 percent recommended by AU in Maputo in 2003 as the target level that would allow agriculture to fully play its role in poverty reduction. Moreover, between 2008 and 2012, agricultural expenditures in Congo were smaller than its economic contribution to GDP. In addition, budget execution in the agricultural sector has been quite low, averaging only 66.8 percent during the period. This execution rate was low compared to an execution rate of total public expenditures of 94.8 percent on average over the period 2008–2012. However, the average execution rate of the sector masks some discrepancies observed over time and across the various components of the agricultural sector. Indeed, for the agricultural sector, the lowest execution rate was reached in 2009, with an execution rate of 39.8 percent, while the execution rate of the total expenditures was 89.3 percent in that year.

Insufficient allocations to achieve the sector goal and poor budget planning which lead to overruns are critical budget issues in the Education sector. Overall, the share of public spending allocation in the education sector decreased slightly as a result of greater investment in economic infrastructure; the country is still lagging behind middle-income country standards. Between 2004 and 2007, the average share of budget allocation

to the education sector was 10.8 percent, higher than the 10.2 percent from 2008 to 2012.[1] In fact, over this four-year period, the share of budget to the education sector fluctuates between 12.4 percent in 2004 to 9.8 in 2007. The budget execution rate was higher than 90 percent, but varies among the three education ministries. *Ministère de l'enseignement supérieure* (MES) faced overruns both in recurrent (5 percent in 2012) and investment expenditure (14 percent in 2011), although more significantly in the latter.

Insufficient allocations to achieve the sector goal, and poor capacity to execute budget are critical issues in the Health sector. Congo's total health budget allocation, both as a share of GDP and as a share of total government budget allocation are very low in relation to the country's per capita income. Whereas Congo's per capita income in international dollars is among the highest in SSA, the share of resources in the economy that is devoted to the health sector is among the lowest, and so is the share of government spending going to health. Besides, the *Ministère de la Santé Publique* (MSP) budget execution rate has been volatile during the period 2008–2012, but with an upward trend in recent years. In 2008 and 2010, the execution rate of the health budget was under 80 percent. In 2009, only 42.7 percent of the budget was executed. The year 2011 saw the highest level of execution, at 90 percent. The MSP execution rate has been lower than the overall government's budget execution rate, which averaged 93.4 percent in 2009–2012, with a low of 83.9 percent in 2012.

In the Energy sector, the absence of budget credibility is the main issue. The energy sector has substantially exceeded its allocated budget each year since 2006; with an average execution rate of about 140 percent over 2008–2012, a sharp increase from about 105 percent in 2004–2007. The analysis of investment execution rates shows that budgetary authorities have over-executed in recent years. Poor planning and cost overruns in the construction of energy infrastructure are the main reasons for this very high rate of execution. This raises a flag about the robustness of the budgetary and disbursement system in Congo to efficiently monitor the execution of the country budget. In fact, the relative share of total spending in the Energy sector in the country remained stable in 2008–2012 at about 8.3 percent, which is a substantial increase from the rate observed in 2004–2007. Between 2004 and 2007, the share of the government budget devoted to the energy sector fluctuated between 1.5 percent and 4.0 percent, averaging 2.4 percent during this period. This share jumped from 4.0 percent in 2007 to 10.7 percent in 2008 in order to account for the government ambition to build the Imboulou Dam, the Pointe Noire thermal center power plan, and to build power transportation and distribution lines.

Third issue: Government spending has been fairly equitable but the country suffers from significant investment inefficiency.

Overall government spending efficiency improved after 2009 reforms, but investment spending efficiency deteriorated. Government spending was more efficient over 2010–2013 than over 2003–2009, however public investment spending efficiency deteriorated. Poor investment planning has rendered important (and otherwise productive) investment in the energy sector completely inefficient, while poor selection of investment projects have led to white elephants such as airports in various rural localities. Moreover, the high cost of building infrastructure in Congo has reduced the efficiency of public investment, for example investments in roads and bridges. In fact, the construction cost of roads in Congo is among the highest among developing countries. For example, a 7m paved road costs on average about US$0.75 million per kilometer whereas it costs about US$0.4 million per kilometer in Kenya and in Nigeria.

The recent government investment program has been in favor of the poor in some respects. The highest share of the investment program has been given to roads, ports, rail, and hospitals, while the second largest share was given to electricity development, and a lower share to airports and buildings. Specifically, road

[1] Despite the fact that the budget allocation to the sector grew at an average real growth rate of 24.2 percent from 2008 to 2013, a rate higher than between 2004 and 2007 (22.1 percent).

investments have improved equity in the country by easing the transportation of the rural population to city centers; while rail as well as port investments have been equitable for all, by reducing transportation costs for international trade. In contrast, investments in electricity that could have been equitable are not yet, and airports and airplane investments, which account for about 10 percent of the overall government investment program, benefit mainly the rich.

In the agricultural sector government spending has been fairly effective if measured by the sector outcome. In fact, an average growth rate of government spending in agriculture of 20 percent from 2004 to 2007 resulted in an average growth rate in agriculture of 5.8 percent over the period, while an average growth rate of 19.6 percent of government spending in this sector resulted in an average growth rate of production of 7.0 percent from 2008 to 2012. The efficiency of government spending, however, suffers from absorption capacity issues when the speed of government investment is too fast.

In the education sector, from 2005 to 2011, the efficiency of government spending in education presented a mixed picture. On one hand it has been efficient because it led to the increase of the quality of education of the workforce as well as a reduction of unemployment for people with a greater level of education. On the other hand, it has been inefficient since the rate of return to education decreased. Efficiency gains could be made on the quality of service delivery. These need to focus on an overall improvement of quality of service delivery that increases the number of quality teachers, decreases the ratio between administrative staff and teaching staff, that makes better use of teaching time, and that is based on improved planning of distribution of human resources. Further, quality of teaching needs to be addressed and gains are required in retention and repetition rates, as well as in dropout rates. Data collection and analysis on inefficiency factors are also required in order to better identify other sources of inefficiency and act upon them.

In the health sector, the low utilization rate of beds in hospitals and limited use of services in general, suggests efficiency problems in the system. Although there is some evidence of a positive relationship between public per capita spending and indicators of health system performance, (such as number of visits to public health facilities, the use of contraceptives and the percentage of women that received pre-natal care and that took anti-malarial drugs during pregnancy) this positive relationship does not hold for all health outcomes. The limited resources available in Congo are not distributed evenly across the country. This contributes to inequalities in access and outcomes across different populations. The excessive price of services seems to create a barrier to the poorest households and the ones living in rural areas. In addition, given that government expenditures in health do not vary too much across quintile, this expenditure is equitable. However, there is a real possibility that households in the poorer quintiles are not accessing all the services and medicines they may lack for want of financial resources. Indeed, when asked about their level of satisfaction with the service received at health facilities, the most common problem identified by the poor is that services are too expensive. This problem appears to have intensified for the bottom quintiles from 2005 to 2011.

The government spending in the energy sector has been fairly inefficient if measured by the sector outcome. During this period, the growth rate in the energy sector decelerated, moving from 7.7 percent on average in 2003–2007 to 5.1 percent in 2008–2012 despite massive investments in the sector over the latter period. The increase of government spending in the sector clearly failed to stimulate the growth of the production of the sector. The efficiency of government spending suffers from absorption capacity issues and from poor planning and coordination. The access to electricity improved between 2009 and 2012, from 45 percent in 2009 to 58 percent in 2012. However, these investments did not result in improving utilization of production capacity between 2008 and 2011 because, despite the entry into production of Imboulou and CEC power plants in 2010, Congo produced only 25 percent of its capacity in 2011, against 31 percent in 2008.

Fourth issue: The government experienced difficulties in fully complying with rules and processes it adopted in the budget planning and execution, in part due to lack of capacity

A clear process of budget preparation has been adopted in Congo, however this process is not fully implemented. Specifically, the programming process of public investment has an official schedule, but the administration has not fully complied with it in recent years. This process is used to identify projects to be included in the State budget on the basis of public policy objectives and well-defined criteria. In addition, the investment planning process is supposed to be clearly planned in the budget preparation calendar, however currently very few projects are subject to feasibility study prior to enrollment in the State budget and project selection is no longer based on the mechanisms that had been put in place.

During the period under review, the planning and budgeting of capital and recurrent spending was poor, given that they were under pressure of non-programmatic or unprepared spending. Capital allocations were drafted by the *Direction Génerale du Plan et du Developpement* (DGPD) using the central MTEF, but most investment projects were budgeted without prior studies. Unlike for the capital spending, the preparation of the recurrent budget was led by the Standing Committee of Macroeconomic and Budgetary Framework (SCMBF), through the central MTEF. But in recent years, the use of this instrument has been limited, due to issues in updating the instrument and the tendency of the government to push for spending not accounted for by its programmatic documents.

Budget execution with normal procedures was difficult to implement because it was marked by multiple and complex steps, leading to excessive use of exceptional procedures. The execution of the budget includes several actors, steps, and procedures. Due to codification procedures, the budget is hardly enforceable with normal procedures on January 1 of each year. Budget expenditures execution is scheduled by the Directeur Général du Budget (DGB) and settled by the Treasury.

The Treasury, which centralized and managed revenues collected by various government agencies, improved many aspects of its management, however the risk related to cash management remained substantial. The Minister in charge of finance is the main organizer of the State revenues and the Treasurer-general-paymaster is the principal accountant of the State budget. The Treasury account is comprised of cash, short-term bank loans, and short-term financial assets, said to be centralized in a single treasury account. Since 2008, the Treasury improved many aspects of its management, for example the collection and transfer of oil revenues by SNPC has significantly improved according to EITI reports. In addition, the realization of budget surpluses over many years is a sign of good performance of the Congolese treasury system. However, low cash management capacity actually hinders the quality of data and limits the overview. The risk of the cash system remains fairly substantial, mainly because the Treasury management has not been able to systematically produce the required documents in support of its cash operations.

Fifth issue: The government reform of public financial management (PFM) is not fully implemented, which, coupled with a poor computer system, is leading to issue with budget credibility

The legal framework governing the management of public finances is being renovated; as a result, the medium-term predictability and quality of budget preparation has improved, however programming and budgeting process for investments are still not well coordinated. In fact, in recent years, the government adopted or updated new legislation to improve this legal framework. In this regard, the organic law of the financial system of the State was adopted in September 2012; the general regulations on public accounting and several regulatory texts were also adopted. However, some critical implementation of regulations of these laws is not yet in place.

Payment deadlines are not met, thus undermining budget credibility. Due to the lack of cash planning together with a budget control mechanism, the 90-day payment deadline set by the current regulations to the General paymaster for the settlement of expenses is not always respected. In addition, capital spending is not running smoothly and arrears accumulate by the end of the budget year. Hence, budget credibility is undermined by this lack of mastery of cash flow that leads to accumulation of arrears despite budget surpluses.

The government created many institutions to control public expenditures; however for capital expenditure the system is still weak since only a small number of investment operations are controlled. Control and monitoring are done at two levels, internal and external. The internal control is done in two phases: i) a priori and ii) post spending. The a priori control of nonwage debt struggled following the devolution of financial control function and assignment of auditors to credit managers. Regarding post-spending control, control bodies exist, but their response capabilities are very limited. External control has also two layers, the *Cours des Comptes et de Contrôle Budgétaire* (CCDB) and the Parliament. The CCDB has developed the capacity to control the execution of the State budget, but has yet to strengthen its capacity to perform its other tasks. Also, control by the parliament has been improved by the progress made in the preparation of budgets.

The information system for accounting and monitoring has been dysfunctional; upgrades of the system have experienced significant important delays. The computer system of accounting and recording of financial reports is dysfunctional. In fact, the system has been unable to meet either the updated requirements of keeping accounts or the need for quality data for budget management. In addition, financial monitoring of the execution of investment spending is faltering because of the inadequacies of the budget accounts and the inability of the computer system (SIDERE) to produce budget execution statements and complete accounts. Finally, the computerization program of the Ministry of Finance, which aims at rehabilitating and integrating of all current systems, is experiencing significant delays.

Sixth issue: Although the country procurement system improved during the period under review, it is seriously compromised by delays at various steps

The quality of the public procurement system of Congo is evaluated as moderately satisfactory, a substantial improvement from 2006. In 2014, the Congolese system was rated at 53 percent satisfactory using OECD/DAC rating scale, compared to 16 percent in 2006. This improvement is in part due to the introduction of a new procurement code and its implementation regulations. The Code is modern and state-of-the-art. It mainly provides for: i) broad coverage of ministries, organs of the State and public enterprises, local government authorities, and use of public funds by these procuring organizations; ii) decentralization of procurement responsibilities to the procuring organizations, which comprise Procurement Units (CGMP); iii) the creation of a Public Procurement Regulatory Authority (ARMP) with responsibilities over drafting regulations, monitoring and evaluation including post reviews, capacity building, review and adjudication of complaints filed by bidders; and iv) the creation of a Public Procurement Directorate for Controls (DGCMP) which is given oversight responsibilities over procurement transactions carried out by the procuring organizations, including ex-ante approvals.

Specifically, the Congolese legislative and regulatory framework with regard to procurement is strong and is in accordance with international standards. Regulations and their documentations, including standard bidding documents for different types of contracts, are in place and are of excellent quality and made accessible to contracting entities and suppliers. The institutional framework has improved substantially. The procurement system in place promotes the separation of execution, regulation, and control responsibilities, which are well identified in the procurement code and allocated to specific institutions. This reform also includes institutions helping to further transparency and

integrity. The Congolese framework compared favorably to many developing countries' frameworks.

Meanwhile, this improvement is not yet enough to bring the country procurement system to the level of many SSA countries. In fact, important shortcomings remain. Regarding the quality of operations and market practices, there is a widespread weak management capacity at contracting authorities and private sector levels, which negatively affects the quality of procurement operations. The Congolese public procurement system is poorly integrated and incorporated into the public sector governance system. The legislative and regulatory framework is still incomplete. In addition, procurement plans remain seriously compromised by delays in budget preparation, launching tenders and evaluation, issuing no-objection by the DGCMP, and approval and signing of contracts. Moreover, there are burdens and delays in the circuit of the expenditures.

Main Messages and Policy Recommendations

The government is currently engaged in a new phase of PFM reforms. In February 2015, the minister in charge of Finance appointed a technical committee to draft the budgetary and financial reform in order to move the country toward a program-based budgeting as well as to reform the revenue chain. The messages and policy recommendations identified here could help the government in this exercise.

First message: The favorable economic conditions that led to large fiscal space from 2008 to 2013 have lapsed and the government should take bold actions now to increase and diversify its sources of revenues.

The enviable fiscal space that the Congolese government enjoyed during the previous five years is coming to an end. From 2008 to 2013 the Congolese government enjoyed a large fiscal space as proven by large fiscal surpluses of more than 10 percent of GDP on average over the period. However, this fiscal space will disappear in coming years and treasury tension will reappear, driven by lower oil prices and substantial spending commitments by the government for salary increases to civil servants and for the construction of structural basic infrastructure such as the road between Brazzaville and Dolisie.

Bold action is needed to increase revenue collection. Specifically, the government should consider: i) strengthening the collection of non-oil revenues by improving the functioning of Personal Income Tax (PIT), introducing a property tax, and strengthening the capacity of the Tax as well as Customs administrations; ii) better managing oil revenue volatility by strengthening the capacity of the Ministry in charge of hydrocarbon to efficiently manage the oil sector, improving the transparency in the sector, and establishing a stabilization fund to smooth international prices fluctuations of oil resources; iii) capturing a greater share of forthcoming mining rents by making sure that the process of negotiating oil contracts appropriately takes into account technical advice in the decision-making process.

Second message: The government used the fiscal space to keep its commitment in terms of allocation to priorities sectors, but uneven execution by line ministries has hampered this commitment. The government should therefore take action to improve budget execution in some line ministries.

From 2008 to 2013, while increasing its spending, the government allocated substantial budget to priority sectors but low execution rate in some of line ministries of these priority sectors has hampered this commitment. During this period, total spending increased slightly in real terms by about 6 percentage points of GDP. The share of recurrent expenditures in the budget decreased, revealing the government's efforts to implement its development priorities set forth in the NDP. In addition, the infrastructure and economic sectors increased their share in total spending over the period under review. Total spending in infrastructure and economic sectors increased in real terms on average

at an annual rate of more than 30 percent in the period 2008–2013, mainly driven by spending of the Ministry of Building and Public Works, the Ministry of Transport, and the Ministry of Energy and Water. However, the budget execution rate has been volatile, varying substantially by sector, line ministry, and institution, with some line ministries in priority sectors such as agriculture executing less than 50 percent of their allocation. As a result, in terms of actual spending, not all priorities sector have benefitted from the fiscal space.

The PEMFAR is recommending substantial reforms of the public expenditure system including planning, budgeting, and actual spending. Specifically, the government should consider it a priority to: i) strengthen the budget planning process and keep a link between planning and budgeting; ii) improve its budget presentation in order to ease analysis by enabling the distinction between directly productive sectors and indirectly productive sectors; and iii) strengthen the human resources of some line ministries on public finance issues and reduce the tendency to use special procedures in budget execution.

Third message: Poor investment selection, lack of coordination, and weak absorptive capacity of the construction sector have led to significant inefficiency of public investment in Congo. The government should improve the selection process, increase planning and coordination of its investment, and consider decelerating the pace of investment spending.

From 2008 to 2009, public investment spending efficiency deteriorated. Poor investment planning has rendered important (and otherwise productive) investment in the energy sector completely inefficient; in fact, more than US$2 billion have been invested on a dam and power plant, but electricity accessibility did not improve. Additionally, poor selection of investment projects have led to white elephants such as airports and a presidential palace in various rural localities; there are at least five airports in localities with a population less than 20,000 and where the poverty rate is higher than 60 percent. Moreover, the high cost of building infrastructure in Congo has reduced the efficiency of public investment, for example investments in roads and bridges. In fact, the construction cost of roads in Congo is among the highest for developing countries.

Substantial reforms of the public investment system including planning, budgeting, and implementation are needed. Specifically, the government should consider the following: i) adopt and implement a transparent and objective process of investment project selection within public agencies, institutions, and line ministries, and do the same at the central level i.e., DGPD and DGB; ii) plan and coordinate investment decisions with all relevant institutions for the investment. For example, improve coordination between DGGT and line ministries that benefit from the investment by setting and fully implementing mandatory committees between DGGT and each related line ministry; iii) decelerate the pace of public investment to allow the building up of the supply side of the construction industry in Congo, this will reduce inflationary pressure on public investment; and iv) in order to improve spending equity, target the allocations of public resources and provide a geographic coverage of the budget by division or rural vs. urban areas.

Fourth message: Government spending in the agricultural sector has been fairly efficient however it has been lower than expected due to the combined effect of lower budget allocation and chronic low execution rate in the Ministry of Fisheries and Aquaculture. The government should improve budget allocation and execution rates to allow the budget to achieve its full potential in Congolese agriculture.

Over the period under review, government spending in agriculture has been fairly efficient, but the sector experienced two issues important issues: low government allocation and a very low execution rate. First, the impact of government spending on outcome in agriculture improved during the period under review. An average growth rate of government spending in agriculture of 20 percent from 2004 to 2007 resulted in an average growth rate in agricultural production of 5.8

percent over the period, while an average growth rate of 19.6 percent of government spending in this sector resulted in an average growth rate of production of 7.0 percent from 2008 to 2012. Second, budget allocations in the agricultural sector have been far below the recommended share of total budget by the AU (that is, are far below 10 percent of GDP). Third, budget execution in the agricultural sector has been low, averaging only 66.8 percent. The average execution performance masks important discrepancies observed across various components of the agricultural sector; with Fisheries and aquaculture systematically presenting the lowest execution rate, 55.2 percent during the period.

Findings of this study suggest that the government should, in the short term: i) strengthen capacity of staff on PFM issues in these ministries with a special focus on the Ministry of Fisheries and Aquaculture in order to increase execution rate of budget in the sector; and ii) implement systematic project evaluations to improve the monitoring and evaluation (M&E) of agriculture projects in which it is involved. **In the medium-term, the government should increase** budget allocation in these ministries in order to help the modernization of family farming and agri-business mainly by strengthening of the Agriculture Support Fund.

Fifth message: Efficiency of Government spending in the education sector is poor and the sector suffers from insufficient budget allocation and poor planning. The government should keep a programmatic approach of its spending by implementing a multi-year METF in the sector and focus more on the primary sector

In the education sector, from 2005 to 2011, the government spending presented a mixed picture on efficiency and suffered from insufficient budget allocation and poor planning. Spending efficiency on one hand has led the increase of the quality of education of the workforce as well as the reduction of unemployment for people with a greater level of education but on the other hand the rate of return to education decreased. In addition, the share of public spending allocation in the education sector decreased slightly and the country is still lagging behind the middle-income country standard. Moreover, the budget execution rate was higher than 90 percent and varies among the three education ministries.

The PEMFAR is recommending that the Congolese government: i) increase resources to improve the quality of teaching, increase retention rates, and decrease repetition rates, as well improve dropout rates; ii) increase the allocation of resources to the education sector, with a focus on primary education; iii) keep the programmatic aspect of budgeting in the sector by implementing the sector Medium-Term Expenditure Framework (MTEF); iv) reinforce technical capacity in public finance management in order to improve public resource management; and v) take in account the specificity of the school year calendar in the budget implementation of line ministries in these sectors, this could be done for example by allowing for multi-year budgeting for these lines ministries.

Sixth message: Government spending in the health sector has been more or less equitable, but suffered from insufficient budget allocation, poor execution, and inefficiency in service delivery. The government should increase its allocation to the sector while improving the capacity of the system to deliver services.

In the health sector, government spending has been more or less equitable, yet has suffered from insufficient budget allocation, poor execution, and inefficiency in service delivery. From 2008 to 2013, government expenditures in the sector do not vary too much across quintiles; hence this expenditure has been equitable. However, the sector suffered from insufficient allocation to achieve its goal, and from poor budget execution. In fact, Congo's total health budget allocation as a share of GDP and as a share of total government budget allocation are very low in relation to the country's per capita income. Moreover, the MSP budget execution rate has been volatile during the period 2008–2012. This execution volatility is a testimony that the government did not significantly improve its

management of financing in the health sector since the last PER. Finally, the low utilization rate of beds in basic hospitals and limited use of services in general suggests efficiency problems in the system.

The PEMFAR is recommending that the Congolese government: i) increase allocations to the health sector, with a focus on delivering basic health services; ii) improve the budget preparation process by elaborating a clear timetable and defining responsibility of each actor involved in the preparation of the budget; iii) set the basis for a programmatic budgeting approach by reinforcing pre-requisites for an MTEF and reinforce the links between the sector's strategic objectives and spending targets and monitor progress closely; and iv) strengthen human resource management and reinforce capacity in budget processes and spending management.

Seventh message: The government consistently overspent in the energy sector during the period under review and this spending has been completely inefficient. Going forward the government should address coordination issues in investment planning and programming in the sector.

From 2008 to 2013, the government consistently overspent in the energy sector and this spending has been completely inefficient. The energy sector has substantially exceeded its allocated budget, with an average execution rate in the energy sector standing at about 140 percent over 2008–2012. Poor planning and cost overruns of the construction of energy infrastructure are the main reasons for this very high rate of execution. This raises a flag about the robustness of the budgetary and disbursement system in Congo to efficiently monitor the execution of the country's budget. This lack of planning and coordination ultimately led to government spending inefficiency in the sector. During this period, the growth rate in the energy sector decelerated, moving from 7.7 percent on average in 2003–2007 to 5.1 percent in 2008–2012 despite massive investments in the sector.

The PEMFAR is recommending that the Congolese government: i) strengthen national planning capacity to formulate a strategy for solving the energy deficit in Congo; ii) set an explicit and mandatory committee of coordination between DGGT and the ministry in charge of energy in the planning, the budgeting, the implementation, and the operating of the energy infrastructure; and iii) continue on its efforts to restructure the SNE by tackling its operational challenges so that the company will eventually achieve a healthy financial balance sheet. In addition, the government could take measures to increase the effectiveness of the institutional framework by operationalizing the regulatory agency and diversifying actors to spread financial risk from the Congolese State. This objective could be achieved by attracting private investment through balanced financial incentives.

Eighth message: The Congolese planning and budgeting of spending was poor, in part because they were under pressure of non-programmatic or unprepared spending. In addition, planning issues led to difficulties in budget execution when normal procedures were used. Going forward, the government should strengthen its capacity to fully implement its budgeting process, and to reduce its excessive use of exceptional procedures in budget execution.

During the period under review, the Congolese budget suffered from poor planning and budgeting of its spending and its budget execution with normal procedures facing some challenges. From 2008 to 2013, the planning and budgeting of Capital and recurrent spending have been poor as they have been under pressure of non-programmatic or unprepared spending. In fact, in recent years, the use of MTEFs has been limited. Budget execution with normal procedures has been difficult to implement because the process is marked by multiple and complex steps, leading to the excessive used of exceptional procedures. In fact, the execution of the budget includes several actors, steps, and procedures and due to codification procedure, the budget is hardly enforceable with normal procedure on January 1 of each year. Moreover, the risk related to cash management remained substantial in the Congolese Treasury system

due to the fact that the Treasury management has not been able to systematically produce the required documents in support of its cash operation.

The PEMFAR is recommending that the Congolese government: i) fully implement its budgeting process by reviewing and making sure that the approved budget preparation calendar is realistic, ii) update and use the MTEF effectively in budget preparation; iii) systematize intra-sectoral trade-offs by forming an ad-hoc committee in each sector to prepare the "Budget d'Affectation Special" and to define the procedures for its inclusion in the national budget; iv) reduce the use of exceptional procedures in budget execution, by: a) codifying the budget prior to January, b) enforcing the deadline of budget execution to any approval authority, for example by rendering non-mandatory an approval when the maximum delay has expired without the authority formally acting on it; v) establish an effective cash management system by: a) applying relevant procedures of the accounting instruction of 2001 on a cash basis before the adoption of a new general regulations on public accounting; and b) implementing strict internal control mechanisms, which by periodic statements of reconciliation will eliminate the risk of accumulation of arrears of revenue collection.

Ninth message: The legal framework governing the management of public finances is being renovated, however lack of coordination of the programming and budgeting process and a dysfunctional information system for accounting and monitoring have led to issues of budget credibility. Going forward the government should address these weaknesses with short-term actions such as putting in place the new Treasury structure and medium-term actions such as strengthening human resources in PFM in government agencies.

The government has been renovating the country legal framework governing the management of public finances, however lack of budget coordination and a dysfunctional information system for accounting and monitoring have led to issues of budget credibility. In recent years, the government adopted or updated new legislation to improve its legal framework. However, some critical implementation regulations related to these laws are not yet in place. During the same period, the information system for accounting and monitoring has been dysfunctional and upgrades have been subjected to significant delays. Moreover, the country lacks both cash planning and a budget control mechanisms. As a result the 90-day payment deadline set by the current regulations to the General paymaster for the settlement of expenses is not always respected, resulting in the undermining of budget credibility.

The PEMFAR is recommending that the Congolese government address these weaknesses by short-term as well as medium-term actions. In the short term: i) put in place the new Treasury structure; ii) reduce the gap between adopted and actual domestic revenues to less than five percent, include the stock of domestic payment arrears in public documentation, and make an inventory of revenues received by ministries and not paid into the Treasury account; iii) undertake at least on a monthly basis the reconciliation of accounting entries and bank statements and systematically clear suspense accounts and regularize them in the general accounting of the government; and iv) undertake a comprehensive monthly reconciliation of the operations of revenue administrations (DGI and DGD) and the treasury. **In the medium-term:** i) strengthen human resources in DGCB, DGD, and DGI in revenue collection and compliance with tax and customs rules, develop a program-based allocation mechanism for government transfers to territorial communities, strengthen the supervision of autonomous public agencies and public enterprises, and by extending the timeline of line ministries to prepare their budget proposals and involving them in the process of simultaneous preparation of current and investment budget estimates; and ii) in order to improve budget accounting, recording, and reporting, issue revenue collection orders corresponding to government revenues whose amount are known in advance and bring back to a semi-annual frequency output from the point of execution of public investment projects realized by DGPD.

Tenth message: The public procurement system improved substantially to moderately satisfactory up from unsatisfactory in 2006. However, this system is poorly integrated into the public sector governance system and remains seriously compromised by delays. Hence, the government should consider full implementation and compliance with procurement code regulations.

The public procurement system improved substantially from completely unsatisfactory in 2006 to moderately satisfactory in 2014; but it is poorly integrated into the public sector governance system and seriously undermined by noncompliance with deadlines. In 2014, the country procurement system was rated at 53 percent of OECD/DAC rating scale, compared to 16 percent in 2006. This improvement was in part due to the introduction of a new procurement code. The Code is modern and state-of-the-art. Specifically, the Congolese procurement legislative and regulatory framework is strong and is in accordance with international standards. Meanwhile, this public procurement system is poorly integrated and incorporated into the public sector governance system, as a result of weak capacity and inadequate human resources management in Congolese PFM in general. In addition, procurement plans are undermined by delays in budget preparation, launching tenders and evaluation, issuing no objection by the DGCMP, and approval and signing of contracts.

The PEMFAR is recommending that the Congolese government: i) adopt all implementing provisions currently missing in the public procurement code and extend the scope of the legal framework for public procurement to Public-Private Partnerships (PPPs) and to defense and national security procurements; ii) explore ways and means to support the ARMP to facilitate the implementation of the strategic plan for capacity building; iii) adopt legislation imposing specific requirements to ensure the availability of budget before the launch of the tender and to enforce respect of delay by approving authorities; and iv) provide financial and technical support to the Agence de Régulation des Marchés Publics (ARMP) in order to enable it to carry out regular and exhaustive annual audits of public procurement.

Matrix of Key Policy Recommendations

Overall recommendations		
Operational objectives	**Actions**	**Expected outcomes**
Achieve a consistent budget execution with strategic objective	Set an entity with the relevant convenient power to oversee budget execution	Greater consistency of budget planning and execution
	Establish a framework where relevant stakeholders meet to investigate the state of PFM reform and take action to fix identified issues	Greater consistency of budget planning and execution
	Make sure that all procurement contracts (done by Chinese companies, managed by DGTT, etc.) go through the normal procurement and disbursement procedures	Greater transparency and consistency of budget planning and execution
	Establish and implement coordinating entities of budget preparation, execution, and PFM issue in line ministries	Greater consistency of budget planning and execution
Improve the strategic management of the State	Complete the computerization of all budget and PFM operation at the central level as well as in line ministries	
Strengthen staff capacity on PFM issues	Conduct a civil servants department reform to ensure that experts of PFM and Budgeting issues are the only staff dealing with PFM issues.	
	Develop and implement continue trainings and on the work training program for staff already working in the Budgeting and PFM	
	Generalize to every ministry a permanent civil servant structure headed by a "Secretaire General" to which a Director General of Budgetary and Financial affair will report.	Improve evidence-based decisions and reduce rent-seeking behavior
Move toward program-based budgeting	Complete the draft of the new program-based budgeting framework currently under development	
Fiscal space		
Strengthen the collection of non-oil revenues	Implement the newly introduced property tax	Collection of property tax
	Develop a toolkit and a protocol to fight corruption and fraud in the tax and custom administrations	Reduction of corruption and fraud in this administration
	Set a single window policy for tax payers	
Improve the management of oil revenue volatility	Provide to staff of relevant ministries the technology to oversee extractive industries operations	Reliable forecast of oil production
	Publish accounts of public enterprises on the website of the ministry of oil and energy	Greater transparency of oil sector
	Publish oil contracts on the société nationale des pétroles du Congo (SNPC) website	Greater transparency of oil sector
	Undertake periodic reliable independent audits of financial flows in the oil sector and publish and disseminate audit reports to all stakeholders (public administration, private sector, NGOs, etc.)	Greater transparency of oil sector
	Undertake a study on the type of taxation that the government should adopt and implement	Higher non-oil tax collection

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Matrix of Key Policy Recommendations *(continued)*

Composition of public expenditure and key source of fiscal pressure		
Operational objectives	**Actions**	**Expected outcomes**
Strengthen the budget planning process and keep a link between planning and budgeting	Plan all investments for a typical time frame; a period of five years or three years could be set	Improve public investment planning
	Adopt a public investment plan with many layers	Improve public investment planning
	Involve and empower the team working on budget planning in the entire budgeting process	Improve public investment planning
Improve budget presentation	Draft the budget to enable the distinction between directly productive sectors and indirectly productive sectors	Facilitate budget analysis
	Resume the budget presentation by function classification	Facilitation of spending analysis
Achieve a sustainable budget execution	Build the capacity of staff involved in budget execution by on-the-job (in-service) training	Strengthen human resource of some line ministries on public finance issues
	Reorganize the administration such that staff involved in budget execution are those who have the required expertise	
	Set a condition to limit the ratio of OPPA and ORPA to total expenditure	Low use of special procedure in budget execution
Improve the equity and the efficiency of government spending	Take appropriate time to plan and execute an investment	Reduce inflation in public investment and a greater efficiency of public investment
	Provide a geographic coverage of the budget by division or rural vs. urban areas	Better targeting of the poor divisions to improve spending equity
	Public expenditure review in agriculture	
Ensure that limited resources are used as efficiently and effectively as possible	Provide line ministries with experienced and trained staff on PFM issues	Strengthen the capacity of sector line ministries on PFM issues
	Take measures to make funding available on time, especially given the strong seasonality of agriculture	Greater budget predictability in the sector
Monitor and evaluate spending	Create a results and performance based system	A strong base for monitoring and evaluation of public expenditures
	Ensure that monitoring reports are used inside and outside of MAE and MPA to reward good performance	Greater budget control
Strengthen the agriculture support fund	Build the analytical capacities of the fund	Better selection of program by the fund
	Take potential farmers through the selection process of the fund to ensure the sustainability of their project if they are to receive any financial support	Better functioning agriculture support fund

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Matrix of Key Policy Recommendations *(continued)*

Public expenditures review in education		
Operational objectives	**Actions**	**Expected outcomes**
Re-prioritize and improve the allocative and operational efficiency of the education sector budget	Shift funding to secondary education, mainly in capital expenditures	Greater quality of secondary education,
	Increase the funding of the post-basic education	Greater equity in access and education attainment
Align budget allocations to strategic education goals	Increase funding to programs dedicated to repetition and drop out reduction	Greater efficiency of the budget in the sector
	Remove ghost staff in the sector by carrying a physical inventory of education staff	Greater efficiency of the budget in the sector
	Realign budget to reduce the high ratio of administrative staff to teaching staff	Greater quality of teaching
	Provide budget to recruit already trained teaching staff, with a focus on the rural area	Greater quality of teaching
Public expenditures review in health		
Render government health spending pro-poor	Allocate a growing share of public financing to the poorest divisions in the country	Bridge the gaps in health status between the poor and the non-poor
	Expand and rationalize government health spending and moving toward universal health care	Bridge the gaps in health status between the poor and the non-poor
Render government health spending more efficient	Evaluate national hospitals which currently receive block grants from government to determine their efficiency	Better services of hospital to the population
	Adopt a policy to progressively expand the share of public resources going to health dispensaries and health centers	Better services of hospital/dispensaries to the population
Public expenditure review in energy		
Strengthen the capacity of national and regional planning to formulate a strategy for resolving the energy deficit	Set a mandatory committee between DGGT and the MEH to plan, program, and implement investment projects in the energy sector	Strong national energy planning and greater efficiency
	Commit to a shared vision that takes advantage of regional synergies	Integrated energy plan
Improve SNE operational performance and restore its financial balance	Restructure the recovery department of SNE and render it more efficient in bill payment collection	Healthy financial balance for SNE
	Promote and generalize the system of prepaid meters, which allow customers to better manage their consumption	Simplified recovery management cost

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Matrix of Key Policy Recommendations *(continued)*

Planning system and budgetary process		
Operational objectives	**Actions**	**Expected outcomes**
Improve the entire PFM system	Accelerate the reform of the legal (RGCP, NB, GFS, PC) and regulatory framework of public accounting	Effectiveness of decree no. 2013–807 of December 30, 2013
	Complete the modernization of SIDERE, with a complete payment compartment (treasury), integrating other systems of financial authorities for budgetary control authorizations and payments and automatic editing of the accounts and the overall balance of the State	Complete computerization of the spending channel
Improve budget planning	Rigorously apply the budget schedule in terms of respect of time, deadlines, and milestones of activities	Adopt budget on time
	Adopt budget schedule in accordance with different laws and budget calendar	Adopt budget on time
	Systematize intra-sectoral trade-offs by forming an ad-hoc committee in each sector to prepare the "Budget d'Affectation Special" and to define the procedures for its inclusion in the national budget.	Better budget planning in line ministries
Improve budget execution	Consolidate budget in parallel with parliamentary approval	Budget execution effectiveness on January 1st
	Train DEPs and procurement cells (CPM) staff on the preparation of investment projects	Better budget execution in line ministries
	Deploy at all ministries and agencies the "delegates trained" budget controller	Better budget control
	Render effective de-concentration of the authorizing officer of spending in favor of sector ministers and heads of institutions	Implementation of the LORFE 2012 and fiscal management focused on results
Improve the treasury management	Set performance targets to the treasury based on the percentage of actual payment of mandate within three months prescribed	Reduction of delay in payment
	Improve the current accounting system through the development of technical and functional capacities	Better treasury transparency and reporting
	Produce all balances accounts of class 1 to 7 and 9 to input balances at January 1, and by observing the deadline of 15 days of publication after the end of the month	Greater quality of the consolidated balance of the treasury
	Implement strict internal control mechanisms by periodic statements of reconciliation	No arrears in revenue collection
Improve cash management	Develop a procedural manual for DGTCP, then ensure the effective application of the rules, tools, and procedures in place for cash management	Effective cash management
	Strengthen the systematic internal controls to ensure a proper application of current accounting policies	Effective cash management
	Develop and implement a technical and institutional framework of cash management	Effective cash management
	Prepare and update the cash plan according to a monthly budget and use for control purposes frequency	Effective cash management
	Apply rigorously relevant procedures of the accounting instruction of 2001 to the cash management system	Effective cash management

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Matrix of Key Policy Recommendations *(continued)*

Public procurement		
Operational objectives	**Actions**	**Expected outcomes**
Render the legislative and regulatory framework fully aligned with the international procurement standards	Adopt all the missing implementation regulations of the code of public procurement, in particular those relating to allowances of CGMP members and their composition, responsibilities, and operating procedures	Better legal procurement framework
	Carry out a cleaning up of the procurement code including provision for the compulsory use of pre-qualification procedure for works or complex equipment contracts	Better legal procurement framework
	Adopt legislation to ensure prior availability of budget before the launch of any tender or before contract signing	Better legal procurement framework
	Remove existing bottlenecks in the contract approval procedure by the ministry of finance	
Improve procurement planning and integration into the public financial management system	Increase the ex-ante control thresholds and reinforce the ex-post control	
	Develop systems helping to collect procurement data and statistics and to disseminate reliable information	Better information and statistics on procurement issues
Set an efficient communication, information, statistical, and archiving system	Provide needed support to ARMP to ensure the systematic publication of all relevant procurement information on its website and in the public procurement newsletter	Better communication on procurement issues
	Provide technical support to contracting authorities to help track and control works contracts and establish an effective coordination mechanism between contracting authorities and DGGT	Better contract management
Remove major constraints to contract management and supervision systems	Develop competency profiles and develop a specific career plan in public procurement	Greater staff capacity within the procurement system
	Provide financial and technical support to the ARMP in order to enable it to carry out regular and exhaustive annual procurements audits	Lower delay in the procurement system
Render internal and external control systems efficient	Develop internal control procedures of procurement activities	Better procurement control
	Strengthen the external audit bodies in particular the IGF, the CNLCCF, and OAC by providing technical support to enable them to effectively carry out their missions	Better procurement control
	Improve access, dissemination of information on public procurement in particular the provision of electronic communications, the development and dissemination of standard models of progress reports to the ARMP, the DGCMP, and CGMP	Greater transparency
Forster integrity and transparency of the procurement system	Promote a policy of zero tolerance against corruption in public procurement in particular through the implementation of mechanisms for the prevention and repression	Greater integrity
	Develop and provide codes of conduct and ethics specific to public procurement	Greater integrity

PART I
Macroeconomic and Fiscal Space

This part focuses on the macroeconomic and fiscal context in Congo. The first chapter presents the structure of Congo's economy and public finance, then its economic performance during the period 2008–2013. This is followed by the presentation of its macroeconomic outlook and its financing requirement during the same period. The second chapter focuses on issue of the fiscal space.

Macroeconomic and Fiscal Context

1

From 2008 to 2013, driven by the higher price of oil, the Congolese economy grew fairly strongly. On average during this period, Congo's growth rate stood at 5.4 percent. High oil prices translated into higher revenue to both the government as well as to the private sector related to the oil sector. This ultimately led to higher demand for goods and services, thereby boosting the non-oil sector.

This favorable macro-economic condition coupled with low repayment of debt services lead to a greater fiscal space. Higher oil prices led to higher government oil revenues and the strong performance of the non-oil sector translated to higher collection of non-oil revenues. Both led to an increase of the total government revenues. Meanwhile, the achievement of the completion point of the HIPC process in 2010, lead to a decrease of government recurrent or mandatory spending, thereby freeing the Congolese fiscal space.

1.1. Structure of Congo's Economy and Public Finance

The Congolese economy is dominated by oil production, which accounted for about two-thirds of the GDP over the 2008–2013 period. Similarly, for Congolese Public finance, oil revenues accounted for three-fourth of total revenues during the period. Besides, there has been a shift in spending structure, with a sharp decline of debt services payment consecutive to the completion point of the HIPC process during this period and the rebalancing of spending in favor of capital expenditure, which has accounted for more than 50 percent of spending since 2010.

1.1.1. Economic Structure

Congo is essentially an urban oil exporting economy.

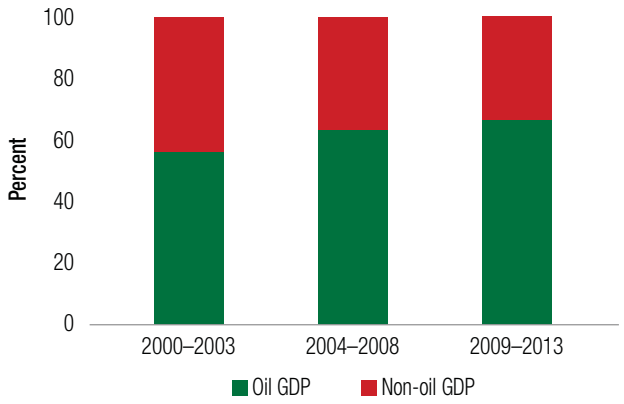
Unlike many sub-Saharan African countries (SSA), Congo is a highly urbanized country. With an urbanization rate of 61.8 percent according to the latest census of 2011, Congo is one of the most urbanized economies in Africa. However, like many African country, Congo has a younger population, with young people representing nearly 67.5 percent of Congolese. This characteristic sustained the trend of urbanization in Congo, through the mass rural exodus phenomenon, which pushes young people to cities, mainly Brazzaville and Pointe-Noire. As a consequence, urban

employment is a more critical issue in Congo than in other African countries.

The domination of Congo's economy by oil production indirectly contributed to this high urbanization. In nominal terms, the share of the oil sector in GDP has remained above 60 percent over the last five years. The lowest was recorded in 2009, at 62 percent of GDP, while the highest was in 2011 (mainly due to price increase) in which the sector accounted for 70 percent of GDP. Since then, with the oil price stabilization, its size has slightly declined and it is estimated at 63 percent of GDP in 2013. Overall, in the last five years the oil sector had increased its domination of the Congolese economy thanks to high oil prices (see Figure 1.1). The large size of the oil sector exacerbated the revenue difference between agricultural sectors (main activity of rural areas) and services sectors (main activity of urban areas), and thus renders rural areas less attractive for Congolese population.[2]

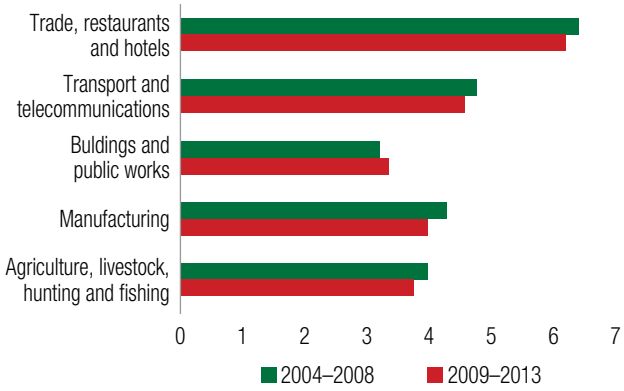
The domination of oil exposed the Congolese economy to high volatility from fluctuations in oil production and prices. The volatility of oil production and prices in international markets leads to significant problems in fiscal planning and government spending.[3] The Congolese government needs to bear in mind that the lack of economic diversification to date makes the country's economic performance sensitive to fluctuations of production and international oil prices.

FIGURE 1.1: **GDP Share, 2000–2013**



Sources: World Bank, IMF, and Congolese authorities.

FIGURE 1.2: **GDP Share of Key Non-Oil Sectors**



Sources: The World Bank, IMF, and National Authorities.

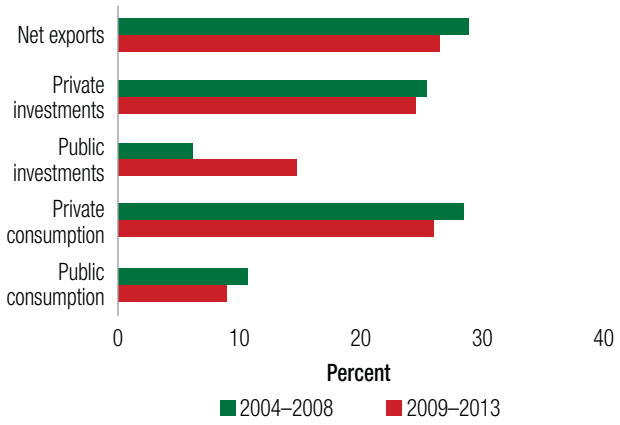
Although overall the non-oil sector declined in the last decade, its dynamic was not homogenous. Overall, the share of non-oil GDP declined from 44 percent in 2000–2003 to 36 percent in 2004–2008, and finally to 34 percent in 2009–2013. There are five key sectors in this non-oil sector (see Figure 1.2), which are i) agriculture, livestock, hunting and fishing; ii) manufacturing; iii) buildings and public works; iv) transport and telecommunications; and v) trade, restaurants and hotels. In fact, these sectors are grounded in the economy, they employed a fair share of the labor market, and they account for about two-thirds of the non-oil GDP. From 2004–2008 to 2009–2013, four of these sectors lost in their share of GDP, in fact, only building and public works saw a slight increase of its share from 3.2 percent to 3.3 percent. Moreover, only trade, restaurants, and hotels has a share higher than 5 percent of GDP.

In Congo, the three key components of GDP had almost the same weight. Over the period 2009–2013, Consumption accounted for 35 percent of GDP, Investment for 39 percent and Net exports for 26 percent. These results were almost the same during 2004–2008. In fact, Consumption accounted for 39 percent, investment for 32 percent and net-exports

[2] One can recall the mechanism of Dutch disease.

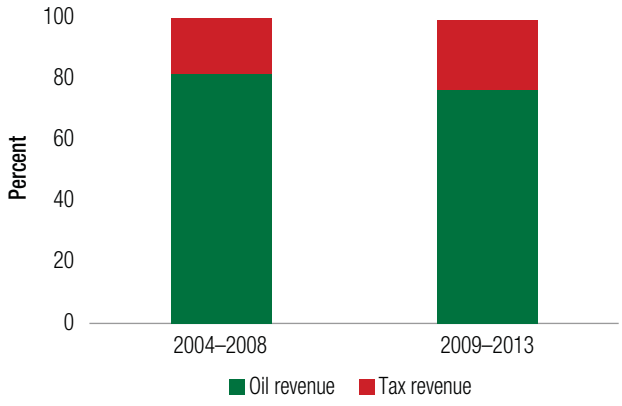
[3] Supply shortage or oil production can result from an unplanned refinery outage, pipeline damage, or any other mechanical problem.

FIGURE 1.3: **GDP Share of Key Components**



Sources: The World Bank, IMF, and National Authorities.

FIGURE 1.4: **Government Revenue Composition**



Sources: World Bank, IMF, and Congolese authorities.

for 29 percent (see Figure 1.3 for details: public and private). This development is mainly due to the fact that public investment grew from 7 percent in 2004–2008 to 15 percent in 2009–2013. This high increase of the public investment share came as the expense of other sectors that saw a decrease of their share in this period. Relatively, private investments' share did not decrease much, probably due to the positive externality effect of public investment on private investment.

The share of net exports masks the fact that exports accounted for more than 80 percent of GDP. Driven by oil exports, the share of exports in GDP was 80 percent in 2004–2008 and was 86 percent in 2009–2013. In the same time, driven by investment in Congo infrastructure, imports as a percent of GDP move from 51 percent in 2004–2008 to 60 percent in 2009–2013.

1.1.2. Public Finance Structure

Size of oil revenue in the Congo's total government revenues

Over the last decade, Congolese government revenue accounted for about 40 percent of its GDP. From 2004–2008 it accounted for 43 percent while for 2009–2013 it accounted for 40 percent. These revenues were dominated by oil revenue, which account for 82 percent in 2003–2008 and 76 percent in 2009–2013 (see Figure 1.4). The slight decline in this ratio was due to the decline in oil production during the last period by about (–3) percent at an annual rate.

Government revenue increased steadily during the last decade. From 2003 to 2007, government revenues increased at an average growth rate of 27 percent, while from 2008 to 2013 it increased at an average growth rate of 8 percent. The very strong increase in the first period was due to the growth in the price of oil, which more than tripled during that period, while the weak growth in the second period is mainly due to the stabilization of oil price and a decline in oil production which was not compensated fully by a strong increase of non-oil revenues. However, oil revenue still accounted for three-fourths of total revenues.

Government revenues from taxes have grown steady in the last five years, led by growth in the non-oil sector and a slight improvement in tax collection. In fact, nontax revenues grew at an average growth rate of 18 percent from 2008 to 2013, an improvement from 10 percent from 2003 to 2008. There has been a significant increase in non-oil revenues in 2013 that reached about XAF 86.5 billion, which is an increase of 13.3 percent. In 2011 and 2012 non-oil revenues, which consist mainly of tax revenues (91.8 percent), increased by 17.9 percent. The tax ratio has averaged 21.7 percent over the period, reflecting improved performance of tax administration, following the implementation of reforms in tax policy. In 2013, the tax administration

is estimated to have collected about 96 percent of the forecasted non-oil revenue, which is a good rate for that administration. During this period tax collection experienced a slight increase of about 2.2 percent on average, thanks to measures to expand the tax base, and the fight against fraud and tax evasion. With the improvement of the information system, significant progress has been made in the management accounting system used to track revenue.

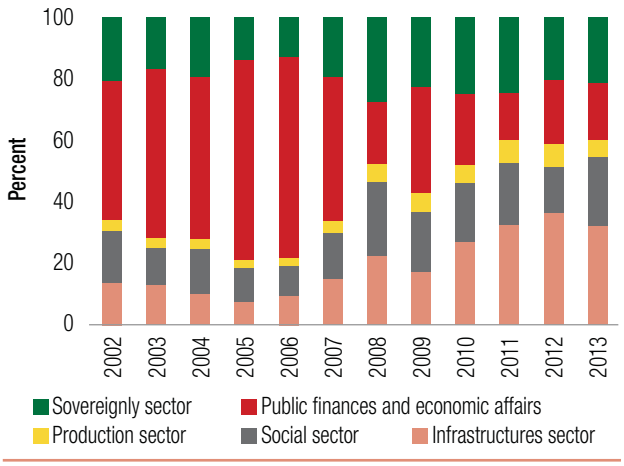
Congo's collection of external revenues is weak, corresponding to the government's cautious policy of borrowing. The level of achievement of external revenue collection has been declining from one year to the next. In 2011 and 2012 alone it has declined from 93.1 percent to 40.1 percent. In fact, after reaching the completion point of the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative the government adopted a policy that requires accepting only grants or loans with a substantial grant component.

A shift from current spending toward investment infrastructure

The share of government spending remained stable over the last decade, however it underwent a structural shift with investment infrastructure taking the lead in recent years. Total expenditures stood at 28 percent of GDP in 2003–2007 and remained stable at 29 percent in 2008–2013. In fact, the government kept its spending moving at the same speed as the nominal GDP. During the same period, the government made a strategic decision to increase investment spending. This started in 2006 and accelerated in 2012. As a result investment spending moved from 22 percent of government spending in 2003 to 63 percent in 2013. Comparing periods, investment spending moved from 27 percent of total spending in 2003–2007 to 53 percent in 2008–2013. Over this period the composition of investments remained the same with 12 percent of spending coming from external funding while 88 percent was from domestic financing. This was not the case for current spending. In fact, the share of debt services in current spending dropped from 31 percent in 2003 to about 2 percent in 2013. In fact, over 2003–2007, debt services accounted for 27 percent of current expenditure and between 2008 and 2013 it accounted only for 9 percent of current expenditure.

The general trend of contributory shares in public finances and economic affairs decreased contrary to other sectors that have risen recently. The share of social sectors has risen from 13 percent on average between 2002–2007 to 20 percent on average between 2008–2013 mainly because of new government policies (NDP) and the fact that 2012 and 2013 was successively declared as the "années de la santé et de l'éducation (national Year of Health and of Education)" (see Figure 1.5). This trend is the same in the sovereignty sector, which has grown on average from 17 percent to 23 percent between 2002/2007 and 2008/2013. In addition, the shares in infrastructure and production sectors have been tripled on average, respectively from 11 and 3 percent to 30 and 6 percent over the same comparative periods. Great works done in the country and installation of heavy industries explain these growths. However, Figure 1.5 clearly shows that the share of public finance and economic affairs decreased from 56 percent over 2002/2007 to 21 percent over 2008/2013. This could be explained by the reallocation to other ministries of a big part of the resources budget previously concentrated in the finance ministry.

FIGURE 1.5: **Share of Total Government Budget by Sector**



Sources: World Bank and Congolese authorities.

1.2. Economic Performance — 2008–2013

Over 2008–2013, the Congolese economy grew faster than between 2003–2007. This was mainly due to higher oil prices, sharp declines in debt services payment, and increases of investment in basic public infrastructure.

1.2.1. Economic Performance 2008–2013

Growth performance

Congo's performance over the last decade has been far behind the growth rate needed to achieve its developmental goal by 2025. Over 2008–2013, Congo experienced significant economic growth with an average annual growth rate of 5.4 percent, up from 3.5 percent over 2002–2007, while the average growth rate required (to reach the country's development goal) lies between 7 and 8 percent over 2012–2025, according to the National Development Plan (NDP). This weak growth is largely due to the poor performance of the oil sector and a lack of diversification. Comparison with neighbors shows that the country growth profile is lower than in Angola and DRC (other natural resources rich countries), see Table 1.1.

In recent years, GDP growth has been increasingly driven by the non-oil sector. In fact, in the last three years, the non-oil sector experienced nearly double-digit average growth, but the oil sector has declined at an average rate of –8.2 percent during the same period. This was mainly due to accidental disturbances in offshore oil production. However, the sector grew at 2.0 percent in 2004–2008 and 5.5 percent in 2009–2013. Meanwhile, the non-oil sector grew strongly in the last decade, on average 5.7 percent in 2004–2008 and 7.1 percent in 2009–2013.

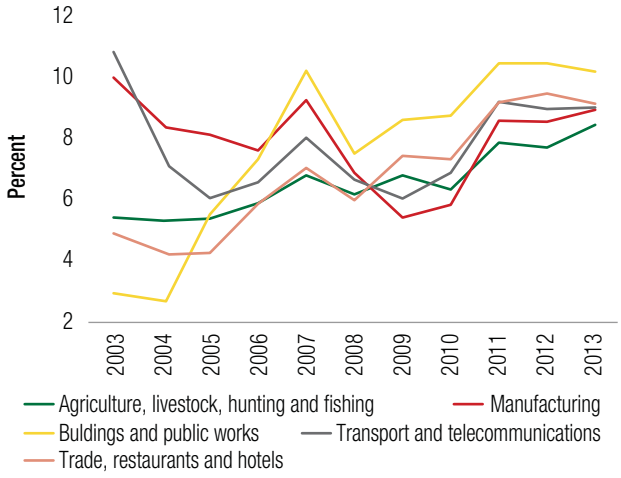
The contribution of non-oil sectors to GDP growth has been important during the last decade. Figure 1.6 shows that positive growth in Congo is largely driven by the non-oil sector. In fact, in 2008–2013 the contribution of non-oil sectors is 4.5 percent out of the 5.4 percent growth, i.e., contribution more than 80 percent of GDP growth during that period. The situation

TABLE 1.1: **Selected Countries – GDP Annual Growth Rate, in Percent**

	2003–2007	2008–2013
Republic of Congo	3.3	5.4
Gabon	1.5	4.0
Equatorial Guinea	16.3	2.7
Nigeria	7.9	6.8
Chad	12.0	5.6
Cameroon	3.2	3.7
Angola	15.7	5.7
Democratic Republic of the Congo	6.4	6.1
Mauritius	4.4	3.9
Kenya	5.5	4.1
Cote d'Ivoire	0.8	3.6
Ghana	5.8	8.5
China	11.7	9.0
India	8.9	6.0
Brazil	4.0	3.1
Russia	7.5	1.9
Poland	5.2	3.1
Czech Republic	5.6	0.2
Malaysia	5.9	4.4
Indonesia	5.5	5.8

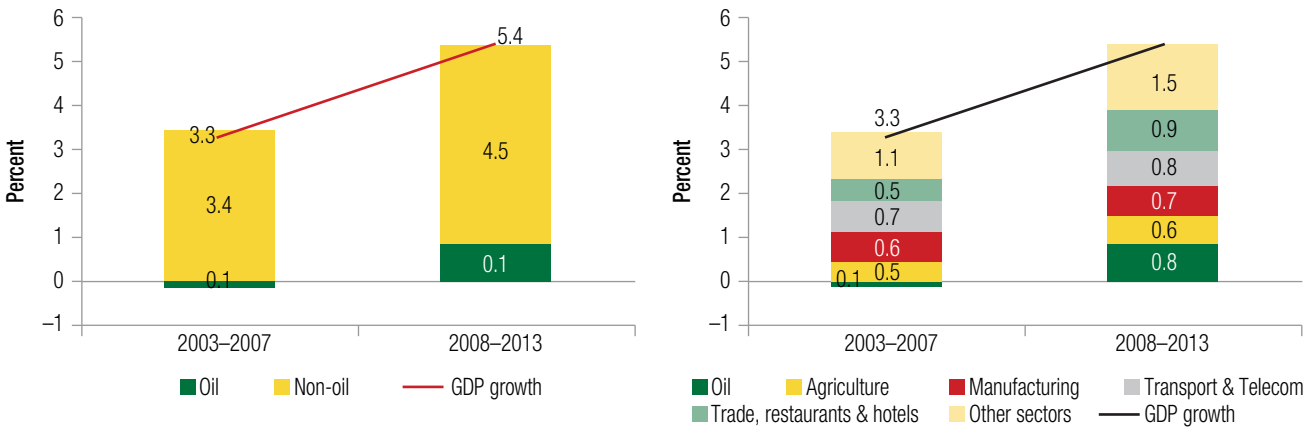
Sources: World Development Indicators and Staff calculations.

FIGURE 1.6: **Annual Growth of Non-Oil Sectors**



Sources: World Bank, IMF, and Congolese authorities.

FIGURE 1.7: **Sectors Contribution to GDP**



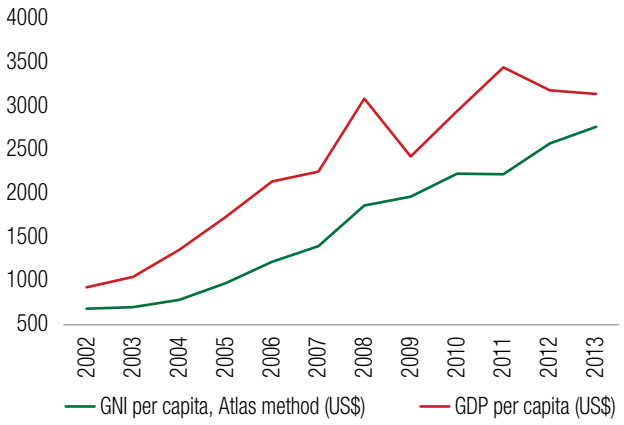
Sources: World Bank, IMF, and Congolese authorities.

was even larger in 2003–2007, because during that period, the contribution of the oil sector was slightly negative. More precisely, agriculture, manufacturing, transport and telecommunication, trade, restaurant and hotels contributed 3 percent of the 5.4 percent of GDP growth from 2008 to 2013, while they contributed 2.3 percent out of 3.3 percent over 2003–2007. This confirms the growing impact of non-oil sectors in the Congolese economy (see Figure 1.7).

The poverty rate in Congo is high compared to its GDP per capita

Despite the macroeconomic stability and its low middle-income status achieved in 2006, poverty remains pervasive with about half of the 4.6 million Congolese living below the poverty line. Congo achieved lower-middle-income status in 2006, and quadrupled its GNI per capita from US$680 in 2002 to US$2660 in 2013 (see Figure 1.8). However, poverty and inequalities continue to strongly hamper the country's efforts to develop. The Gini index of inequalities is estimated at 0.39, far from a zero level of inequality. These figures mask important regional differences; urban poverty declined rapidly from the 2005 level and is now below 30 percent in the main urban centers of Brazzaville and Pointe Noire. In contrast, rural poverty increased by 10 percentage points to almost three quarters of the rural population, as explained by the high and rising poverty levels among subsistence farmers. Poverty rates declined for those engaged in the modern sectors as well as for female-headed households.

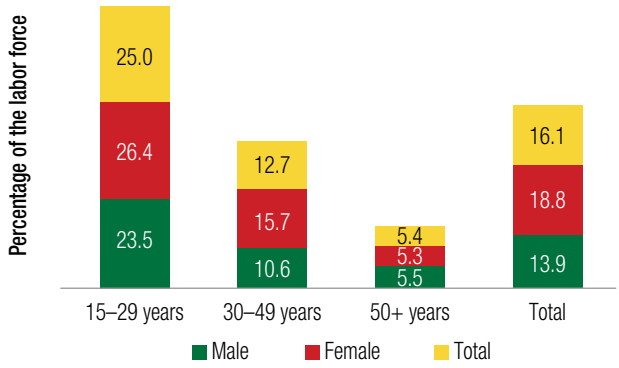
FIGURE 1.8: **GDP and GNI Per Capita Trends, 2002–2013 in USD**



Source: World Development Indicators.

This non-inclusive growth was due to the fact that economic growth was not associated with a diversified economy. In fact, growth has not led to job creation. The majority of the Congolese earns a living in the informal sector or is underemployed. Unemployment

FIGURE 1.9: **Unemployment Rate**



Source: EESIC 2009.

is high among the youth (see Figure 1.9). According to the 2009 Employment and Informal Sector Survey (EESIC), in urban areas 25 percent of the age group 15–29 years is unemployed. In the countrywide survey of 2005, the unemployment rate for the same age group was more than 40 percent. The unemployment rate declines significantly with age: only 5 percent of those over 50 years are unemployed. Women are more affected than men with higher unemployment rates especially in the 30–49 years age group.

Further, according to World Bank (2014) progress has been made in human development but important challenges remain. Congo still ranks very poorly in the Human Development Index; in 2013, Congo ranked 142 out of 187 countries. Progress towards the achievement of the Millennium Development Goals (MDGs)[4] has been continuous but uneven. Congo is far from eradicating Extreme Poverty (i.e. meeting MDG 1), in fact in 2011 about 45 percent of its population still lived below the poverty line, and with this trend Congo will not achieve the required poverty rate by 2015. The country has however seen more progress in achieving universal primary education (MDG 2) and in some aspects of MDG 3 (Promote Gender Equality and Empower Women). Most school age Congolese are in school, with 12.2 percent of boys and 13.1 percent of girls being out-of-school. However, in spite of improvements, not all complete primary education; the completion rate in 2011 was 88 percent. Gender parity has seen a significant improvement in all education levels. Recent data from the latest household and demographic and health surveys point out to important improvements in meeting MDGs 4 and 5 with important progress made in reducing child mortality and improving maternal health. Progress has been taking place with regards to MDG 6 however malaria is still endemic in the country and is responsible for a large number of deaths every year. HIV/AIDS rates are low (3.3 percent).

In conclusion, in recent years Congo experienced a modest rate of economic growth, mainly due to oil revenues. The economy is little diversified and there is need for increased diversification as oil reserves have reached maturity and oil production is dropping. Steps have been taken in such directions and improvement of growth rates have been seen in some non-oil sectors. Economic prospects for Congo are good; there is need however, for a reflection of such success in human development and poverty reduction. Almost half of Congolese live below the poverty line and earn their living in the informal sector. Progress has been made in human development, but more is required. The Congolese authorities are aware of the need to invest in the social sectors, and spending has been increasing (although slowly), even if overall country budget execution rates are still low. The next section provides a summary of the public expenditure reviews of the education and health sectors, discussing in more detail results, spending trends, efficiency, and equity in the sectors service delivery.

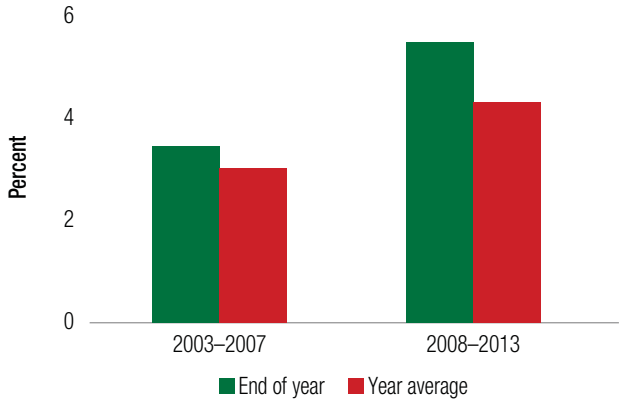
Inflation

Historically, inflation in Congo has not been a great challenge. In fact, since 2003, inflation in Congo was below 12 percent, whether considering annual average or the end-of-year inflation. The annual average of CPI inflation, which is the most smooth inflation indicator, shows that consumers have experienced a steady increase

[4] MDG 1 – Eradicate Extreme Poverty; MDG 2 – Achieve Universal Primary Education; MDG 3 – Promote Gender Equality and Empower Women; MDG 4 – Reduce Child Mortality; MDG 5 – Improve Maternal Health; MDG 6 – Combat HIV/AIDS, Malaria and Other Diseases; MDG 7 – Ensure Environmental Sustainability; MDG 8 – Global Partnership for Development.

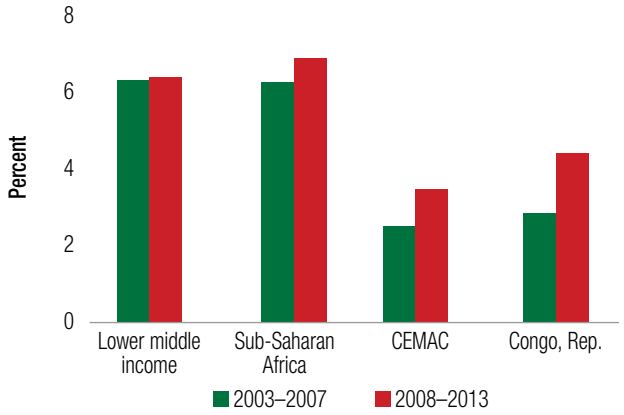
in the price of their goods basket every year at an average rate of 4 percent over the last decade. Therefore, the CPI inflation in the Republic of Congo has been very low by developing countries' standards. This is also true for the entire CEMAC region. Inflation in Congo and in the entire CEMAC region is even lower than that of the world average (see Figure 1.10 and Figure 1.11). From 2008 to 2013, there was inflationary pressure from imported food in 2008 and also due to the Mpila catastrophe in 2012. On average during this period inflation was 5.4 percent for end of year inflation and 4.3 percent for the annual average. This is a sharp increase of 2 percentage points for end of year inflation and 1.4 percentage points for annual average inflation. This indicates the country

FIGURE 1.10: **CPI, Inflation**



Sources: World Bank, IMF, and Congolese authorities.

FIGURE 1.11: **Selected Countries – CPI, Inflation, Year Average**



Source: World Development Indicators.

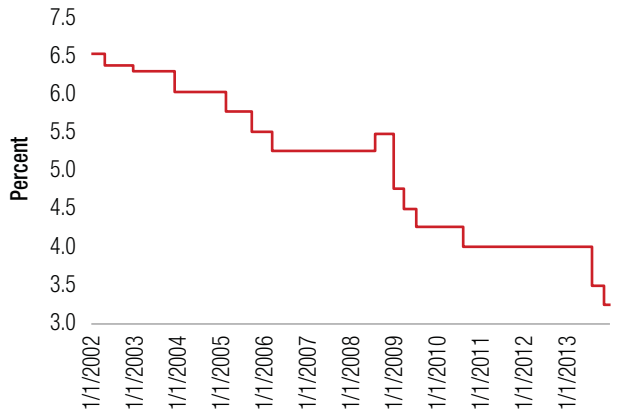
high dependency on food and non-alcoholic beverages for growing domestic consumption. All these two indicators are above the CEMAC convergence criterion. Despite this, CPI inflation in Congo has been very low by developing country standards. This is also true for the entire CEMAC region. Inflation in Congo and in the entire CEMAC region is lower than the world average.

Over the last decade, the central bank interest rate applied to financial institutions has been decreasing. In order to keep stability of the official exchange rate, the central bank (BEAC) sets external reserves in line with the guidelines of the European policy, as the CFA franc of the region is pegged to the euro. It follows monetary policy that creates a stable inflation in the region as indicated above. In November 2013, the central bank cut its interest rate by 50 basis points to a record low of 3.25 percent for supporting regional GDP growth and boosting credit availability, whereby commercial banks failed in the past to finance small and medium size enterprises (see Figures 1.12 and 1.13). Figure 1.13 shows that since 2006, the ratio of domestic credit to private sector to GDP is continuously rising as a result of declining policy rate. On average basis, the interest rate tenders (TIAO)[5] average rate fell at 4.3 percent over 2008–2013 compared to 5.8 percent experienced over 2002–2007.

Despite the recent favorable trends, the financial sector in Congo remains significantly undeveloped and commercial banks in place have abundant liquidity. With a dozen private banks and few financial institutions, Congo has only 45 depositors with commercial banks per 1,000 adults, a result far below the SSA average of 106 depositors with commercial banks per 1,000 adults, in 2006. In this context, between 2002 and 2013, credit to the private sector increased on the average of 3.0 percent of GDP over 2002–2007 to 7.3 percent of GDP over 2008–2013 (see Figure 1.14). During the same period, deposits of firms and households strongly rose, bringing the ratio of deposits to GDP up to 24.0 percent at end-2012 (compared to 6.8 percent in 2003). However, standard indicators of financial depth and breadth suggest that the country

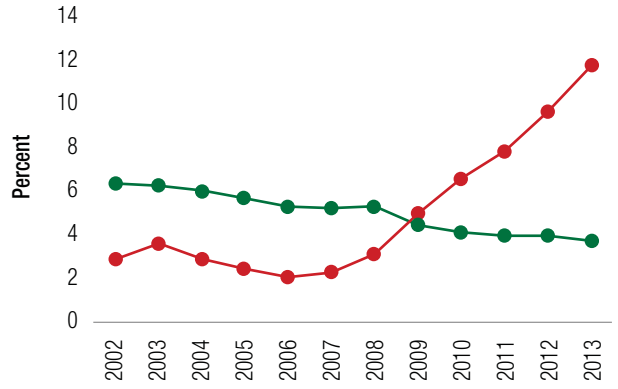
[5] *Taux d'intérêt des appels d'offres.*

FIGURE 1.12: **Trend of the BEAC's Main Policy Rate**



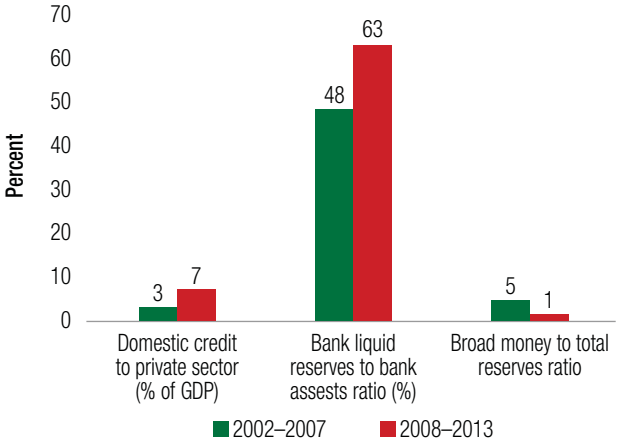
Source: BEAC and World Bank staff calculations.

FIGURE 1.13: **TIAO on Annual Average Rate and Ratio of Domestic Credit to Private Sector to GDP**



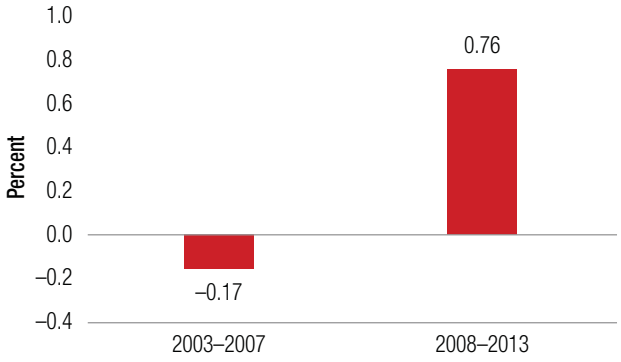
Source: BEAC and World Bank staff calculations.

FIGURE 1.14: **Selected Indicators of the Financial Sector**



Source: The World Development Indicators, 2013.

FIGURE 1.15: **Current Account Ratio of GDP**



Source: World Bank Staff calculations.

lags behind its neighbors. Cross-country comparisons of some commonly used measures, such as private credit to GDP ratio, number of bank branches, depositors and borrowers (scaled by population) reveal that the respective values for Congo are well below the median for a group of countries with broadly comparable per capita GDP. Surprisingly, at the same time banks have abundant liquidity as demonstrated by their large excessive reserves held in the central bank. Bank liquid reserves to bank assets are above 20 percent over the 2002–2013 period and the broad money to total reserves ratio stayed below 2 percent since 2005 due to the massive size of reserves held (see Figure 1.15).

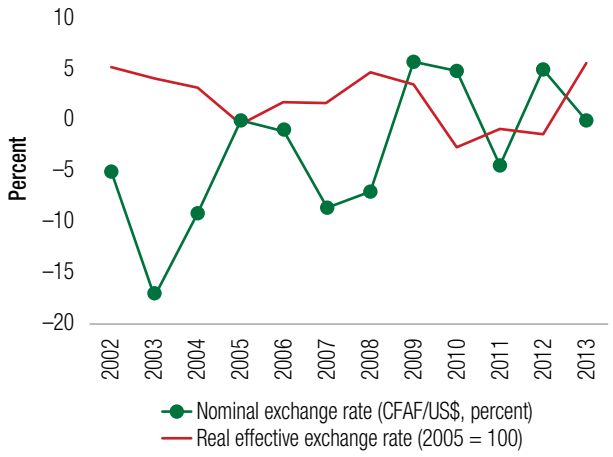
A number of factors explain this situation of large reserves in a context of weak financial performance. According to the IMF (2013), very high reserves result from serious limitations in the array of investment instruments available to banks due to the capital controls, while the near non-existence of the domestic securities market does not make it easy for banks to effectively deploy resources. In addition, the lack of understanding of the risk associated with small and medium enterprises (SME) in Congo partially explains why banks are not lending to SMEs. Private sector actors, for their part, complain about this rigid position of the banking sector with abundance of liquidity and enterprises, which cannot secure loans to carry their business.

Current account, foreign reserves, and exchange rate

Congo's external balance is dominated by developments in the oil sector. Over the last decade, current and financial accounts have been fairly volatile reflecting swings in international oil prices, production cycles in existing oil fields, and investment spurts to improve extractive capacity. Oil receipts have been generally strong allowing the country to finance large and persistent non-oil trade deficits, while generating significant profit repatriation outflows. Non-oil exports as a share of total exports has risen somewhat from their very low levels, but the increase has been lower than that of Sub-Saharan African peers owing in part to a very poor business environment in Congo.

Developments outlined above have resulted in a considerable gain in the current account since 2008. Indeed, the current account increased on average at 0.76 percent of GDP over 2008–2013, up from –0.17 percent of GDP over 2002–2007. The deterioration in performance before 2008 was driven by the oil output shock of 2007. Despite two successive years of current account deterioration in 2012 and 2013, the Congolese foreign reserves position remained sound, amounting to 38.4 percent of GDP and, on average, nearly 8 months of imports.

FIGURE 1.16: **Real and Nominal Effective Exchange Rates (2005=100)**



Source: IMF and World Bank staff calculations.

Congo's real effective exchange rate (REER) is broadly in line with macroeconomic fundamentals over 2008–2013. The currency appreciated by 9.8 percent on average in real terms between 2002–2007 and 2008–2013 periods on the back of a strengthening euro (vis-à-vis the U.S. dollar) and higher international oil prices, as the CFA franc is pegged to the euro at a fixed rate of XAF 655.95 = EUR 1. In nominal terms, there is also an appreciation of the XAF over 2008–2013 in comparison to 2002–2007 (see Figure 1.16). Therefore, Congo's external sustainability has moderately improved over 2008–2013 and remains generally strong.

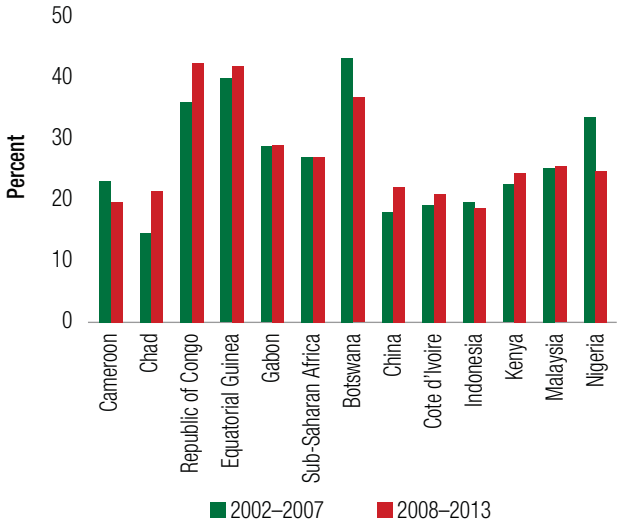
1.2.2. Fiscal Performance in 2008–2012

Strong tax collection, slowing revenue growth, and increasing revenue volatility

Over 2008–2013, oil revenue has strengthened its domination of government revenues in Congo. Although between 2008 and 2013, government revenue experienced erratic evolution due to opposing variations of oil output and price trends on markets, oil revenues accounted for at least three-quarters of total revenues each year. In this period, the country improved its performance in revenue collection, at 41.4 percent of GDP compared to 35.1 percent of GDP over the 2002–2007 period, and almost achieving the average of 42.4 percent expected in the National Development Plan (NDP). In addition, the country is doing better than other CEMAC oil producer countries or the average SSA country (26.5 percent of GDP) (see Figure 1.17). Government efforts and success in collecting taxes or non-oil revenues allowed the country to equilibrate the potential decline in oil revenue which depends on oil output, international demand, and oil prices.

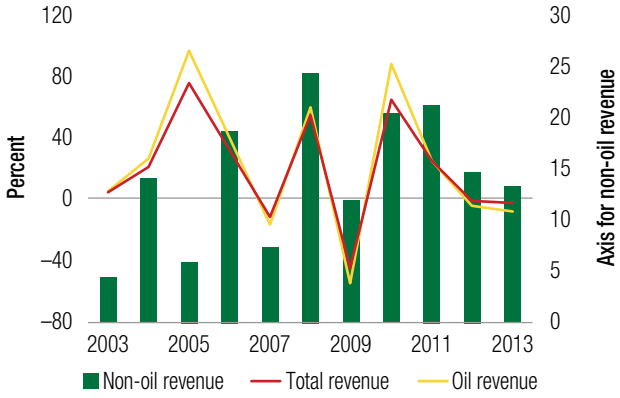
Government revenues grew slower in 2008–2013 than in 2003–2007. From 2008–2013, government revenues grew at an average annual growth rate of 16.5 percent, a drop from 25.8 percent in 2003–2007. This came as a result of slow growth in oil revenue (18 percent in 2008–2013 compared to 33 percent in 2003–2007) (see Figure 1.18). The slow average growth of oil revenues was due to a drop in oil production in the last three years,

FIGURE 1.17: **Selected Countries – Ratio of Government Revenue to GDP**



Source: IMF and World Bank staff calculations.

FIGURE 1.18: **Growth Rate of Government Revenues, 2003–2013**



Sources: World Bank, IMF, and Congolese authorities.

which was not fully compensated for by the increase in non-oil revenues. In fact, oil revenues still account for three-quarters of total revenues. A setback in oil production and stable international oil prices led to substantially reduced oil revenues in each of the last two years.

Government revenues from taxes have increased steadily over the last six years, driven by growth in the non-oil sector and improvement in tax collection. There has been a significant increase in non-oil revenues in 2008–2013. During this period, non-oil revenues, which consist mainly of tax revenues, increased by 17.6 percent compare to 10.1 percent in 2003–2007. The tax ratio has averaged 21.7 percent over the same period, reflecting improved performance of tax administration, following the implementation of reforms in tax policy. In 2013, the tax administration is estimated to have collected about 96 percent of the forecasted non-oil revenue, which is a good rate for that administration. During this period, tax collection experienced a slight increase, thanks to measures to expand the tax base and the fight against fraud and tax evasion. With the improvement of the information system, significant progress has been made in the management accounting system used to track revenue.

In the last six years, the volatility of government revenues increased sharply. Table 1.2 shows that the coefficient of variation of revenue doubled from 2003–2007 to 2008–2013, moving from 1.3 to 2.5. This was due to very strong volatility of oil revenue which peaked to 2.8 in 2008–2013, compared to 1.4 in 2003–2007. During the same period, the volatility of non-oil revenue dropped from 0.6 to 0.3, in part because the growth of the non-oil GDP has been stable and the quality of the tax administration improved. Finally, with a coefficient of variation greater than 1, government revenue in Congo should be considered as a very volatile distribution.

TABLE 1.2: **Government Revenues, 2003–2013**

	2003–2007	2008–2013
Average growth, percent		
Total revenue	25.8	16.5
Oil revenue	31.9	18.3
Non-oil revenue	10.1	17.6
Standard deviation, percent		
Total revenue	33.6	41.2
Oil revenue	43.4	51.7
Non-oil revenue	6.0	5.0
Coefficient of variation		
Total revenue	1.3	2.5
Oil revenue	1.4	2.8
Non-oil revenue	0.6	0.3

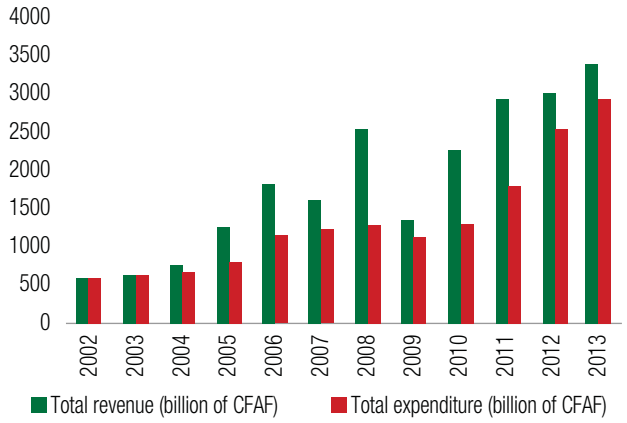
Sources: World Bank, IMF, and Congolese authorities.

Strong expenditure growth

Public spending was positively correlated to revenue's trends, continuously increasing due to the implementation of a large investment program, despite absorption and implementation capacities constraints. Since 2003, Congolese authorities launched the Municipalisation Accélérée (Accelerated Reconstruction of Municipalities) program, an infrastructure investment program aimed at equipping and modernizing the country's division ("Départements") to solve the infrastructural gap caused by severe damage or destruction during political troubles in the late 1990s and to stimulate their economies and improve the living conditions of populations. During the last two years, the implementation of the 2012–2016 NDP and the construction and rehabilitation efforts in the aftermath of the 2012 ammunition explosion have heavily affected the government spending and reduced the size of budget surpluses.

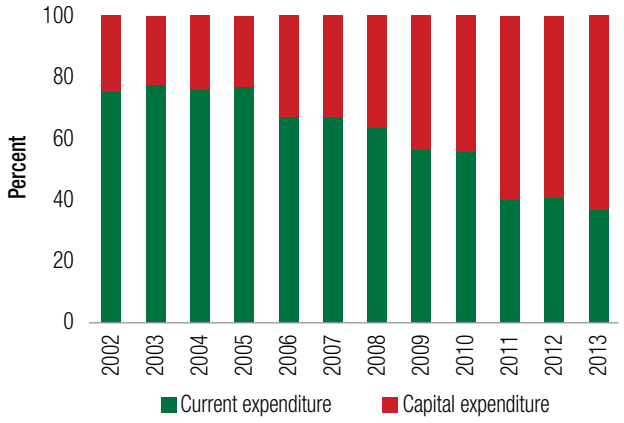
Public spending skyrocketed over 2008–2013, driven by the capital investment expenditure (see Figure 1.19)**.** Thanks to the implementation of the first PRSP 2008–2010 and its evaluation, the Government changed its strategic policy by making capital investment in infrastructure a main vehicle to growth and sustainable development in 2010 with effects in 2011. For the first time, capital investment became more important than current spending in the budget in 2011 in order to create opportunities to easily do business, provide employment and improve the quality of life of the population (see Figure 1.20 and Figure 1.21). Since 2003, capital investment is growing, but between 2008 and 2013 the pace became very high at nearly 30 percent growth on average each year. In comparison to oil exporting countries of CEMAC, Congo lost its first rank over 2002–2007 to Equatorial Guinea over 2008–2013 in terms of expenditure but its spending rose in 2013 to reach the Equatorial

FIGURE 1.19: **Trends of Government Revenue and Expenditure**



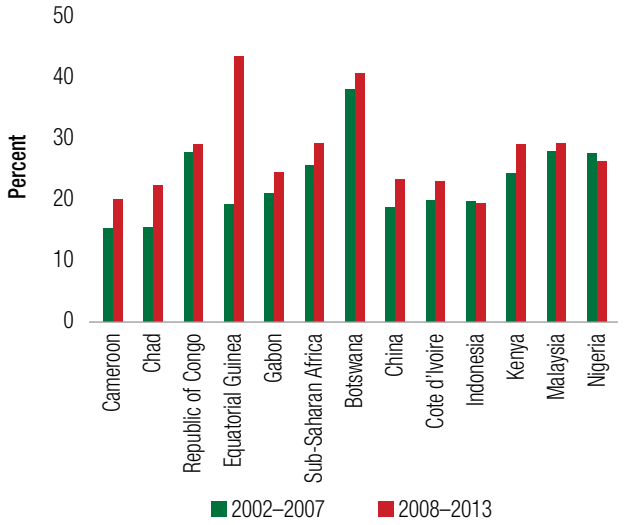
Source: IMF and World Bank staff calculations.

FIGURE 1.20: **Expenditure Composition**



Source: IMF and World Bank staff calculations.

FIGURE 1.21: **Selected Countries – Ratio of Expenditure to GDP**



Source: IMF and World Bank staff calculations.

Guinea investment in terms of government expenditure in percentage of GDP.

The country's budget management generated fiscal surpluses over a decade despite oil output and prices shocks of 2007 and 2009. Since 2003, the Congolese economy achieved on average XAF 551 billion in savings, mostly saved at the central bank and in Exim-Bank of China, and can be regarded like a buffer against potential risks and shocks. Over 2008–2013, Congo accumulated important budget surpluses, contrary to the average country of SSA that was experiencing budget deficits over the same period. Issues of establishing institutions like sovereign wealth funds for their long-term management and efficiency is under discussion with the World Bank support.

Sustained budget surplus in a context of low external and domestic debts

Driven by higher oil prices and by prudent spending, Congo's government has posted large budget surpluses in the last decade. Over the last decade, Congo posted a positive primary fiscal balance each year. This has been the result of the boom in the oil sector and good policies of public spending, with the objective to build a budget buffer for oil price reversal. From 2003–2007, the average primary fiscal balance was about 6 percent and it peaked at 16 percent from 2008–2013 (see Figure 1.22).

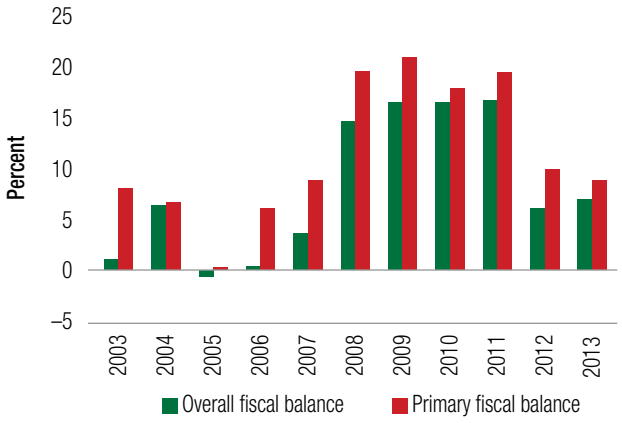
Therefore, the government has enough resources to invest in the construction of infrastructure such as roads, schools, hospital, water and sanitation, and electricity.

Congolese debt indicators are below the relevant country-specific debt burden thresholds. In August 2013, the World Bank and the International Monetary Fund performed a debt sustainability analysis (DSA) and classified Congo as a country with low risk of debt distress. This is reflected in lower debt sustainability thresholds compared to countries operating in a strong policy environment. Nevertheless, given the low level of external debt and strengthening indicators of repayment capacity, the debt stock and debt service ratios remain comfortably within the sustainable debt domain throughout the projections period under the baseline. In addition, Congo's domestic public and publicly guaranteed debt is low. Congo favorable debt indicator is in line with the situation of debt in other African oil exporting countries (see Figure 1.23).

1.2.3. Fiscal Sustainability Analysis

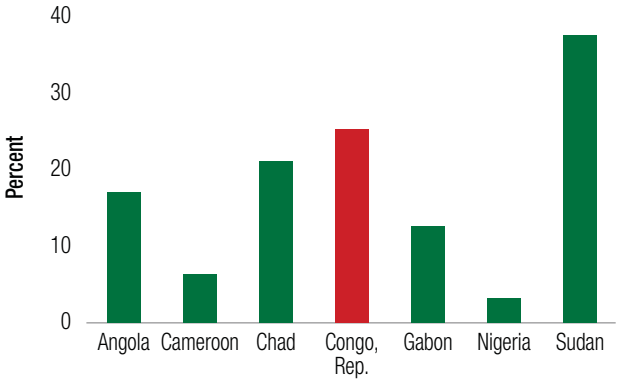
With the adoption of the fiscal rule, the current fiscal situation of Congo should have been sustainable, but since its adoption in 2013 it has not be fully implemented. During 2008–2013, the growth rate of spending has been too strong with an average growth rate of 15 percent, hence not sustainable. The

FIGURE 1.22: **Fiscal Surplus to GDP Ratio, 2003–2013**



Sources: World Bank, IMF, and Congolese authorities.

FIGURE 1.23: **West, Eastern and Central African Oil Production External Debt to GDP Ratio**



Sources: IMF and World Bank, 2012.

government adopted a fiscal rule in 2013 to reduce the space of spending, but has not been able to apply it (see Box 1.1 for details on the fiscal rule). If the government continues with the current trend of missing a policy that it has approved any time that it is facing difficulty then the sustainability of the fiscal stance is not guaranteed. Another issue relevant for fiscal sustainability is the reliability of treasury data, since there is some of doubt on that at this point.

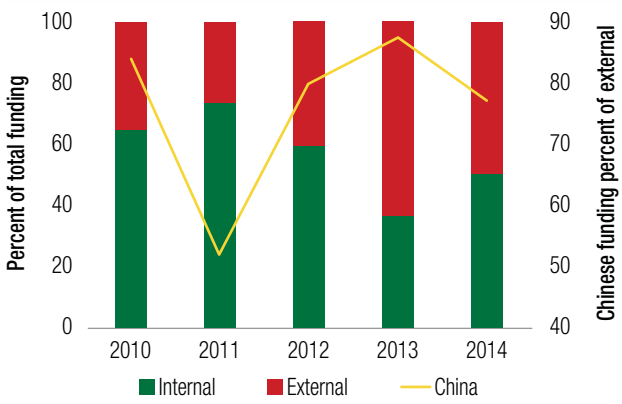
Additionally, the very high level of public investment is not sustainable. Over 2008–2013, public investment grew at an average annual growth rate of 40 percent. By end-2013, capital spending stands at about 23 percent of GDP. This trend is certainly not sustainable; hence the government should substantially reduce the pace of its capital spending over time, in order to maintain the current level and quality of capital stock. Rather than creating new assets, the government should focus its efforts on ensuring an adequate level of maintenance spending to ensure that existing assets' quality is protected.

Box 1.1: Implication of the new fiscal rule on recurrent expenditures

In January 2013, the government adopted a new fiscal rule in order to protect public finance from oil revenue volatility and to prevent fiscal policy pro-cyclicality. The rule calls for the allocation of XAF 500 billion of oil revenue to current expenditure and XAF 1000 billion to capital expenditure each year, and to save the remaining oil revenues in the government deposits (see IMF 2013). In the coming years, this new rule would secure gradual gains in fiscal consolidation, and facilitate investment in key infrastructure areas as planned by the National Development Plan. Specifically, from 2014 to 2020, about 47 percent of projected total oil revenue would be spent to scale up basic infrastructure, and about 30 percent saved. However, if oil revenue falls temporarily below 1,500 billion XAF, the authorities can draw on the saved funds to keep going with planned infrastructure projects.

The government is introducing critical reforms to strengthen non-oil revenue collection. The list of taxpayers is being updated, and the exchange of taxpayer data between the Tax and Treasury departments and Customs has been stepped up. A withholding tax on government contracts has been introduced, and a one-stop window for customs clearance put in service.

FIGURE 1.24: **Infrastructure Sources of Funding**



Sources: Congolese Authorities and The World Bank Staff estimate.

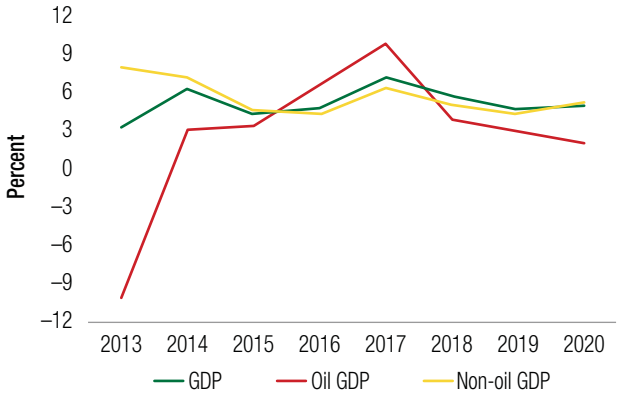
Implication of China strategic partnership of Capital expenditures

Congo relies heavily on China to finance its main infrastructure projects. In recent years, China became the principal source of funding for Congolese infrastructure. Chinese funding accounted for more than 50 percent of external funding each year since 2010. On average it accounted for 75.8 percent from 2010 to 2013 (see Figure 1.24). During the same period the share of external funding in infrastructure increased sharply, moving from 35 percent in 2010 to 64 percent in 2013. In fact, Chinese financing funded almost all major infrastructure constructed over the period 2003–2013. In the medium-term, China is predicted to do the same by funding infrastructure that could amount to XAF 1,500 billion thanks to an extension of the Brazzaville-Beijing Strategic partnership signed in 2013. These infrastructure investments so far have kept non-oil GDP booming at an impressive rate close to a double-digit annual growth.

1.3. Macroeconomic Outlook and Financial Requirement – 2015–2020

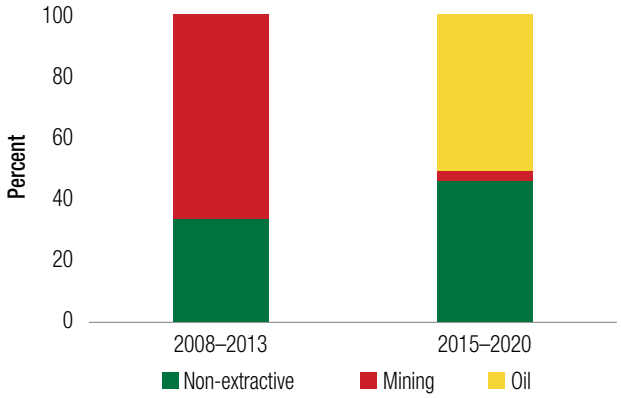
The Congolese economy is expected to expand at an annual rate of approximately 5 percent over the next five years (see Figure 1.25). This growth will be driven by non-extractives sectors in a context of low inflation.

FIGURE 1.25: **GDP Annual Change, 2013–2020**



Source: World Bank staff forecast, August 2014.

FIGURE 1.26: **Oil, Mining and Non-Extractive GDP Shares, 2008–2020**



Source: World Bank staff forecast, August 2014.

However, the Congolese economy remains vulnerable to exogenous shocks such as volatile oil prices, drops in oil production, and delays in mining production, as well as internal risks embedded in strategic choices of its economic authorities.

Driven by moderate growth in public investments, non-extractive sector will keep growing but at a moderate pace.[6] This sector will grow on average by 4.6 percent from 2015 to 2020 (figure 1.26). The main drivers of this growth will be: agriculture at 4.9 percent average growth during the period and services (4.8 percent average). This moderate growth in the non-extractive sector will have limited impact on sector diversification of the Congolese economy.

Congo's oil production will gradually stabilize in the upcoming years, in part because of discovery of new wells. In 2015 oil production is expected to continue growing slightly at a 3.5 percent annual rate in part because of the end of major maintenance work in many oil fields. In 2016, the new offshore oil wells discovered (in 2013 by ENI, an Italian company) will gradually enter into production and will increase Congo's total oil production, forecast to grow by 6.5 percent in that year and by 10 percent in 2017; the production then stabilized at a plateau of 120 million barrels per annum by 2020.

The prospect of iron ore production could strengthen growth prospects. The country is endowed with large mineral reserves. Iron ore reserves are estimated to exceed 10 billion tons (always metric tons in this report), while potassium reserves are assessed at about 1 billion tons and phosphate reserves at about 500 million tons. Until recently, mining activities were confined to artisanal diamond and gold production, but mining activities have experienced a new dynamism in recent years following the adoption of a more attractive mining code. Some projects are expected to advance to the production phase starting in 2018, although there is a large degree of uncertainty surrounding the success of the mining projects, as it hinges on the completion of large infrastructure projects.

Substantial fiscal deficit prospects in coming years

Contrary to recent years, the government will post substantial deficits in coming years. Government revenues will decrease sharply during the coming five years, but spending will not. Extremely low oil prices would effectively reduce funds available for spending over this timeframe. In the meantime, the newly adopted gradual salary increase of civil servants will keep current spending growing. In addition, the securitization of external funding from China will stabilize a fairly strong level of investment despite the fiscal rule.

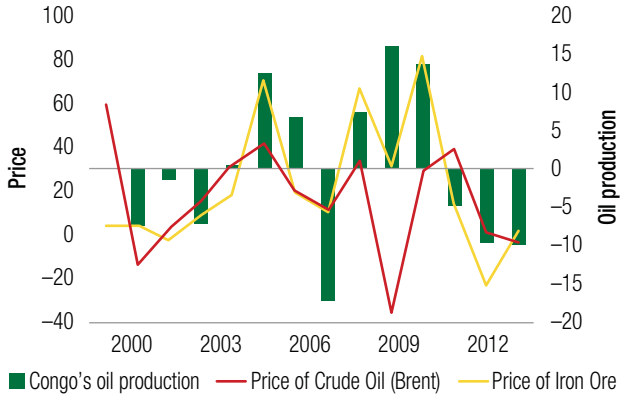
[6] All figures in this section are computed by World Bank Staff using Mac-Congo Model and based on data provided by Congolese authorities, international databases on commodities prices, as well as IMF data.

In addition to an increase of oil production, the launch of mining production, and expanded non-oil production would attenuate the impact of declining oil revenues on the dynamics of government revenues. Moreover, the Congolese government may slow down the growth pace of public spending in order to follow its new fiscal rule and to reduce the size of its fiscal deficit.

Congolese economy remains vulnerable to internal as well as external shocks

The Congolese economy remains vulnerable to exogenous shocks such as volatile oil prices, drops in oil production, and delays in mining production (see Figure 1.27). Its vulnerability to oil price volatility is the most likely risky given historical trends. Although no substantial reduction in oil price is expected, an important slowdown in China and other BRICS countries could plausibly contribute to a sharp fall in oil prices. Also, the predictability of oil production has been in question in recent years. In 2013, oil production dropped by –10.2 percent instead of the forecasted –2.5 percent expected at the beginning of the year. Also, in 2007 the production dropped by –17.2 percent, due to an accident in offshore oil wells. Finally, according to the NDP, mining production was supposed to start in 2012. But this has not been the case. The present framework assumes the beginning of production in 2015, but there is a risk that this may not be the case or that mining production could be lower than expected.

FIGURE 1.27: **Congo Rep – Volatility of Oil and Mining (annual growth rates), 2000–2013**



Sources: Congolese authorities and WEO.

Congo's macroeconomic framework is also vulnerable to endogenous risks embedded in the strategic choices of its economic authorities. This includes: i) excessive use of Chinese financing for investment projects; ii) internal pressures on rent-seeking and unbalanced allocation of resources between infrastructure and social sectors; iii) issues in the disbursement system; iv) low budget execution rates in line ministries; and v) overspending related to hosting the 11th All-Africa Games.

Fiscal Space in Congo

2

Congo government revenues have been historically high compared to the regional average and are well above the CEMAC convergence criterion. During the last decade, total revenues (excluding grants) were about 40 percent of GDP. This is very high by developing country standards where the majority of countries are below 25 percent of GDP. This high level of revenues is driven by a fair taxation of oil producing companies in Congo. In fact, oil revenues have provided a large share of total government revenues over the last 10 years, and accounting on average for 78 percent of total government revenues from 2008 to 2013. The high level of oil prices as well as stable production has kept revenues very high.

The key issues for fiscal space in Congo are the management of the oil revenues or any natural resource revenues and the improvement of revenue collection of the non-oil sectors. The high dependency on oil revenues posits the issue of the management of revenue volatility and other key issues related to natural resources management. Oil prices are well known to be very volatile, and this has been the case during 2008–2013, with a higher drop in 2009, which reduced government revenues significantly. Oil is also a non-renewable resource, posing a threat to the long-term sustainability of government revenue in Congo. Congolese oil production was set to decline in coming years because of the depletion of its reserves. However, the recent discovery of new oil wells by Eni[7] could change this landscape of declining production if relevant investments are done. Like any developing country, Congo faces revenue collection issues. The rate of non-oil revenues to non-oil GDP is about 20 percent, a rate in line with other developing countries. Congo will have to continue reforms in this area in order to bring the rate to a higher level.

This chapter finds that the enviable fiscal space that the Congolese government enjoyed during the five years period is coming to an end. In fact, the large fiscal surpluses of more than 10 percent of GDP on average over 2008 to 2013 will disappear in coming years driven by a projected lower level of oil price and substantial spending commitments of the government for salaries to civil servants and the construction of basic infrastructure such as the road between Brazzaville and Dolisie. It is therefore possible that treasury tension could reappear.

From the chapter's findings, the government should consider setting policies and actions to i) strengthen the collection of non-oil revenues, ii) better manage oil revenues

[7] It has discovered 3.5 billion barrels of oil in the Congolese Marine XII block, of which 1.5 billion are attributable to ENI on Nene Marine field. This production is expected to plateau at 140,000 barrels per day.

volatility, and iii) capture a greater share of forthcoming mining production. In order to strengthen the collection of non-oil revenue, the government could improve the functioning of the Personal Income Tax (PIT), introduce a property tax and strengthen the capacity of the Tax and Customs administrations. In order to improve the management of oil revenues volatility, the Congolese government could strengthen the capacity of the Ministry in charge of hydrocarbons to efficiently manage the oil sector, improve transparency in the sector, and strengthen the capacity of the stabilization fund to smooth international price fluctuations of oil resources. In order to capture a greater share of forthcoming mining exploitation, the government could consider making sure that the process of negotiating oil and mining contracts appropriately takes into account technical advice in the decision-making process.

The remainder of this chapter assesses the recent dynamic of key sources of government revenues. In addition, it assesses the medium- and long-term natural resources outlook and its impact on the overall resource envelope. It also assesses the capacity of the Congolese government to manage oil and mining revenues and to adjust to volatility. Finally, it provides recommendations to better manage the volatility of these revenues in the medium and long term.

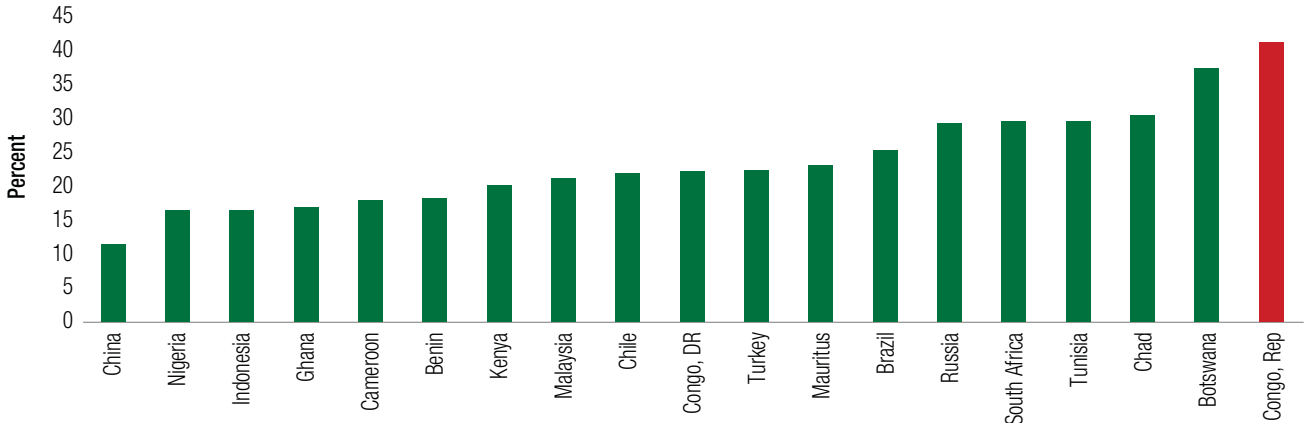
2.1. Recent Dynamic of Key Sources of Government Revenues

In the last decade, the government of Congo collected a large share of revenues from domestic production. From 2003 to 2007, its revenues represented on average about 37.5 percent of GDP; this share increased to 41.6 percent over the period 2008–2013. This is a very high share by developing country standards. Figure 2.1 shows that over the period 2008–2011, Congo performed better than emerging countries, such as Brazil, Chile, China, Russia, South Africa, and Turkey; none of these countries exceeded 30 percent. Even among net oil exporting countries in Africa, Congo is still a top performer (see Figure 2.1).

Government revenues is dominated by oil revenues which has been very volatile

Congo's government revenues are dominated by oil revenues, which have been strong during the period 2008–2013. Oil revenues have been the main component of government revenues in the last decade, at an average share of 78 percent of total government revenues excluding grants. Oil revenues are coming from two main components: tax on exports of cargoes (three-fourths) and oil royalties (one-fourth). The share of Tax on Cargoes exports increased from 57.8 percent of total

FIGURE 2.1: **Selected Countries – Government revenues (excluding grants) Share of GDP2008–2011.**



Sources: WDI, IMF, and Congolese authorities.

revenues over the period 2003–2007 to 60.2 percent over the period 2008–2013, while oil royalties increased from 13.7 percent in 2003–2007 of total revenues to 16.0 percent in 2008–2013 (see Table 2.1).

Other sources of oil revenues in Congo are marginal. The Congolese government received its oil revenues also from three other sources: oil bonus, profit oil, and investment allowance. It is worth mentioning that the country did not received bonuses during 2008–2013, certainly because new wells (ENI) were not discovered and allocated to a company within this period. In addition, profit oil decreased significantly from 5 percent of government revenues in 2003–2007 to 0.9 percent in 2008–2013. Finally, the Congolese government so far does not tax oil companies because its tax and customs administrations are facing difficulties for the imposition of duties and taxes owed by oil companies other than those entrants in the oil tax system (taxes on corporate profits, VAT on consumer of the local market, etc.).

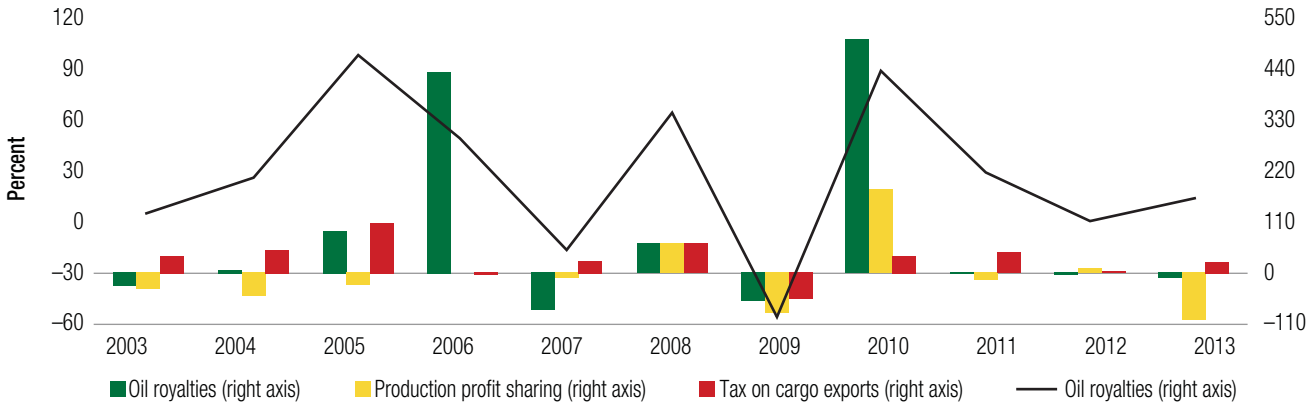
Oil revenues and its components have been very volatile in recent years. The growth rate of oil revenues was negative in 2009, with about –50 percent growth. This in the only year that saw a nominal decrease of oil revenues. Oil revenues reached three peaks; in 2005 at more that 90 percent of growth rate; in 2008, with about 60 percent; and in 2010, at about 90 percent. The most volatile component of oil revenues is oil royalties, which fluctuated between about –60 percent in 2007 to more that 500 percent in 2010. Tax on cargo exports is the less volatile component

TABLE 2.1: **Government Revenues Composition**

	Average — 2003–2007	2008	2009	2010	2011	2012	2013	Average — 2008–2013
				Percentage of government revenues				
Own revenues	99.6	100.0	98.9	100.0	99.0	99.7	100.0	99.6
Oil revenues	*78.0*	*86.0*	*69.8*	*79.0*	*79.1*	*77.0*	*77.1*	*78.0*
Oil royalties	13.7	9.1	6.9	25.3	20.1	19.1	15.2	16.0
Profitoil	5.0	2.0	0.5	0.9	0.6	0.7	0.6	0.9
Cargoes	57.8	73.8	61.1	51.1	57.2	56.2	61.9	60.2
Non-oil revenues	*21.5*	*14.0*	*29.1*	*21.0*	*19.9*	*22.7*	*22.9*	*21.6*
Tax revenues	20.7	12.4	26.7	20.0	19.0	20.8	21.1	20.0
Domestic taxes	15.9	9.8	21.5	16.5	15.5	16.9	16.6	16.1
Direct	7.4	4.5	9.1	7.3	7.0	7.6	7.7	7.2
Taxes on non-oil companies	3.6	2.1	4.1	3.9	3.6	4.0	4.1	3.6
Tax on personal income	2.8	1.8	3.5	2.5	2.4	2.6	2.5	2.5
Indirect	8.5	7.0	7.3	7.9	8.6	9.0	9.7	8.2
Value added tax	7.2	5.5	5.4	5.7	6.1	6.4	6.8	6.0
Customs revenues	4.7	2.4	5.0	3.5	3.5	3.9	4.5	3.8
Registration recipes	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.1
Non-tax revenues	0.8	1.6	2.4	1.1	0.9	1.9	1.8	1.6
Grants	0.4	0.0	1.1	0.0	1.0	0.3	0.0	0.4
				Billions of XAF				
Government revenues	1198.4	2462.0	1338.4	2227.1	2887.1	2975.8	3368.7	2543.2

Source: Congolese Authorities.

FIGURE 2.2: **Growth Rate of Oil Revenues Items**



Sources: Congolese Authorities.

fluctuating between –55.0 percent and 64.9 percent. Overall, oil revenues have been more volatile in the current that in the previous period, for two main reasons: the drop in price in 2009 and the sharp drop in production in 2012 and 2013.

Non-oil revenue has been less volatile and has increased its share as a result of better revenue collection

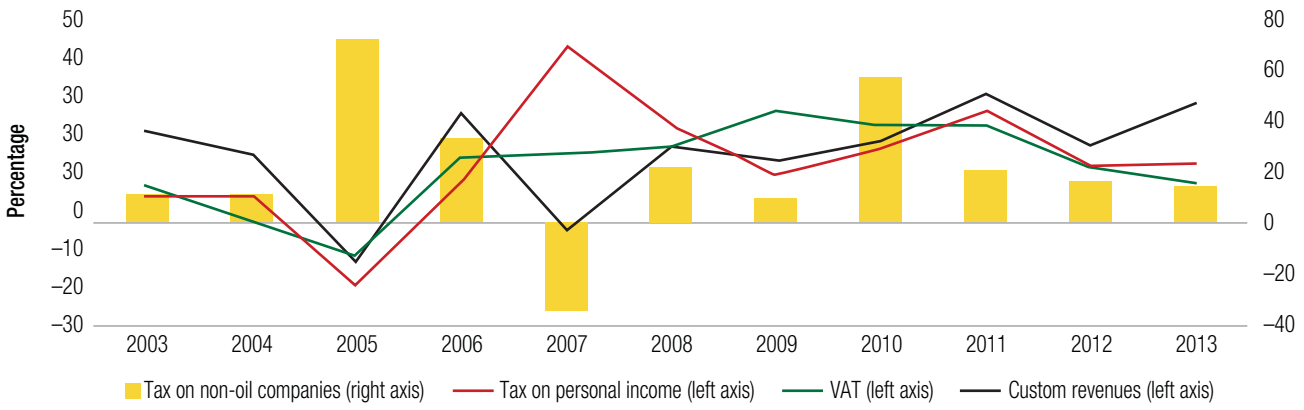
Non-oil revenues account for about one-fifth of total government revenues. These revenues were consistent in both periods, accounting for 21.5 percent in 2003–2007 and 21.6 percent in 2008–2013. Non-oil revenue has four main components: taxes on non-oil companies, tax on personal income, value added tax (VAT), and customs revenues. These four components accounted for about 85 percent of non-oil tax between 2003 and 2007 and of about 80 percent between 2008 and 2013. Non-tax revenues decreased its share from 0.8 percent of revenues in 2003–2007 to 1.6 percent between 2008 and 2013.

The Non-oil revenues are dominated by tax revenues, which account for about 95 percent of all non-oil revenues. Non-oil tax revenues are dominated by Domestic taxes, which account for three-fourths of the total, while customs revenues account for the other fourth. VAT is the major single item of the non-oil revenues, accounting for about one fourth of the total. The introduction of new other indirect taxes as well as new other direct taxes has reduced the share of these key items.

During the recent period, key components of non-oil revenues have been less volatile. Although less volatile than oil revenues, some components of non-oil revenues have shown significant volatility in 2003–2007, with the growth rate of tax on non-oil companies fluctuation between about –325 percent and 65 percent. In addition, VAT, customs revenues, and tax on personal income all experienced important negative and positive growth rates. However, since 2008 none of these key items recorded a negative growth rate. During that period they recorded growth rates between 5 percent and 55 percent.

The strength of the non-oil sector and a substantial improvement in tax collection of the tax administration has contributed to these good results. This improvement is consecutive to reforms made by tax administration such as the establishment of the one-stop window for customs clearance, the changeover of the ASYCUDA +++ to ASYCUDA, the introduction of the unique taxpayers' identification number, and the tax payments through the commercial banking system. Moreover, the government is introducing some essential reforms to strengthen non-oil revenue collection. The list of taxpayers is being updated, and the exchange of taxpayer data between the Tax and Treasury departments and

FIGURE 2.3: **Growth Rate of Oil Revenues Items**



Sources: Congolese Authorities.

Customs has been stepped up. A withholding tax on government contracts has been introduced, and there has been a simplification of tax procedures and a program of training of taxpayers.

The effective tax ratio has been volatile for the oil sector but not for the non-oil sector in 2008–2013. The taxation average of oil production sat at 49.3 percent during the period, down from 51.2 percent in 2003–2007. Over these six years, the effective tax ratio in the oil sector has been very volatile; it was 70 percent in 2008 and 37.1 percent in 2009. This is due to the type of contract that links oil production and price in Congo. Since some oil production is sold at a predetermined price, national accounts used the value during the year of the production to compute value added of the sector, while the taxation is based on the price at which oil has been sold. The taxation ratio of the non-oil sector has been increasing, moving steadily from 16.1 percent of the non-oil GDP in 2008 to 20.2 percent in 2013 (see Table 2.2). This improvement reflects improved performance of tax administration, following the implementation of reforms in tax policy. In 2013, the tax administration is estimated to have collected about 96 percent of the forecasted non-oil revenue, which is a good rate for that administration. During this period, tax collection experienced a slight increase, thanks to measures to expand the tax base and the fight against fraud and tax evasion. With the improvement of the information system, significant progress has been made in the management accounting system used to track revenue. However, on average it did not close its gap with the rate in the period 2003–2007.

In 2011 and 2013 authorities introduced personal income tax (PIT) reforms. The PIT reforms of 2011 and 2013 consisted of reducing the rate of each bracket[8] by 5 percentage points (except for the first bracket which was maintained at 1 percent, see IMF 2014b), and increasing the four lower brackets. According to IMF, this reform was mostly regressive, as its benefits accrued more to higher income families, and single people with intermediate levels of income. Their results reflect the larger impact of the reduction of the tax rates than the increase of the lowest brackets and the large tax allowance on salary income and the family tax system, as they are proportional to income.

Strong tax collection due to improvement of the tax administration

Budget revenues collection rate was 88 percent on average over the period 2008–2013. Unusually, in 2011 Congo collected more than expected revenues

[8] PIT brackets of income are labor, business, property or capital, and other incomes.

TABLE 2.2: **Government Revenues Share of Oil and Non-GDP**

	Average — 2003–2007	2008	2009	2010	2011	2012	2013	Average — 2008–2013
				Percentage of GDP				
Own revenues	37.5	54.0	30.0	36.6	40.9	42.5	45.7	41.6
Grants	0.2	0.0	0.3	0.0	0.4	0.1	0.0	0.1
				Percentage of oil GDP				
Oil revenues	*51.2*	*70.0*	*34.1*	*41.4*	*46.5*	*49.1*	*55.0*	*49.3*
Oil royalties	*10.4*	*7.4*	*3.4*	*13.3*	*11.8*	*12.1*	*10.8*	*9.8*
Production profit sharing	*2.3*	*1.6*	*0.3*	*0.5*	*0.4*	*0.4*	*0.0*	*0.5*
Cargoes	*37.7*	*60.0*	*29.9*	*26.8*	*33.7*	*35.8*	*44.1*	*38.4*
				Percentage of non-oil GDP				
Non-oil revenues	*19.5*	*17.2*	*17.9*	*19.0*	*19.9*	*21.3*	*21.7*	*19.5*
Tax revenues	*18.7*	*16.1*	*16.6*	*17.7*	*18.6*	*19.8*	*20.2*	*18.2*
Domestic taxes	14.5	12.6	13.2	14.2	15.0	16.1	16.3	14.6
Direct	6.9	6.0	6.2	6.4	6.6	7.1	7.3	6.6
Taxes on non-oil companies	*3.5*	*3.0*	*3.1*	*3.2*	*3.3*	*3.6*	*3.8*	*3.3*
Tax on personal income	*2.4*	*2.1*	*2.1*	*2.2*	*2.4*	*2.5*	*2.5*	*2.3*
Indirect	7.6	6.6	7.0	7.7	8.4	8.9	9.0	7.9
Value Added Tax (VAT)	*6.1*	*5.0*	*5.2*	*5.6*	*6.0*	*6.3*	*6.4*	*5.7*
Customs revenues	4.1	3.3	3.3	3.3	3.4	3.7	3.9	3.5
Registration receipts	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.1
Non-tax revenues	*0.8*	*1.1*	*1.3*	*1.3*	*1.3*	*1.5*	*1.5*	*1.3*
				Billions of XAF				
GDP	3060.9	4556.9	4409.7	6082.5	6982.5	6971.9	7374.1	6062.9
Non-oil GDP	1178.6	1529.9	1672.2	1839.1	2072.3	2301.9	2649.7	2010.9
Oil GDP	1882.3	3027.0	2737.5	4243.4	4910.2	4670.0	4724.3	4052.1

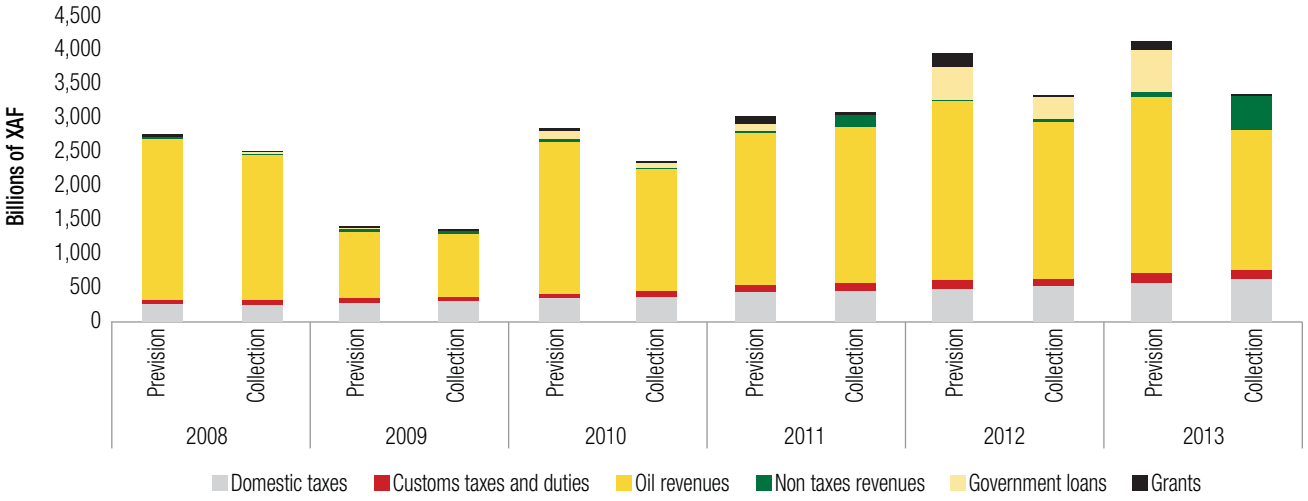
Source: Congolese authorities.

(101.9 percent) due to taxes and internal taxes, domain revenues, and borrowing. From the forecast, the mobilization of own resources (90.7 percent), driven by strong fiscal performance (107.2 percent) far exceeds that of external resources (65.3 percent).

The country was declared compliant with the Extractive Industries Transparency Initiative (EITI) in 2013, reflecting improvements made in the declaration of oil revenues to the treasury. However, bookkeeping efforts should ensure consistency between the tax and customs administrations with those of the Treasury to regularly produce reconciliation statements and eliminate the risk of accumulation of recovery arrears.

For non-oil revenues, communication and information efforts to taxpayers were made by tax services such that, over the period 2008–2013, revenues from taxes and internal taxes exceeded expectations (107.2 percent). Aspects of low national coverage and non-generalization of the unique identification system (NIU) should be corrected in order to increase the quantity and quality of taxpayers throughout the country.

FIGURE 2.4: **Execution of Budget Revenues**

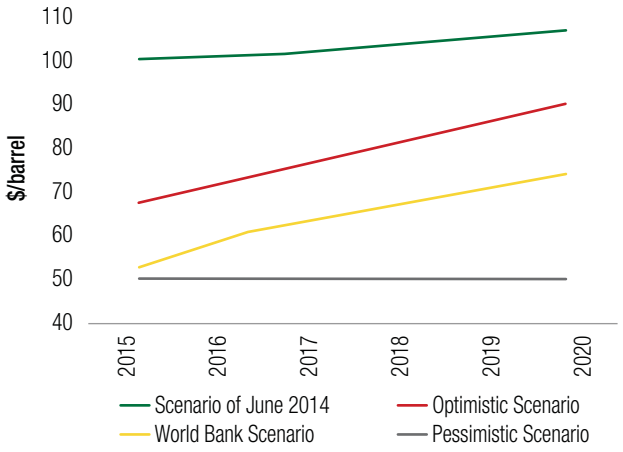


Sources: Settlement laws and Reports of the Court of Accounts and Budgetary Discipline 2008–2013.

2.2. Medium- and Long-Term Natural Resources Outlook and its Impact on the Overall Resource Envelope

Extractive industries are likely to see their importance to Government revenues reduced in the coming years. Since 2008, oil has been the leading source of revenue for the Congolese government, accounting, on average, for about 75 percent of total government revenue. In coming years, exports of oil will be moderate while oil prices are expected to be lower than in the previous period; as a result, oil revenue will be lower. This, coupled with the strength of the non-oil sector will lead to a less than 50 percent share by oil revenue in total government revenue starting in 2018. Meanwhile starting in 2018, the government is expected to have revenue from the mining sector, which could account for about 4 percent of total revenue from 2018 to 2020. Hence, even with the prospect of the mining sector development, extractive sector revenues will slowly lose their place of precedence in Congolese government revenues.

FIGURE 2.5: **Global – Oil Price Scenario**



Source: World Bank Staff Scenario.

Driven by moderate production and modest oil price, government revenues from the oil sector will slow down

Moderate growth rate of oil production in an environment of strong growth of the non-oil sector will lead to a constant decrease of the oil share in government revenues. Since the 2000s, oil has been the leading export of Congo, accounting on average for about 90 percent of export earnings. However, over the period 2015–2020, oil production is expected to grow at an average grow rate of about 5 percent thanks to the discovery of the oil well

by ENI that will start to be exploited in 2017 and to the end of the major maintenance work in oil wells. In the long term, the oil production is expected to decrease as oil reserves deplete. Coupled with a growth rate of about 5 percent in the non-extractive sector, revenue from oil sector will decrease constantly from about 75 percent of total revenues in 2013 to 56 percent in 2020, if a world price of $65/barrel from 2018–2020 is assumed.

The above analysis is based on simulations using Mac-Congo and MFMod of the Macro-Fiscal global practice (see Box 2.1). The production scenario is taken as given; the nominal exchange rate is not modified by the oil price scenario given that XAF is pegged to the euro. Four scenarios are tested using the MAC-Congo model while the main scenario is tested using both models. Figure 2.5 presents the four price scenarios: the scenario prior to the decline of oil price in July, an optimistic scenario, a reference scenario, and a pessimistic scenario.

The Congolese government would lose substantial revenues over the next five years. On average the government will lose between XAF 400 billion to XAF 1500 billion each year from 2014 to 2020. The smaller loss will be in 2020, given that the price drop is less important on an annual basis. The loss will be large in 2015: if the projection by analysts of $50/barrel is realized, the government could lose about between XAF 1100 billion to XAF 1300 billion.

With the World Bank scenario, oil will account for less more than 60 percent of government revenue over the entire period. Using the optimistic scenario, the drop in the share of oil revenues in total revenues will be smaller. It will settle at about 65 percent within that period.

The average annual projected revenue could range in the period 2015–2020 between 13–29 percent of GDP, compared to 40 percent in 2010 to 2014. The average annual revenue in the World Bank scenario would amount to 23 percent of GDP, decreasing to close to 20 percent from 2018 to 2020. Projected revenue is slightly better for the optimistic scenario with 26 percent of GDP on average during the period (see Figure 2.6). However, the situation is worst for the pessimistic scenario, with 19 percent of GDP on average but with less than 15 percent of GDP over 2018–2020, see Table A2.1 in the appendix for more details.

Box 2.1: Model used to simulate government oil revenues dynamics

MAC-Congo is the model used by Congolese authorities as well as Bank MFM staff; it is built on the theoretical framework of the IS-LM (Investment Saving–Liquidity Preference Money Supply) Aggregate Supply and Demand model with some behavioral equations embedded with a balance of payment (BoP) equation—following the Mundell-Fleming model of a small open economy—and making the exchange rate endogenously determined in the model. The model also integrates a tool for the Government's budget planning (Government Financial Statistics (GFS) and Medium Term Expenditure Framework (MTEF) accounts). The endogenous growth aspect incorporated into the framework makes the model more suitable for forecasting economic growth. Many countries in Africa have a variant of MAC-Congo (see N'cho-Oguie et al. 2006).

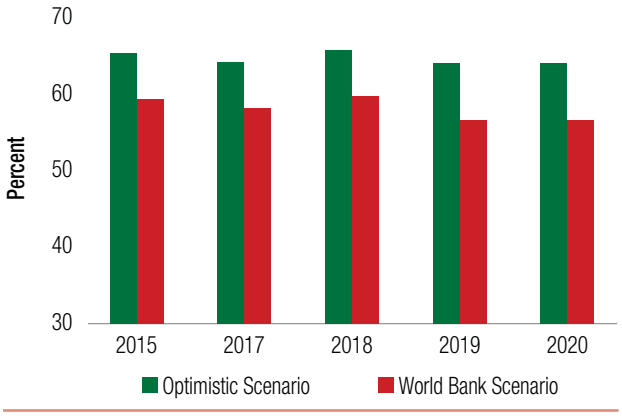
MFMod is the model used by MFM Global Practice; it is a global Keynesian (IS-LM) model with a supply-side. Its long-run supply side for each country is anchored to a neo-classical growth theory production function, while short-term demand disequilibria (relative to potential output) are captured with a standard Keynesian demand representation of GDP and its (demand) components. The core of the model is an explicit supply side, where potential output is determined by the available factors of production (capital and labor) and the efficiency (total factor productivity (TFP) with which they are combined. The relative position of overall demand relative to potential—the output gap—is a critical input to the forecasting: Economies with positive and growing output gaps tend to: a) overheat (inflation, rising current account); and b) slowdown (inflation or rising imports means demand does not translate into growth), see Burns (2014).

Source: Authors.

If the expected investment in mining is realized, the Congolese government will receive a small share of its revenue from mining starting in 2018 or later

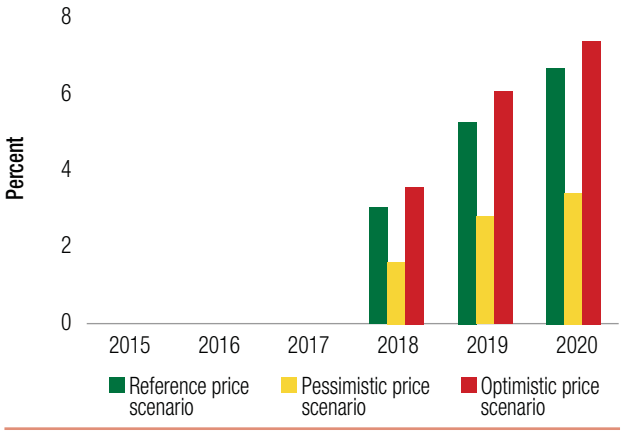
In the medium to long term, exports of iron and other mining could represent up to 5 percent of government revenues. The value of mining exports is expected to grow significantly in the medium and long term. However, the current environment of low commodity prices is likely to significantly delay investment of foreign companies in mining industries over this period.

FIGURE 2.6: **Oil Revenue as Share of Government Revenue**



Source: World Bank Staff estimate.

FIGURE 2.7: **Mining Revenue as Share of Government Revenue**



Source: World Bank staff simulations.

The execution of these major private investment projects aimed at creating production capacity in the mining sector could slow down the expected drop of the size of extractive industries in Congo. This expectation is based on a number of assumptions about planned production, prices, operating costs, and key elements of the fiscal package. Government revenues will accrue in the form of royalties, dividends, and profit taxes.

Although the size of expected revenues from mining is likely to remain modest relative to oil revenues, the new revenue flows could provide the government with more fiscal space to implement its development plan. Table A2.3 in appendix provides details of the assumptions and expected revenues from oil and mining sectors under different scenarios. The projected government revenues from oil and mining would account for more than 50 percent of total government revenue in the reference price scenario (see Figure 2.7).

Information constraints limit the accuracy of revenue estimates. Mining is often conducted through state-to-state arrangements where prices and costs may be distorted by strategic considerations. A complication arises since Congo is a price taker, especially when it will sell its iron to a single buyer who is also a key shareholder (China). Moreover, government equity stakes are often negotiated as a part of a mining convention. These mines will pay dividends and will be subjected to profits and dividends taxes. The iron mine (Nabemba) and other prospective mines will operate as joint ventures with limited liability. In this case there will no dividends but the government could directly get a share of the profits.

2.3. Capacity of the Congolese Government to Manage Oil Revenues and to Adjust to Volatility

Better forecast of oil revenues is key to an efficient management of oil revenue

The Congolese economy is highly exposed to fluctuations in oil production and prices. Oil dependence and the volatility of oil production and prices in international markets can lead to significant fiscal planning issues and to a reduction in the quality of public spending. Supply shortage or oil production can result from an unexpected refinery outage, pipeline damage, or any other mechanical failure. Historically, the economic performance of Congo has been largely affected by swings in global oil demand. The boom of the mid-seventies gradually brought the oil sector contribution to GDP to 40 percent by 1984. This period was also marked by a significant increase in government spending. Between 1986 and 1993, oil entered a recessionary period, which

saw the sector contribution to GDP plunge to below 25 percent of GDP by 1993. However, in August 1994, after the adoption of the Hydrocarbon Code, Congo's oil agreements with the French oil company Elf Total provided some stability to prices and revenues regarding the improvement of the "production share" which has increased from 17 percent to 34 percent per barrel. In bust periods, stability was achieved through long-term contracts with shareholders, while in boom periods the government has been able to renegotiate long-term price agreements and to increase the volume it can sell on its own account in the spot market.

However, the government has very weak technical capacity to oversee extractive industries operations or to forecast oil revenues to allow sound planning of resources use. The Ministry of Hydrocarbons (MH)[9] is insufficiently endowed in human and financial resources to perform its mission, including negotiation skills regarding contracts. As a result, the predictability of oil production has been in question in recent years. In 2013, oil production dropped by –10.2 percent instead of the forecasted –2.5 percent expected at the beginning of the year. Also, in 2007 the production dropped by –17.2 percent, due to an accident in offshore oil wells.

Better management of the oil sector requires that the institutional capacity within the MH and the Ministry in charge of Finance be strengthened. The government could consider training staff of the MH in estimating and forecasting oil production. This institution could collect its own data on major fields and in this case would be able to have an independent view, rather than only compiling information given by oil producing companies.

This finding is not new; the 2008 PER by the World Bank found the same shortcomings in oil revenue forecasting. In the PER, the World Bank carries out a deep analysis in Annex 6 entitled "Oil revenue forecasting—current (limited) capacity and suggestions for improvement." The Bank proposed a model to forecast production, price and revenue from the oil sector. The Government should consider using that document as a reference.

Transparency in the use of oil and mining revenues

In Congo, oil licenses and oil exploitation agreements are often subject to sole-source contracting and bonus signature. The contract for the development of the ENI oil field did not go through open bidding, but involved political negotiations at the highest level between Congo and Italy. Although a quick and easy way for the Government to gather revenues, the practice of signature bonuses is not generally considered as a good fiscal tool as it may lead to fewer revenues for the Government in the future when the oil company seeks to recoup its investment. This practice also can turn away good potential investors who may not want to commit significant amounts in advance.

Congo became a full member of EITI in 2004 but has not published audits on oil revenue flows since 2010. Greater transparency and public involvement in oil revenue management could improve accountability and reduce political capture. Becoming a part of EITI was a first step toward improving transparency of extractive sector revenues. The Steering Committee, comprising representatives of government, oil companies, and civil society, was established by Presidential Decree: 2006-626 of October 11th 2006. The government appointed the EITI members and validated their first 2008–2010 action plan in September 2007. Government provides budget allocations for the implementation of the EITI responding to the EITI requirement that countries fund the implementation of the EITI from their own resources in order to ensure their sustainability. During the implementation of the 2011–2013 action plan, the country became compliant with EITI rules in early 2012.

The risks of political capture and conflicts are substantial. Congo has had a tumultuous history marked by political instability through the 1990s. Disagreements over the control and distribution of

[9] Regarding the prediction of oil revenues, data comes from the Direction General of Hydrocarbons (DGH) and the Natural Resources Office of the Cabinet of the Minister of in charge of Finance who work closely with oil companies (such as the National Society Petroleum (SNPC), Total E & P Congo, ENI CONGO, and others.)

resource wealth could threaten the political situation. After curbing the civil conflict in 1997 and the Pool conflict in 2002, the country could enter a new phase of tumult with the possibility of constitutional change to allow the President to run once more. The consensus that formed the bedrock of the relative peace could be shattered, and the influence of watchdog entities (such as the National Assembly, the Constitutional Court, and civil society) could be greatly diminished. Enhancing transparency in revenue flows related to oil and other extractive industries is crucial to help prevent conflict in Congo as well as ensure an efficient use of related windfall gains to the benefit of key NDP sectors.

2.4. Recommendations

From the above finding the government should set policy and actions to i) strengthen the collection of non-oil revenues; ii) better manage oil revenue volatility; and iii) capture a greater share of forthcoming mining exploitation.

Policies and actions to strengthen the collection of non-oil revenues

A better-functioning Personal Income Tax (PIT) system would enhance tax progressivity of the tax system in Congo and improve tax collection. Currently PIT represents less than 3 percent of government revenues; there is enough room to increase this line of taxation. According to IMF (2014) strengthening the PIT yield can raise the tax ratio while strengthening progressivity. Implementing a zero-tax bracket for the lowest incomes would both simplify revenue administration and enhance tax progressivity. Rationalizing tax deductions is also needed, as they accrue disproportionally to the rich, and lead to significant revenue losses.

The country should consider full implementation of the property tax, which has been recently introduced in the 2015 Budget. Prior to 2015, no property tax was applied in Congo. This is a major source of income for local as well as the central government that was not collected. However, in the 2015 budget the government introduced this new tax. If fully implemented it will have a significant redistributive impact. To make it progressive, the tax could exclude the permanent residence below a certain threshold, to prevent the taxation of low-income households. Property taxes could be implemented gradually, as it requires a reliable land registry, as well as the administrative capacity to manage it.

The government would need to strengthen the capacity of both the tax and customs administrations. In order for the tax administration to deal with the above-mentioned two reforms, the government should consider strengthen the capacity of these administration in personnel as well as in technology. In addition, the government should consider improving the capacity of these institutions to fight corruption and fraud, which are often present in these types of institutions in CEMAC countries. One way to do this is to set a clear and precise agenda and protocol on how a staff member can work with the client. Another way could be to have a single window policy for taxpayers. Finally, it might be fruitful to transform the DGI and the DGC into a public entity that could be name as "Agence des revenues du Congo." This could allow this agency to set performance-based pay for career staff and establish remuneration that will reduce fraud and corruption and will ultimately lead to higher revenue to the government.[10]

Policies and actions to improve the management of oil revenues volatility

The government should consider methods to i) strengthen the capacity of the Ministry in charge of hydrocarbon to manage efficiently the oil sector as a whole—in particular with respect to the analysis, negotiation, and follow up of oil sector contracts; ii) strengthen the capacity of the Ministry of in charge of hydrocarbons and Ministry of Mines and Geology to oversee extractive industries operations; iii) improve transparency in the sector, including by having an up-to-date functional website for the Ministry of Oil and Energy, and publishing accounts of public enterprises in the sector; and

[10] The Canadian federal government and some of its provincial governments used this model. The African Development Bank is helping some WAEMU countries such as Togo in implementing this model.

iv) publish oil contracts on the Société Nationale des Pétroles du Congo (SNPC) website.

In addition the government could set transparent managing rules for its stabilization fund (created at BEAC in 2012) to smooth international prices fluctuations of oil resources. This could ensure steady revenue to the government budget, which takes into account the absorptive capacity to support the PND implementation. The rules governing the stabilization fund should be simple and transparent. The fund should receive the excess of oil resources over the annual budgetary forecast, if the excess is larger than a threshold, which could be set at a percent of the GDP (to be determined by further studies). The resources of the stabilization fund could be used only through appropriations in the budget law. Finally, it should undertake periodic reliable independent audits of financial flows in the oil sector and publish and disseminate audit reports to all stakeholders (public administration, private sector, NGOs, etc.).

Policies and actions to capture a greater share of forthcoming mining exploitation

The government could make sure that the process of negotiating mining contracts appropriately takes into account technical advice in the decision-making process. It should also consider i) strengthening the capacity of the Ministries in charge of mining to develop a mining sector policy; ii) undertaking periodic reliable independent audits of financial flows in the mining sector; iii) publishing and disseminating audit reports to all stakeholders (public administration; private sector; NGOs); and iv) complete current revisions of the mining code.

PART II
PUBLIC EXPENDITURE REVIEW

This part of the report consists of two chapters. Chapter 3 focuses on the composition of public expenditure and the analysis of budget allocation and execution. Chapter 4 covers the public expenditure analysis of each of the country's four priority sectors. In each of these chapters the issue of government spending efficiency is fully assessed.

Composition of Public Expenditure and Key Source of Fiscal Pressure

3

Over 2008–2013, a shift in budget allocation toward economic and social sectors took place. During this period, the share of recurrent expenditures in the budget decreased, revealing the government's efforts to achieve its development priorities set forth in the NDP. The increase in the social sector was mainly driven by allocations to education ministries. Moreover, the bulk of the increase in allocations was directed to growth-enhancing and poverty-reducing sectors, including agriculture, education, health, and infrastructure. This was mostly driven by a sharp increase in infrastructure.

Total spending increased slightly in real terms by about 6 percentage points of GDP on average between 2008–2009 and 2010–2013. The infrastructure and the economic sectors increased their share in total spending over the period under review. Despite significant increases in allocation share—3 percentage points of total spending—the share of social sector spending in the total spending declined by about 3 percentage points from 2008 to 2012, due to a low execution rate in this sector.

The volatility of the budget execution rate was an important challenge for Congo during the 2008–2013 period, since it has distorted budget outcomes in favor of non-priority sectors. Budget execution rates have been volatile, but overall are in line with low-middle-income country standards. This general trend tends to hide high variability among sub-sectors. Social sectors recorded a relatively low execution rate; in fact resources allocated to this sector were poorly executed relative to the overall budget execution. However, budget execution has improved in many ways since 2009. Finally, the significant level of over- and under-execution has distorted budget outcomes in recent years, generally in favor of non-priority sectors.

Overall government spending efficiency improved after the 2009 reforms, but is still far behind developing country standard. Government spending was more efficient over 2010–2013 than over 2003–2009, however public investment spending efficiency has deteriorated. In addition, poor investment planning has rendered significant, and otherwise productive, investments in the energy sector completely inefficient, while poor selection of investment project have led to white elephants such as airports in various rural localities. Moreover, the high cost of building infrastructure in Congo has reduced the efficiency of public investment, for example, in investment in

road and bridges. In fact, the construction cost of roads in Congo is among the highest for developing countries.

The findings of this chapter called for substantial reforms of public expenditure including planning, budgeting, and actual spending. Therefore, the government should consider methods to: i) strengthen its budget planning process and keep a link between planning and budgeting; ii) improve its budget presentation in order to ease analysis, by enabling the distinction between directly productive sectors and indirectly productive sectors; iii) strengthen human resources of some line ministries on public finance issues and reduce the tendency to use special procedures in budget execution; and iv) improve the equity and the efficiency of its spending by better targeting the allocations of public resources and by providing a geographic coverage of the budget by division or rural vs. urban areas.

This chapter aims at understanding public spending trends and composition, trying to identify both allocation and execution issues. It analyzes public expenditures by economic and functional classifications, provides factors determining the structure of public expenditure. It therefore reviews the broad trends and patterns of public spending by functional classification. In addition, it analyses the key issue of government spending efficiency. **The analysis of public expenditures by functional classification focuses on whether sufficient resources are being allocated to sectors and line ministries.** However, the extent to which resources allocated to sectors are considered sufficient or not is limited by the lack of sector strategies with clearly defined spending targets.[11] In this context, the current analysis limits itself to broad trends toward the Government's development priorities spelled out in the NDP. The analysis also highlights the broad trends in actual spending and discusses the drivers of the execution of spending. The structure of the Government public investment program (PIP) is discussed, focusing in particular on the influence of China's financing of the PIP. The analysis of public expenditure structure and trends is complemented by an analysis of spending in the priority sectors —agriculture, education, health, and energy—in Chapter 4.

3.1. Analysis of Public Expenditure

3.1.1. Allocation Trend: Shift in Budget Allocation toward Economic and Social Sectors

A key feature of budget allocation in Congo is the predominance of "institutions of the executive power." Institutions of executive power include the presidency and ministries in charge of economic, political, social, and cultural sectors. The institutions accounted for about 85 percent of total allocation on average over 2008–2013. When public debt amortization is removed from the budget, non-executive institutions[12] together make up on average barely 2 percent of total allocation over the same period.[13]

In 2010, Congo benefitted from debt relief after reaching the HIPC completion point. This has considerably changed its budget landscape, with debt amortization falling from about 20 percent of total spending in 2008 to almost about 8 percent in 2013. The government has used most of the available resources to increase its domestic spending. The reduction of the debt size in the budget increases the share of almost every component of the spending budget. In order to take this into consideration, the share of budget reported in this chapter will be without public debt amortization.

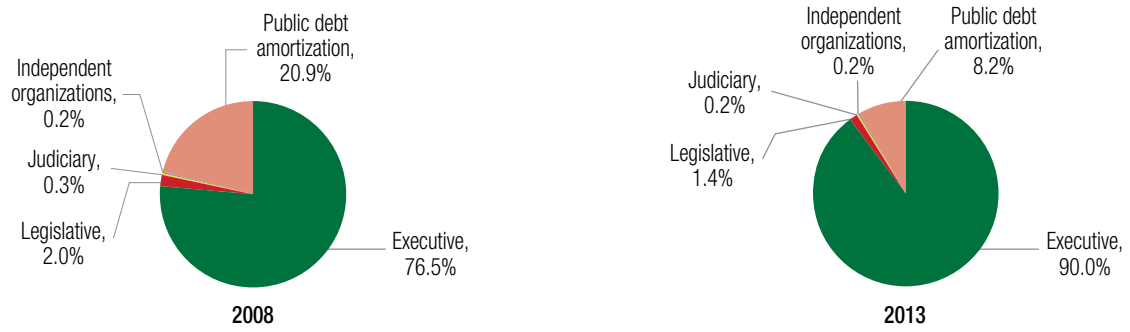
Over 2008–2013, the share of expenditures of key budget sectors remained stable. These sectors are

[11] The government can argue that in 2012 it developed a priority action plan (PAP) for all line ministries with a detail budget from 2012 to 2016. In each ministry programs were developed with a budget attached to each of them. However, due to capacity issues, the government has not implemented it at all.

[12] The list of these non-executive institutions is as follows: Parliament (National Assembly and Senate), Constitutional Court, Ombudsman, Economic and Social Council, High Court of Justice, Supreme Court, National Audit Office, Superior Council of Magistrates, National Human Rights Commission, and National Council for Freedom of Communication.

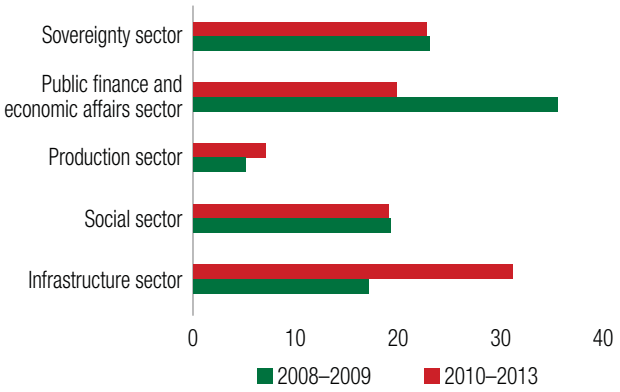
[13] Over the period 2008, the forecasted budget for these institutions was on average 2.1 percent, with 3.6 percent for current spending and 1.0 percent for capital spending. But in actual spending the amount was 2.4 percent with 4.1 percent for current spending and 0.9 percent for capital spending.

FIGURE 3.1: **Broad Structure of Budget Allocations in Percentage of Total Budget 2008–2013**



Source: Congolese Authorities and the World Bank staff computation.

FIGURE 3.2: **Budget Allocation, Share of Total Allocation, in Percent**



Source: Congolese authorities.

TABLE 3.1: **Budget Allocation as a Percentage of Total Budget**

	2008	2009	2010	2011	2012f	2012s	2013
Non-Executive institutions	2.6	2.7	2.6	2.2	1.4	2.1	1.4
Political sectors	20.8	20.5	21.3	21.8	19.0	19.4	19.8
Economic sectors	57.7	57.5	56.3	56.1	64.2	60.2	56.2
Social sectors	18.9	19.3	19.7	20.0	15.4	18.3	22.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Congolese Authorities and World Bank staff computations.

the "political sector", the "economic sector," and the "social sector." The political sector includes the executive branches of sovereignty sector; the economic sector includes the public finance and economic affairs sector as well as the production sector.[14] Specifically, the political sector accounted on average for 20.6 percent, economic sectors for 57.9 percent, and social sectors for 19.4 percent over this period. Budget allocations to "economic sectors" increased from 57.6 percent of total 2008 budget to 64.2 percent in 2012, in part due to the Mpila crises, but have readjusted to 56.2 percent in 2013. The allocation to the "social sector" increased slightly, leading to an increase in their share in total budget allocation from 18.7 percent in 2008 to 22.6 percent in 2013. In the meantime, the share of the "political sector" declined by 1.5 percentage points from 21.3 percent of total allocations in 2008 to 19.8 percent in 2013 (see Table 3.1 and Figure 3.2). The budget stability of these key sectors reflects the authorities' tradition of smooth modification of the budget by ministry and their view that the share of these sectors in the budget was already consistent with the government policy.

During this period, the share of recurrent expenditures in the budget decreased, revealing the government's efforts to implement its development priorities set forth in the NDP. The share of recurrent expenditures allocated to the "economic sector" decreased from 55.6 percent in 2008 to 43.7 percent of total recurrent expenditures (including interest payments) in 2013,

[14] See appendix Table A3.1 for detailed composition of each sector.

while investment expenditures increased from 62.8 percent in 2008 to 64.8 percent in 2013. Allocations to the "social sector" followed a different pattern with an increase of its share both from current expenditures and from investment expenditures, which moved respectively from 19.6 and 17.3 percent in 2008 to 27.0 and 19.5 percent in 2013 (see Table 3.2).

The increase in the social sector was mainly driven by allocations to education ministries. In fact, the share of all education ministries grew from 9.4 percent in 2008 to 12.2 percent in 2013; or from 9.9 percent over 2008–2010 and 10.2 percent over 2011–2013. In real terms, the allocations of recurrent budget to the education sector increased by more than 9.7 percent over the past five fiscal years while the total allocation to the sector grew in real terms to more than 20 percent over the same period.

The bulk of the increase in allocations was directed to growth-enhancing and poverty-reducing sectors, including agriculture, education, health, and infrastructure. Accounting altogether for about 30 percent of Congolese budget during 2008–2009, the share of these four sectors in the total budget increased by about 15 percentage points over the period under review: up from 29.8 percent in the 2008–2009 period to about 45.6 percent on average over the four fiscal year period 2010–2013. This reflects the combined effect of increased resources to the investment budget and a reallocation of recurrent expenditure over the past four years. In real terms, total allocations to these sectors more than tripled from 2008 to 2013. As indicated above, the reallocations of recurrent expenditures in the budget were done by reducing or keeping almost unchanged the allocations to the "political" sector, most notably the Presidency, the ministry of External Affairs, and the ministry of interior. The shift in budget allocations was particularly pronounced during the past three years. Total allocations to the growth-enhancing and poverty-reducing sectors more than tripled in real terms in 2008 and nearly quintupled in 2013 compared to 2002.

Driven by the sharp increase in infrastructure allocations, Congolese allocation to priority sectors has increased substantially since the last PER in 2008. The last PER found that Congo spent too large a share of its budget on administrative activities, to the detriment of funding for the PRSP priorities of developing economic infrastructure and enhancing services in education, health, and social protection. Since 2008, the government has allocated much more funding to build or repair infrastructure as a result, the share of infrastructure moved from about 20 percent to about 30 percent in the period under study. Meanwhile, no major change has been observed for allocation in health, education, and agriculture.

Congo compares favorably with developing as well as emerging countries on allocations to priority sectors. Congo is a leading country in allocations to the infrastructure sector; during this period more than one-fourth of the budget went to ministries in charge of infrastructure. The country also performed relatively well on social sectors; 17.5 percent was allocated to health and education—this proportion is higher than in Uganda and Niger but lower than in Brazil, Kenya and El-Salvador. Congolese allocations in agriculture are higher than in many developing countries, it performs better than Brazil, El-Salvador, Niger, and Uganda, but not as well as Kenya (see Table 3.3).

TABLE 3.2: **Budget Allocations**

	2008	2009	2010	2011	2012f	2012s	2013
Current spending allocation as a percentage of current spending							
Non-Executive institutions	3.0	3.3	3.9	4.2	3.5	3.6	3.5
Political sectors	21.9	21.4	26.8	31.1	29.8	26.9	25.9
Economic sectors	55.6	53.6	44.5	36.6	42.4	47.3	43.7
Social sectors	19.6	21.7	24.8	28.1	24.3	22.2	27.0
Investment spendingallocation as a percentage of Investment spending							
Non-Executive institutions	1.3	1.4	1.1	0.6	0.3	0.7	0.0
Political sectors	18.6	18.9	15	14.8	14.9	13.2	15.7
Economic sectors	62.8	62.2	71.1	70.9	72.8	71.2	64.8
Social sectors	17.3	17.6	12.8	13.7	12	14.9	19.5

Sources: Congolese Authorities and World Bank staff computations.

TABLE 3.3: **Selected Countries – Budget allocation to Priority Sectors, Percentage of Total Budget 2008–2011**

Sectors	Brazil	Kenya	El-Salvador	Niger	Uganda	Congo, Rep
Education	12.1	15.5	18.1	3.6	4.0	10.0
Health	10.1	5.3	10.7	3.5	3.2	7.5
Agriculture	1.1	3.7	1.3	0.7	1.2	2.6
Infrastructure	4.0	18.0	3.9	1.7	2.1	27.3
Political	11.1	15.7	24.4	9.7	19.5	15.9

Source: World Bank recent PER.

3.1.2. Analysis of Actual Expenditures

Total spending for priority sectors increased slightly in real terms by about 6 percentage points of GDP on average between 2008–2009 and 2010–2013. It accounts for about 36.6 percent of GDP on average over the 2008–2009 period and 42.9 percent over 2010–2013. This increasing trend of spending is driven mainly by capital expenditures, where spending increased in real terms and on average at an annual rate of more than 30 percent during the period and to a lesser extent by recurrent spending, which grew at an average annual rate of more than 13 percent during the same period.

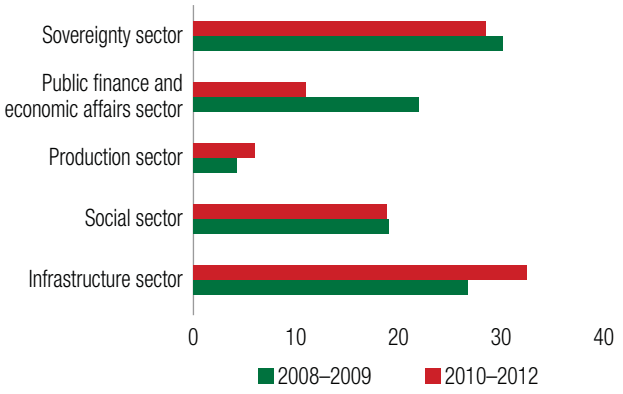
The infrastructure sector and economic sector have increased their share in total spending over the period under review. Total spending in the infrastructure and economic sectors increased in real terms, on average, at an annual rate of more than 30 percent in the 2008–2013 period, mainly driven by spending of the ministry of building and public works, the ministry of transport, and the ministry of energy and water, which together account for about 90 percent of total spending of infrastructure. The budget of each of these ministries grew, on average, during the period with an annual rate of greater than 20 percent. When infrastructure is embodied in the economic sectors, these three ministries account for more than 40 percent of the budget of the sector.

It is worth pointing that many ministries posted a strong growth rate during the period even though they are not the one with the biggest share of budget. For example, each of the following ministries grew on average at more than 50 percent annually during the period: the ministry in charge of social affairs, the ministry of interior and regional administration, the ministry in charge of land affairs, the ministry of post and telecommunication, and the ministry in charge of industry and private sector.

The slight increase of the share of sovereignty sectors in the total budget is explained by the increase of spending in the ministry of interior and decentralization. For this ministry, the program of Accelerated municipalization (Municipalisation Accélérée) entirely explains the increase. Without this ministry, the share of sovereignty spending would have decreased sharply by more than 6 percentage points of total budget mainly due to the decrease of the share of the presidency by 3 percentage points of total budget.

Despite significant increases in allocation share—3 percentage points of total spending—the share of social sector spending in total spending

FIGURE 3.3: **Budget Spending, (share of total spending, in percent)**



Source: Congolese authorities.

declined by about 3 percentage points from 2008 to 2012. During this period, unlike the trend for budget allocation, actual spending of other sectors grew more quickly than actual spending for the social sector budget, primarily driven by issues with budget execution in some social ministries. However, in real terms, social spending increased over this period. Specifically, investment spending for this sector increased at an average annual rate of 19.1 percent during the period. This mainly reflects the increase of investment spending in the ministry of health, ministries of education, and the ministry of social affairs. Also, recurrent spending increased in these sectors.

Accounting on average for about 5.1 percent of the 2008–2012 GDP, recurrent spending for priority sectors increased by nearly 8.1 percent in real terms during that period. In Congo, priority sectors include agriculture, education, health, and infrastructure. The share of priority sectors in total recurrent spending increased by more than 3.7 percentage points, from an average of 27.4 percent in 2008–2009 to 31.1 percent in 2010–2012. This positive trend was driven by the increase in the share of the health sector, which account for 1.7 percentage point of the total increase of the share of recurrent spending on priority sectors spending and agriculture sector (1.2 percentage points). Total investment on priority sectors increased in real terms by about 28.9 percent between 2008 and 2013, stemming from a sharp increase in investment spending in the education sector (34.2 percent) and in investment spending in the infrastructure sector (30.9 percent).

3.1.3. Functional Distribution of Actual Total Expenditures, Payment Basis

Congolese authorities intend to further increase the spending on priority sectors, particularly health, education, agriculture, and infrastructure in the coming years. This signals the Government's commitment to implementing its development priorities. However, the success of this approach will depend on the Government's ability to increase absorptive capacities and enhance resource management in these sectors. This also requires that all priority sectors develop comprehensive sector strategies with clear and realistic spending targets and outcomes to monitor the progress achieved. While designing the spending targets, the authorities should not only take into account their priorities but also the absorptive capacities of the sectors.

Yearly fluctuations of spending on priority sectors during the period under review reveal the fragility of a spending policy highly dependent on volatile oil revenue and subject to abrupt changes in political context. It is worth noticing that during the NDP process, the government developed a priority action program (PAP) with a joined MTEF for a five-year period 2012–2016. In this 1156-page document, each ministry and public institution of the Republic of Congo was accounted for—with strategy, an action plan, and a budget for the entire period. However, the government printed the document only recently (May 2014), and the Ministry in charge of Finance and planning is not following what was decided in the document. Furthermore, the government is already engaged in the process of creating another MTEF from scratch.

3.2. Structure of Public Investment

Public investment has been driven by Chinese funding

External funding partially finances Congo's public investment program (PIP). During the 2008–2013 period, available data reveals that about 9 percent of Congo's investment allocation was financed by donor assistance. Most of this is allocated to investment in economic and social sectors. Prior to the completion of the HIPC, the percentage of investment allocation from external borrowing was tiny (2.2 percent). Since 2010, this share jumped to 20 percent on average from 2010 to 2012.

Public sector investment has been driven by China-funded projects. The Government's abundant resources are mainly allocated to recurrent expenditure and building reserves, while investment expenditures are financed by oil revenues but also by external financing from China and France. This has caused a disconnect between the government's current expenditure budget

and the overall investment made in the public sector. Hence, the Chinese preference for financing projects and programs in priority sectors has a strong influence on the share of priority sectors in total public expenditure.

Investment expenditures are not clearly identified and planned in a coherent framework. As a result of weak investment planning and execution capacity in line ministries, planning and changes to the investment budget are driven at a central level by the DGGT and by the DGPI. In fact, line ministries have had little control over the planning and execution of capital expenditure in their respective sectors. Although, the government identified the list of infrastructure that an investment need to be carry on within the NDP, and that the DGGT have developed a master plan for infrastructure in the upcoming years, it is not very clear to all actors involved in the budgeting and planning process that there is a clearly integrated multi-year investment program. There is a lack of strategic planning of investment expenditure, following about 15 years of neglect of capital budgeting and weakening of institutions involved in preparing and monitoring the public sector investment program.

The current public investment favors the economic sector as well as the social sector

The structure of the PIP is skewed toward economic sectors. On average the economic sector consists of more than 50 percent of total resources allocated to the PIP over 2008–2013, while the social sector accounts for about 15 percent, and political (sovereignty) sectors account for about 20 percent. The analysis of the intra-sectoral allocations of the 2008–2013 PIP reveals the dominant position of the ministry of building and construction, which accounts for more than 25 percent of total investment allocations; followed by the ministry of energy, gas, and water with about 10 percent, and the ministry of transport with 10 percent. Shares of investment in agriculture, education, and health are small: about 3 percent for agriculture, 6 percent for education, and 6 percent for health. The share of the infrastructure sector has increased from the 2008–2009 period to the 2010–2013 period, while the share for agriculture, education, and health declined over the same period.

Economic sector: the PIP in this sector is largely dominated by the allocations to the ministry of building and public work, the ministry of energy, gas and water, and the ministry of transport, which together account for about 90 percent of allocations to the infrastructure sector, over 200–2013. Allocations to this sector reflect the large programs and projects being (or in the process of being) executed in the transport sector, in the energy and water sectors, and in building and construction.

Social sector: investment programs and projects in the social sector are mainly directed toward the education and health sub-sectors. Altogether, these sub-sectors account for 80 percent of the social sector PIP on average over 2008–2013. This structure of the social PIP reflects the Government's policy choice of priority given to improvement of education and health outcomes while so far social protection appears to be a secondary objective.

Political sector: this sector accounts for about 20 percent of the total PIP. The ministry of defense, the ministry of interior and decentralization, and the presidency dominate the structure of the political sector PIP, primarily as a result of renewed attention to public security and the program of Municipalisation Accélérée. More specifically, defense accounts for about 6 percent of total PIP, the ministry of interior and decentralization for about 5 percent, and the presidency for about 3 percent.

An absence of defined targets and the volatility of sources of funding are key challenges to the sustainability of the country public investment program

More generally, the lack of specific spending targets in the PIP does not provide a baseline for assessing the trends of resources allocated to the sectors. Thus, the increase in allocations (or in the shares) becomes meaningless. Part of the problem is the absence of a clear link between the PIP and sector strategies. In fact, the PIP is built with little reference to sector strategies.

The volatility of both domestic and external resources translates into variability of shares and relative importance of the sub-sectors. Yearly changes in allocations appear substantial and do not display any specific pattern. For instance, allocations to agriculture,

health, and primary and secondary education dropped significantly from 2011 PIP to 2013 PIP. In the meantime, resources allocated to urban development and to a lesser extent to defense sectors increased sharply. Part of the volatility of the allocations is explained by the lack of rigorous resource planning on the part of the Government. It is worth noting that this report does not highlight high movements in shares due to the Mpila catastrophe, which necessitated a revised version of the budget in 2012.

3.3. Issues in Budget Execution

Budget execution rate has been volatile, but overall is in line with low-middle-income country standards

Budgetary execution rates were strong (92.0 percent) over the period 2008–2013, more in recurrent expenses (95.8 percent) than in investment spending (88.6 percent). Several reasons contribute to the achievement of such performance in investment.

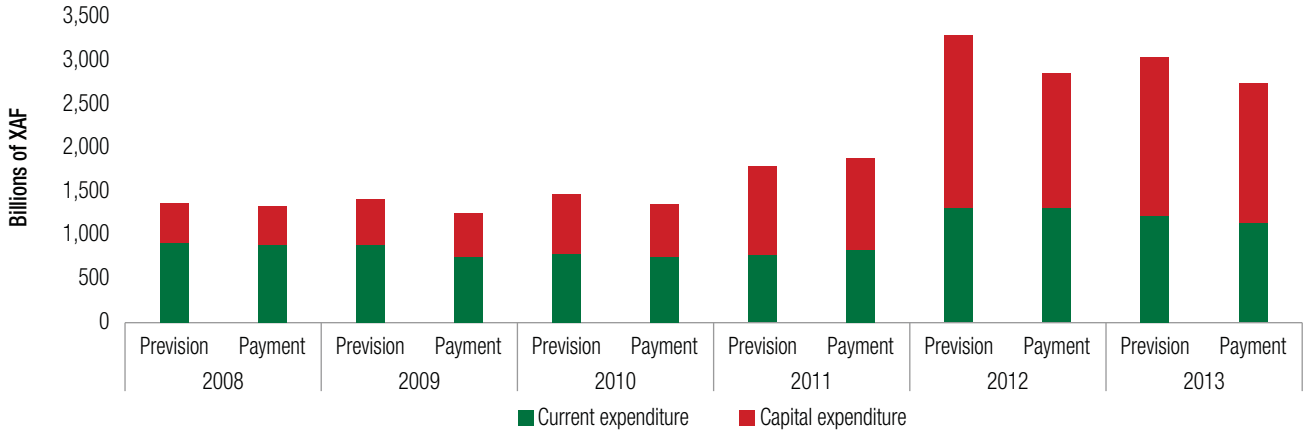
Operating expenses, primarily common expenses (119.0 percent) and expenditures of goods and services (110.1 percent) drove the high execution rate of budget expenditures. These two major types of expenses were often in excess of forecasts. The year 2011 was exceptional in terms of budget overrun (104.8 percent), just after reaching the completion point of the HIPC Initiative, indicating relaxation and reduction of efficiency by the fund managers.

During this period, common expenses (public consumption, festivals and public ceremonies, legal fees, litigation, and liability of the State, the unpredictable needs that manifest themselves unexpectedly, etc.) have run in excess because either a poor estimate of unexpected or a small selection expenses qualified in this category. The lack of rigor in the chain of public spending and a computer system with firewalls contributes to overpayments. The practice of exceptions (prepayments) in the first quarter of each year before the end of the coding and the process of delegation of procurements, also participate in this fact.

In addition, data in Table 3.4 show that the performance of investment spending is mostly done with own resources rather than with external resources. The execution of investments from external resources is driven by loans to medium and long term (83.3 percent) instead of donations (22.2 percent). Lack of knowledge of the procedures of donors could explain these poor results with donations.

The execution rate on public investment in Congo compares favorably to developing-country standards, while its overall budget execution compares less favorably with middle-income country standards. With a rate of about 87 percent, the public investment execution rate in Congo is higher than the rate in many SSA countries. In fact, Congo's rate is higher than the rate in Kenya and Uganda, countries with a better effectiveness of public administration according

FIGURE 3.4: **Implementation of Expenditure Budget**



Sources: Settlement laws and Reports of the Court of Accounts and Budgetary Discipline 2008–2013.

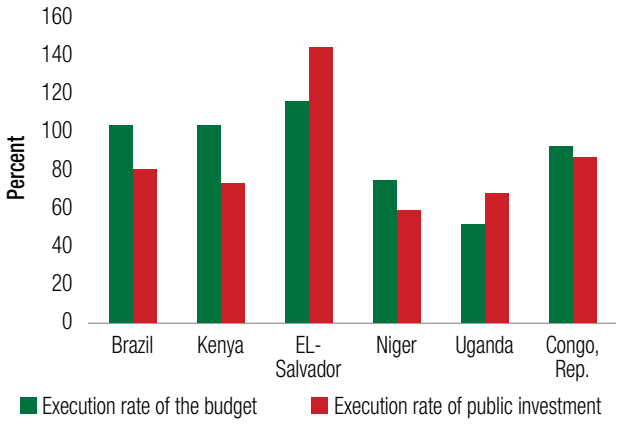
TABLE 3.4: **Budget Execution Rate by Type of Spending, in Percent**

Nature of expenditure	2008	2009	2010	2011	2012	2013	2008–2013
Recurrent expenditure	96.4	84.6	94.6	108.5	99.5	92.5	95.8
Debt service	85.3	84.9	79.6	114.5	85.5	57.5	82.7
Loans and advances	—	—	—	—	69.5	—	69.5
Staff costs	99.5	100.9	95.5	97.7	100.0	101.7	99.4
Expenditure for goods and services	103.7	89.1	102.1	120.3	110.5	126.2	110.1
Common charges	113.8	100.7	174.1	146.3	—	100.9	119.0
Transfers and interventions	99.3	66.5	90.8	100.2	112.8	80.5	92.2
Capital expenditure	97.5	95.0	88.4	102.0	78.2	88.2	88.6
Internal resources	97.4	99.3	99.8	102.5	93.2	100.6	98.3
From external resources (excl. grants)	364.5	8.7	69.1	156.4	66.5	82.2	83.3
On grants	39.4	59.9	8.9	35.4	7.2	23.7	22.2
Total final expenditure	**96.8**	**88.4**	**91.8**	**104.8**	**86.7**	**90.0**	**92.0**

Source: Reports of the settlement laws, 2008–2013.

to the CPIA scores. Congo is doing also better than Brazil, which has a rate of 80 percent. However, in terms of the overall execution rate, Congo is lagging behind countries such as Brazil and Kenya, but is doing better than Uganda and Niger. Please note that the authors do not consider El-Salvador an example to followe; it is rather an indication of poor planning and absence of blocking mechanisms in budget execution, which is not recommended.

FIGURE 3.5: **Selected Countries – Budget Execution Rate**



Source: The World Bank recent PERs and Congolese authorities.

Execution rate varies substantially by sector, line ministry, and institution

A key feature of the execution rates is their volatility during 2008–2013. On average, execution rates were relatively high during the entire period 2008–2012 with an average rate of 93.1 percent. This reflects the use of the Budget Exceptional Execution Procedures (OPPA), rather than high absorptive capacity. The execution rates dropped in 2009 and 2012. The drop in 2009 was mainly due to the adoption of new reforms (e.g., procurement codes) while the 2012 drop primarily reflects the limited absorptive capacity of sectors in the face of sudden increases of allocation of resources in 2012, following a large increase in public spending following the Mpila catastrophe.

This general trend tends to hide high variability among sub-sectors. Broadly, the political sector tended to fully spend (or even overspend) the resources allocated during 2008–2012. There was an average rate of 101.3 percent over the entire period and more impressively a rate of 105.5 percent from 2010–2012. The presidency is one of the institutions that overspent frequently during the period. For instance its execution rate was higher than 150 percent in 2008 and 2009. The ministry of interior and decentralization as well as the ministry of

defense also experienced overspending—since 2010 such overspending is primarily due to spending related to the Municipalisation Accélerée program. This high rate of execution of spending was facilitated by increasing recourse to OPPA.

The social sector recorded relatively low execution rates; resources allocated to this sector were poorly executed relatively to the overall budget execution. Part of the identified challenge is the weak capacity of ministries that comprise this sector. The sector never executes its entire budget. In 2009 the sector executed less than 60 percent of its allocation; and in 2012 it executed only about 75 percent of its allocation.[15] The low execution rate in these line ministries may also be explained by the budgetary cycle in some of these ministries which might not be aligned with the budget cycle and the lack of coordination between these line ministries and the DGGT. Some staff involved in investment projects in these ministries might be unwilling to let the DGGT execute all the procurement of their ministries. Low execution rates in these sectors also mean that it could be more difficult to achieve better social outcomes in Congo during this period.

Budget execution has improved in many ways since 2009. The budget execution exceeded 100 percent only once (in 2011), while from 2003 to 2007, the overall budget execution rate was 101 percent with some years exceeding by about 10 percent budget allocation, for example, 2007 with an execution rate of 109 percent. The distortion of budget outcomes that is created by excess spending on recurrent expenditure and a lower and volatile execution of public investment has also been reduced. In fact, in 2003–2008 the execution rate of recurrent budget was 108 percent, while the execution rate of public investment was less than 85 percent; that is a difference of about 20 percentage points. From 2008 and 2013, the different is only about 5 percentage points. However, important distortions remain in some line ministries of key priority sectors such as health and education.

Significant over- and under-execution has distorted budget outcomes in recent years, generally in favor of non-priority sectors. Although budget execution improved in a number of important functional areas since 2004, improvements were not stable over time or across functions. The average total budget execution was 101 percent over the period, with a high of 109 percent in 2007 and a low of 92 percent in 2005. Execution of the recurrent budget was more consistent, with an average total execution rate of 108 percent over all functional categories for the period. Execution of the investment budget was somewhat more erratic, ranging from a low of 69 percent in 2008 to a high of 131 percent in 2006.

The execution of expenditure by departments and institutions shows mixed situations over the period 2010–2012 (see Table A2.1 in Appendix). When the ministries in charge of health, education, agriculture, and energy are examined, the ministry for energy is the biggest spender and often beyond the standards (recurrent and investment exceeded). This is also true of the Ministry of Interior and Decentralization.

Cost overruns have exceptional or extraordinary cases in infrastructure ministries. The Ministry of Energy and Water in 2011 (182 percent of the total budget), the Department of Special Economic Zones in 2011 and 2012 (276.2 percent and 1098.8 percent off total budget respectively) and the Ministry of Industrial Development and promotion of the private sector in 2012 (480.5 percent of the total budget). Due to political will or to major works to host an international event some other ministries have also experienced budget overruns, for example, the ministry of health and population (442.5 percent of the execution rate of investment percent in 2013) and the ministry of sports and physical education (314.2 percent of the execution rate of investment percent in 2013).

Unlike these atypical cases, there are ministries and institutions that have near-zero rate of implementation of the investment budget (e.g., Senate, mining and geology in 2012 and advancement of women in 2013).

[15] The sector recorded low execution rate in years that the overall execution rate was low.

Specific issues in the execution of the PIP: poor budget planning and limited absorption capacity

Since 2010, overall execution of the PIP is lower than execution of current spending. In fact, about 89.2 percent compared to 99.1 percent for recurrent budget. This reflects the combination of low absorptive capacity of the overall Congo economy, the slow start of the execution of the PIP, and delays on the part of line ministries in processing the required documentation for the disbursement of funds in order to execute their projects and programs. In addition, the revision of initial allocations to the PIP resulted in further delays by line ministries, most of which adopted a "wait and see attitude."

Large disparities exist among and within subsectors. Economic and social sectors recorded relatively low execution rates: 75.6 percent and 69.1 percent, respectively on average. Within the social sector, most of line ministries in charge of the execution of programs and projects recorded low execution rates, with the exception of the ministry of youth and sport as well as the ministry of culture.

The low execution rates are essentially due to the combination of poor budget planning and the limited absorption capacity of the Congolese economy. Three factors can influence the execution of spending in a typical developing country: (i) a cash rationing decision to limit an eventual fiscal deficit (a macroeconomic issue); (ii) poor budget planning (a macroeconomic issue); and (iii) limited absorptive capacity at the sectors level (microsector issue). The first factor is well established as a key determinant of execution rates in many sub-Saharan Africa countries. Over the past four years, Congo did not experience a sudden cut in expenditures during the fiscal years that might have prevented the country from fully executing its planned spending. In fact, the low execution rates are identifiably due to the combination of poor budget planning and the limited absorption capacity of the Congolese economy. Poor budget planning is reflected by the lack of a sound budget preparation process. The numbers included in the Government budget are sometime meaningless, as they may not reflect the real needs of the sectors and the country as whole.

3.4. Public Expenditure Efficiency in Congo

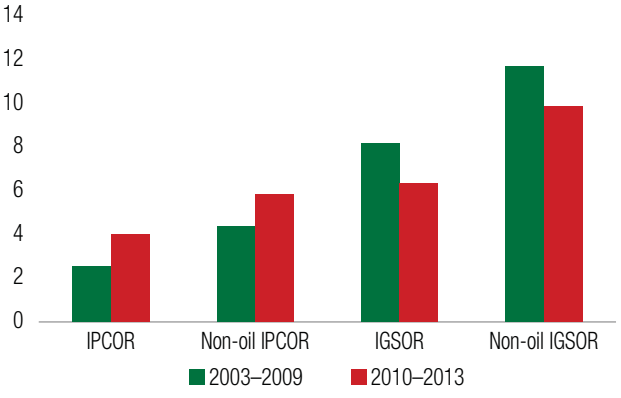
3.4.1. General Government Efficiency in Congo

Government spending was more efficient from 2010 to 2013 than from 2003 to 2009, however public investment spending efficiency deteriorated. From 2003–2009 to 2010–2013, indicators of public spending efficiency decreased while indicators of public investment spending increased. In fact, IGSOR and Non-oil IGSOR decreased by about 2 points, moving from 8.1 to 6.3 and from 11.6 to 9.7 respectively. This provides some merit to the 2009 reforms in public financial management. However, both measures of IPCOR increased by about 1.5 points. The IPCOR increased from 2.5 to 3.9 while the Non-oil IPCOR moved from 4.3 to 5.8, hence the efficiency of public spending failed to improve after the reform. The reform seems to have been more effective for recurrent spending (see Figure 3.6).

Overall government efficiency improved after 2009 reform but is still far behind developing country standards

During the last decade, government spending efficiency deteriorated until the adoption of reforms in 2009 and since then has started to improve. Non-oil IGSOR increased from 8.8 to 15.8 from 2003 to 2009,

FIGURE 3.6: **Public Spending Efficiency**



Source: World Bank staff computation.

Box 3.1: Public spending efficiency indicators

This study uses two categories of indicators of public expenditure efficiency in Congo: the Incremental Public Capital Output Ratio (IPCOR) and the Incremental Government Spending Output Ratio (IGSOR). In each category, computations show the standard indicator as well as some variant to account for specificities such as the volatility. IPCOR is an indicator of investment efficiency, while IGSOR is an indicator of government spending efficiency. Higher indicators indicate less efficiency.

IPCOR measures the marginal productivity of capital. Therefore, a higher IPCOR value for a given country indicates a higher investment required to earn an additional point of GDP growth, and thus a lower marginal productivity of capital. It is computed as the ratio of GDP growth to the rate of capital spending to GDP.

Non-oil IPCOR measures the marginal productivity of capital on the non-oil GDP. Therefore, a higher non-oil IPCOR value for a given country indicates a higher investment required to earn an additional point of non-oil GDP growth, and thus a lower marginal productivity of capital. It is computed as the ratio of non-oil GDP growth to the rate of capital spending to non-oil GDP. This measure is appealing in oil-rich countries as it is less volatile.

IGSOR measures the marginal productivity of government spending. Therefore, a higher IGSOR value for a given country indicates that a higher spending is required to earn an additional point of GDP growth, and thus a lower marginal productivity of government spending. It is computed as the ratio of GDP growth to the rate of government spending to GDP.

Non-oil IGSOR measures the marginal productivity of government spending relative to non-oil GDP. Therefore, a higher Non-oil IGSOR value for a given country indicates that a higher level of spending is required to earn an additional point of non-oil GDP growth, and thus a lower marginal productivity of government spending. It is computed as the ratio of non-oil GDP growth to the rate of government spending to non-oil GDP. This measure is appealing in oil-rich countries as it is less volatile.

Non-market services IGSOR is an indicator of government recurrent spending efficiency. It measures the marginal productivity of government recurrent spending on non-market services production. Therefore, a higher Non-market services IGSOR value for a given country indicates a higher spending is required to earn an additional point of non-market services GDP growth, and thus a lower marginal productivity of government recurrent spending. It is computed as the ratio of non-market services GDP growth to the rate of government spending to non-market services GDP.

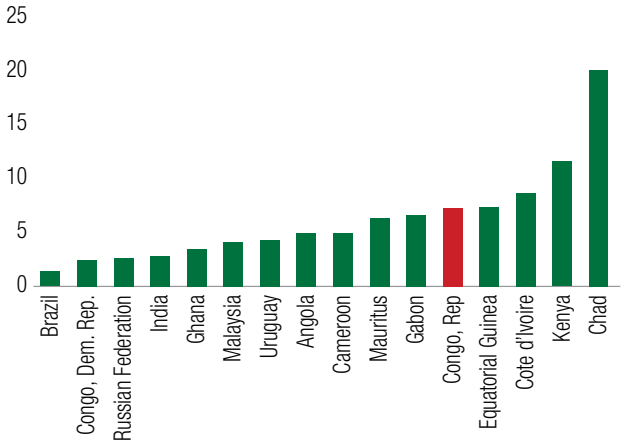
Source: Authors.

indicating a gradual decrease in government efficiency. This is indicative that the sharp increase of government spending was constrained by the absorptive capacity of the economy. However, in 2010, the non-oil IGSOR decreased to 9.9, which is a sharp decrease of 37.6 percent in one year. Therefore it seems that the 2009 reforms had some immediate impact on government efficiency, see Table 3.5.

Since 2010 government spending efficiency has remained stable but has started to deteriorate again recently. The Non-oil IGSOR has moved from 9.9 in 2009 to 10.1 in 2013. If the government wants to go back to the level of efficiency which prevailed prior to the increase of its spending in 2006, it will have to more vigorously implement its reforms. This message not sensitive to the measure of government spending used. Using IGSOR, this study finds that (although it is volatile with erratic behavior due to oil prices as well as production volatility) the situation has been deteriorating since 2010.

Congo does not compare well internationally on government spending efficiency. The country is less efficient than both emergent market economies and some African countries. However it has been more

FIGURE 3.7: **Selected Countries – Government Spending Efficiency, IGSOR Index**



Source: World Bank Staff Computation.

TABLE 3.5: **Government Spending Efficiency Indexes**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
						In percentage					
GDP growth	0.8	3.6	7.7	6.2	–1.6	5.9	7.5	8.7	3.4	3.8	3.4
Non-oil GDP growth	5.4	5.1	5.3	6.0	6.6	5.3	3.9	6.4	7.5	9.7	8.2
Non market GDP growth	0.1	2.1	4.2	4.8	4.9	3.0	2.9	3.2	3.2	17.7	7.9
Ratio of public spending to GDP	24.0	21.5	18.3	22.8	30.0	23.9	23.6	19.2	23.6	26.8	30.2
Ratio of public capital expenditure to GDP	6.6	6.5	5.3	8.9	10.9	10.0	11.0	9.0	14.5	17.1	19.7
Ratio of public recurrent expenditure to non-market services of GDP	239.6	241.4	261.4	325.7	376.4	331.1	269.6	279.6	270.1	238.8	230.1
Ratio of public spending to non-oil GDP	48.0	49.6	51.0	72.7	76.9	71.1	62.1	63.4	79.4	81.3	82.2
Ratio of public capital expenditure to non-oil GDP	13.3	15.1	14.8	28.4	27.9	29.7	29.0	29.7	48.8	51.8	53.7
						Unit					
Standard IPCOR	8.2	1.8	0.7	1.4	–6.8	1.7	1.5	1.0	4.3	4.5	5.9
Non-oil IPCOR	2.4	2.9	2.8	4.8	4.2	5.6	7.4	4.7	6.5	5.3	6.6
IGSOR	29.6	6.0	2.4	3.7	0.0	4.0	3.1	2.2	6.9	7.0	9.0
Non-oil IGSOR	8.8	9.7	9.6	12.2	11.7	13.4	15.8	9.9	10.7	8.3	10.1
Non-market-services IGSOR	2721.8	114.7	61.9	68.3	77.4	109.8	92.5	86.6	84.4	13.5	29.1

Source: World Bank staff computation.

efficient than Chad and Equatorial Guinea, two oil producing countries of the CEMAC region.[16] However, the country seems to have been more efficient than Kenya (see Figure 3.7).

Recurrent government spending efficiency has improved in recent years

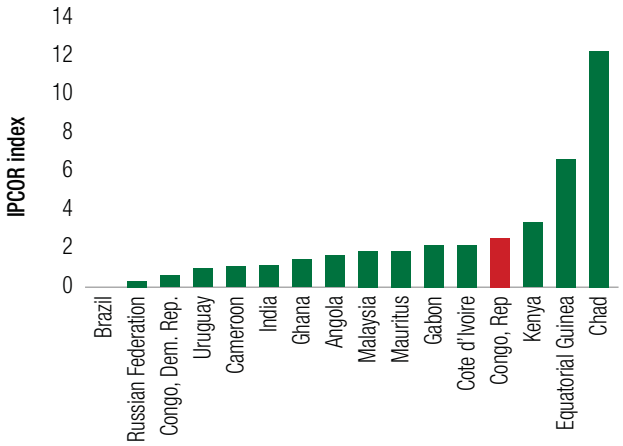
During the last decade, government recurrent spending efficiency improved in general, although it deteriorated from 2006 to 2008. The non-market services IGSOR increased from 61.9 in 2005 to 109.7 in 2008. This should be interpreted as a sign that the first phase of the sharp increase of government recurrent spending was not efficient enough as it failed to translate to a greater number or quality of the services given by the government to the population. In actuality, this increase of government spending served to catch up on the poor condition of government workers and provided workers with work equipment rather than providing new services to the population. As the time goes by, additional recurrent spending was used to increase services to the population. In fact, non-market services IGSOR decreased from 109.7 to 29.1 in 2013. This sharp increase in efficiency was driven by better services in health, education, and other social services. Finally, the weak efficiency of the government spending in 2003 and 2005 is explained by the fact that the country was just emerging from political instability; some civil servants were being paid without actually giving any services to the population.

Government capital spending efficiency has deteriorated

The sharp increase of government capital in 2006 led to further inefficiency. From 2005 to 2006, the government doubled its investment spending, which moved from 5.3 percent of GDP to 8.9 percent of GDP and from 14.8 percent of non-oil GDP to 28.4 percent. This coincides

[16] Given that these countries are oil producing countries this should be taken with caution.

FIGURE 3.8: **Selected Countries – Public Investment Efficiency, IPCOR Index**



Source: World Bank staff computation.

with the increase of non-oil IPCOR from 2.8 to 4.8, which indicates a sharp deterioration of the efficiency of public investment. From 2006 to 2009, non-oil IPCOR increased steadily from 4.8 to 7.4. Hence, additional increase of public investment in Congo during this period was more and more inefficient. During this period, many infrastructure projects were under construction and thus their impacts on the economy could not entirely be felt.

The introduction of reforms in 2009 seems to have brought immediate improvement in efficiency. Following these reforms, IPCOR dropped from 7.4 to 4.7 in 2010, however, the situation has further deteriorated since then; the non-oil IPCOR bounced back to 6.6 in 2013. This message is confirmed by the standard IPCOR, which dropped from 1.7 in 2009 to 1.0 in 2010. Since then it efficiency has deteriorated sharply, and the IPCOR reached 5.9 in 2013.

Internationally, Congo also lags behind in terms of public investment efficiency. Based on the PIMI developed by the IMF, the Republic of Congo ranks 70th out of 71 surveyed countries. Congo ranks second to last, just ahead of Belize with an overall score of 0.50, while the median score for all countries is 1.65. The country fares particularly badly in the appraisal and evaluation category with a score of 0 each. This situation has not dramatically changed since then. In order to use the country's resources effectively and efficiently, public investment management needs to be improved in all areas of the project cycle. The index is far from perfect and was computed a couple of years ago; however, change in the infrastructure management system has been slow; even if there may have been some improvement, the state of efficiency continues to be low in Congo. Also using the IPCOR, Congo public investment efficiency is among the poor performers in Africa and in a set of developing countries.

3.4.2. Specific Issues in Recent Investment Project

Dabla-Norris et al. (2011) identified that public investment inefficiency in Congo was due to poor selection, evaluation and monitoring of investment projects as well as to previously non-regulated public procurement systems. This section presents determinants of public investment inefficiency in recent infrastructure project in Congo.

Poor investment planning has rendered important and productive investment in the energy sector completely inefficient

Investment in power infrastructure has been the second most import investment of the government in this decade accounting for a total of US$1100 million. More specifically, the government invested about US$310 million in the Pointe-Noire Thermal central, US$240 million for the Imboulou Dam, and US$550 million to improve power transmission from Pointe-Noire to Brazzaville. The potential of these projects was great. The completion of the project helps cover the deficit of power production in Congo; Congo is now exporting power to DRC with nearly 33 MW in 2013.

Analysis prior to the completion estimated that these projects would have substantial economic impact. It was estimated that, each of these projects would have an IRR greater than 90 percent (see Table 3.6), while any project will be beneficial at 10 percent. This higher IRR and BCR comes from improving the availability and reliability of power (and hence reducing its cost) for the manufacturing and service sector in Pointe Noire and Brazzaville, as well as the southern

Box 3.2: Cost-Benefit Analysis and Benefit Cost Ratio Methodology

The Cost-Benefit Analysis (CBA) is based on the Present Value of Net Benefits (PVNB), which can be written as follow:

$$PVNB = \sum_t \left[\sum_t (B_{it} / (1+r)^t \right] - \sum_t [C_t / (1+r)^t] - \sum_t [D_{jt} / (1+r)^t]$$

Where B_{it} represents the Incremental Benefit (willingness to pay) for incremental infrastructure project use of availability in sector *i* in year *t*; C_t is capital operating costs in year t; D_{ij} represents incremental project-induced dis-benefit (foregone benefits or external costs) to sector *j* in year *t*; and *r* is the discount (interest) rate.

The Benefit Cost Ratio (BCR) hypothesis to be tested is whether PVNB > 0 or not.

The Internal Rate of Return (IRR) is the interest rate that would make the Net Present Value of the project equal to zero. The threshold rate of return typically used by International Financial Institutions is of the order of 10 percent. Any investment with a return close to this level would be justifiable from an economic standpoint. Projects with returns well above this level represent a very good investment and vice versa. For investment whose costs exceed their benefits, the IRR cannot be calculated and is reported as missing.

The Benefit Cost Ratio (BCR) is the ratio of the present value of benefits to the present value of costs. Benefits and costs are discounted at a rate of 10 percent. A BCR greater than one is equivalent to an IRR greater than 10 percent and vice versa. According to Briceno and Garmedia (2009), the advantage of the BCR is that it can be reported even for interventions whose costs exceed their benefits and for which the IRR cannot therefore be calculated.

Source: Authors.

TABLE 3.6: Economic Returns of Infrastructure Projects

	IRR, percent	BCR
Power northern (incl. Imboulou Dam)	104	350
Power southern upgrades (incl. Pointe-Noire Power Plan)	93	330

Source: Briceno and Garmendia, 2009.

forestry concessions. It was estimated that the response in production values could be very substantial, estimated in the order of 41 percent for manufacturing and services as well as timber (see Briceno and Garmendia 2009).

However, at the end of these projects, the sector failed to secure reliable sources of energy to the Congolese population and its enterprises. At end 2013, the average consumption of electricity to household is 222.4 KWh per capita compared to 124.1 KWh per capita in 2010 before the completion of the project. However, global technical losses of power remain very high at 40.6 percent in 2013, leading to an actual household consumption almost unchanged. Hence, so far this investment has been very inefficient. The inefficiency comes from the fact that the energy is produced, is transported to the gateways of major consumption centers but cannot be distributed. In fact, the within-city network of energy transportation is in a dilapidated state and needs a complete update.

A better planning of investments could have solved these shortcomings. The failure of this major investment to achieve its goal of improving access to energy for consumers is essentially due to poor planning (or a lack thereof) relating to investment in this sector. To render investments more efficient, it is critical to make all project investments that make essential contributions to the goal in the proper sequence. Investments should be made so that each part of the puzzle is ready at the right time to play its respective role in the project. When drafting a complex investment project such as a mega-project in the energy sector, the government can improve its planning by pulling together all the available human resources during the early stages so that no part of the process is overlooked.

Poor selection of investment projects has led to white elephants such as airports in various rural localities

The Congolese government had invested recently to build or upgrade airports in the country, but many

of these are in localities with very few people. A total of ten airports have been built or upgraded: Brazzaville, Pointe Noire, Ouesso, Dolisie, Ewo, Owando, Ollombo, Sibiti, Djambala and Impfondo. Unlike Brazzaville and Pointe Noire which cover a population of about one million inhabitants each, all the other airports covers less than 100 thousand inhabitants and are generally in areas with a higher rate of poverty. Many of these airports are close to Brazzaville (e.g., Djambala), or to Pointe Noire (e.g. Dolisie), in fact these localities are less than 200 km apart. Unlike Impfondo, which cannot be reached by road and Ouesso, which is very far from the major center of Brazzaville, other localities have a fair road connection with one of the major cities.

For example Ewo airport is built in a small city of about 10,000 inhabitants, and is almost unused. In fact, according to many sources interviewed, the plane arrivals are very rare—sometimes a long as two months between arrivals. Ewo airport construction cost about XAF 80 billion (US$53 million) of taxpayers money, but it is serving only few rich of the region. The poor cannot afford the price of taking the plane from there to Brazzaville; the poverty rate in the Cuvette Ouest division (Ewo's division) is about 78.9 percent. Moreover there is an airport in Owando and another in Ollombo. These cities are very close; less than 100 km between Ewo and Ollombo.

Airports in Owando, and Dolisie are not better in terms of economic return. Each of these airports cost taxpayers about XAF 80 billion, and were built in the Municipalisation accelérée program. As a result no proper economic analysis on the need to invest in airports in those localities was done. The issue was political; since the airport was built in Ouesso as part of the Municipalisation accelérée program, political figures and elites in other divisions requested airports as well and the government granted the request. These airports might be some help for the elite, but not to the vast majority of the population, given that in these localities more than two-thirds of the population lives with an income under the poverty line.

Much of the infrastructure built within the framework of municipalisation accelérée suffers from a similar lack of proper socio-economic analysis of the cost and benefit of the investment. With the municipalisation accelérée framework, any important infrastructure that has been built previously in one division "should" be built in other division. A building for the Head of the State is built with more-or-less the same dimensions from one locality to another; a building for the division chief and its administration is built with more-or-less the same dimensions, and so on. According to various sources, the building for the Head of State is often not used after the ceremony, but the state has invested in a building that is costly and will require maintenance for many years to come. A proper economic analysis of these investments could have led to building other types of infrastructure more useful to the population: a school, a hospital, a community hall, or a hotel for example. The elite tend to favor prestige investments rather than useful infrastructure that can boost job creation in their locality and the country in general.

The high cost of building infrastructure in Congo is reducing the efficiency of public investment such as investments in road and bridges

The government invested substantially in road and bridge construction in recent years, with the road between Pointe Noire and Brazzaville being the most important. Brazzaville-Pointe Noire road is the biggest infrastructure investment in Congo in decades and it is estimated that it will cost more than US$1327 million. It will have a major socio-economic impact on the country. It will link the country's two major cities, which account for more than 60 percent of its population. In so doing it will bring more convergence in the country. Moreover, it will ease trade between these cities by reducing transportation cost; it will spur economic development. As a road, both poor and rich people in the country will use it. This infrastructure will ultimately increase the production level of many sectors; for instance the production of crops is estimated to increase by 4 percent while the exports of timber by the port of Pointe-Noire will also increase by 4 percent (see Briceno and Garmendia 2009 and World Bank 2014).

Many other roads and bridges have been completed or are under construction such the Road from Owando to Ouesso and the Road Obouya to Gabon Border. The Owando-Ouesso road covers 328 km in

the northern part of the country with a major bridge on the Mambili River and road is one of the Congo's bigger infrastructures of the current infrastructure program. The entire project cost about US$483 million with the bridge costing about US$69 million alone. The marginal impact of the construction of the bridge has been very important given that it was the missing link of the road and since it implementation it has been instrumental in spurring interregional trade between Congo and Cameroon. In addition, this bridge will contribute to having a complete paved road from Pointe-Noire in the South to Ouesso in the North linking the three main economic cities in the country. The Obouya-Gabon Border road is another road in the northern part of the country. It covers over 207 km and has cost US$161 million. This road helps to link the northern part of the country to Gabon.

The cost per kilometer of these roads depends on their characteristics; one important being how large it is. From the sample of roads used here, a road of 7m pavement cost on average US$0.79 million/km, a road between 8 and 9m pavement cost US$1.42 million/km, and a road with more than 9 m pavement cost US$2.04 million/km. The quality of the road is therefore an important part of the costing. From a 7m pavement to a 9m pavement, the price per km almost doubles. From a 7m pavement to a mixed 2-lane, 3-lane, 4-lane, the price almost triples. Of course many other characteristics such as the slope of the area and the number of rivers are important cost factors.

Congolese roads seem to be more costly compared to developing countries standards. Data from Rocks database, reveals that a 7m paved road in Congo is at the top in terms of cost per kilometer, for either newly constructed or reconstructed road. At US$0.79 million per kilometer, the Congolese price is in the upper 75 percent for newly constructed roads and over any reconstruction. The same is true for road with 9m pavement and more; Congolese roads are expensive. The Brazzaville–Pointe Noire Road, when completed, will have cost US$2.04 million per kilometer, but it is a mix of reconstruction, newly built road and a mix of 9 m and 12 m newly constructed road; it will be expensive on average (see Tables 3.7 and 3.8; Figures 3.9 and 3.10).

TABLE 3.7: **Cost of Road Infrastructure**

	Disbursement in millions of US$	Length in km	Million US$/km
	Roadof 7 m pavement		
Road Obouya-Boundji-Okoyo	84	117	0.72
Road Okoyo-Gabon Border	77	90	0.86
Total	161	207	0.79
	Road with 9 m pavement		
Road Owando-Makoua	85	73	1.16
Road Makoua-Mambili	85	56	1.52
Road Mambili-Ouesso	313	199	1.57
Total	483	328	1.42
	Road with more than 9 m pavement		
Road Pointe-Noire Malele	85	55	1.55
Road Malele-Les Saras	84	37	2.27
Road Lessara-Mvouti	84	36	2.33
Road Mvouti-Dolisie	74	45	1.64
Road Dolisie-Brazzaville	1000	415	2.41
Total	1327	588	2.04

Source: Congolese authorities and World Bank staff computation.

TABLE 3.8: **International – Road Unit Cost, US$/km**

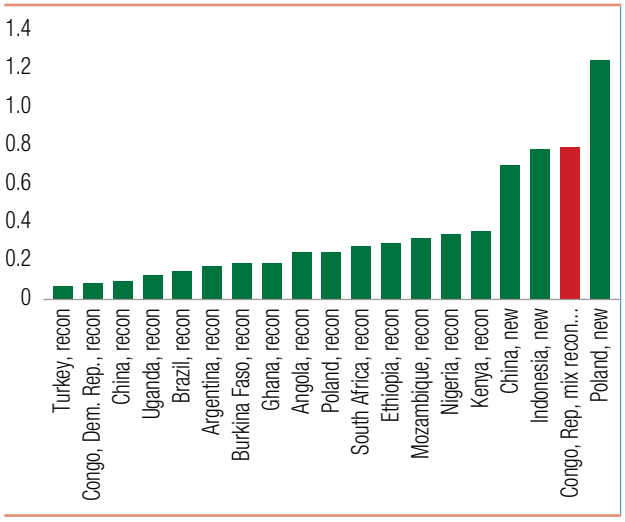
	6–7m pavement		8–14 m pavement	
	Reconstruction (6 m–7 m)	Newly constructed (6 m–7 m)	Reconstruction (9 m–11 m)	Newly constructed 12 m–15 m)
Highest	0.53	1.24	0.33	3.43
Lowest	0.05	0.37	0.16	1.15
Median	0.22	0.70	0.22	
Average	0.23	0.76	0.23	2.72
Lower 25 percent	0.12	0.49	0.16	
Upper 75 percent	0.28	0.78	0.29	

Sources: ROCKS Database – World2008, author computation, Author considered only contract after 2000 and countries with at least three contracts to compute average price per countries.

Congolese roads are more expensive than in many African Countries; the prices per kilometer are closer to that of a newly constructed road in China or Indonesia. Of course this comparison has many weaknesses, such as the time of construction that differs—many of the road in Rocks Database had their contracts signed by 2008, while the Congolese roads had their contract sign after 2006, and many after 2009. Moreover, the other prices are from World Bank projects, where procurement issues are less important. One should therefore be cautious in these comparisons. However, previous studies confirmed these findings, for example Alexeeva et al. (2008) find that to re-gravel a road, Congo (US$0.068 million/km) was the most expensive among Zambia (US$0.066 million/km), Madagascar (US$0.055million/km), and DRC (US$0.0025 million/km).

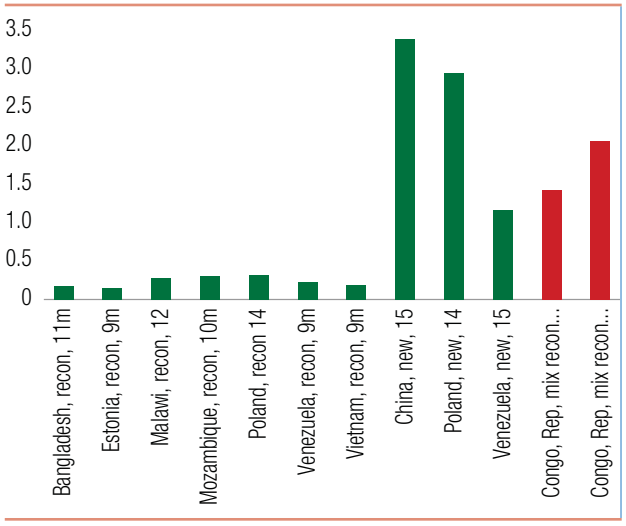
Many factors can explain the higher cost of road construction in Congo including absorption capacity,

FIGURE 3.9: **Selected Countries – Cost of a 7m Paved Road, Million US$/km**



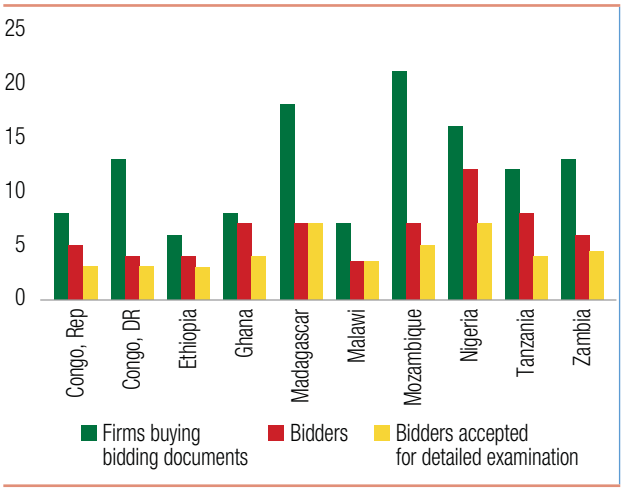
Sources: ROCKS Database – World2008, Congolese Authorities and author computation.
Note: Congo data are from the government procurement system while other data are from the World Bank Procurement system, The comparison is therefore not straightforward.

FIGURE 3.10: **Selected Countries – Cost of 9+m Paved Road, Million US$/km**



Sources: ROCKS Database – World2008, Congolese authorities and author computations.
Note: Congolese data are from the government procurement system while other data are from the World Bank Procurement system, The comparison is therefore not straightforward.

FIGURE 3.11: **Selected Countries – Average Number of Firms Buying Bidding Documents, Bidders, and Bidders Accepted for Detailed Examination**



Source: Alexeeva et al. (2008).

high cost of contract supervision, and governance issues. The country is small and with the very high number of projects to carry, the number of firms than can bid is small. Moreover, many contracts are attributed directly to Chinese companies since the funding is coming from ExximBank. In addition, according to Alexeeva et al. (2008), the proportion of road costs going to supervision in World Bank road construction in Congo is very high at almost 12 percent of the total cost. Governance issues in contracting are also a key aspect in cost increases in Congo, as is the case for many developing countries. In Congo, delays in construction do not seem to be very problematic.

3.4.3. Public Investment Equity

The recent government investment program has been in favor of the poor in some respects. In fact, the most important share of investment programs has been given to roads, ports, railways, and hospitals, while the second most important share was given to electricity development and the third-most to airports and buildings.

Road investment in Congo has improved equity in the country by easing the transport of the rural population to city centers. From 2008 to 2013, the country built many roads in rural areas. For example, in the south the road Nkayi-Zanaga covers about 250 km and covers three poor regions: Niari, Bouenza, and Lekoumo, the Bouansa-Mouyoundzi road of about 50 km is also in the rural area in the Bouenza region, the Brazzaville- Kinkala-Boko road is about 100 km and helps the population of the pool division to have access to Brazzaville; the roads Madingo-Kayes-Pointe Noire and Pointe Noire-Dolisie do the same. They allow the local population to have access to markets and to health infrastructure. In the Northern part, many roads have been built, including the Epéna-Impfondo-Dongou road, the Owando-Ouesso road, the Obouya-Okoyo road, and the Brazzaville-Owando road. All these roads allow the population in the poorest areas of the country to have access to a city and therefore improve their chance to have health care and also to have access to markets in order to sell their agricultural products. All these road rehabilitation programs accounted for more than 50 percent of the public investment program during this period. One should recall that the poverty rate in rural Congo is about 76 percent, while the overall poverty rate is 46.5 percent.

Rail as well as port investments have been equitable for all by reducing transportation costs for international trade. The government invested a fair amount of money to render the port of Pointe Noire more efficient. It also invested to allow the railway between Pointe Noire and Brazzaville to be effective after many years of inactivity resulting from lack of use and maintenance during the civil war and political unrest period. All these investments have resulted in a reduction of transportation costs and a convergence of price between Pointe Noire and Brazzaville to the benefit of all the population.

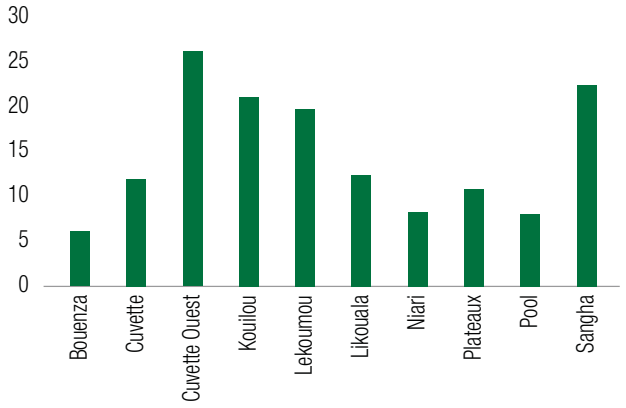
Investments in electricity would have been equitable, but are not yet effective. The second most important item for investment by the government has been investment in electricity. With a total of US$1100 million, it accounts for about a quarter of the government investment program. This electricity has been more beneficial for the urban population and less for the rural population, which is still experiencing difficulties to be

linked to the national network; only 5 percent of this rural population has access. However, even the urban population is not benefiting yet from this investment.

Airports and airplanes investments, which account for about 10 percent of the overall government investment program is benefiting only the rich. In the current Congolese investment program, luxury buildings for no one and airports in nowhere are the most inequitable investments. In fact, the price of a plane ticket is too expensive for the majority of Congolese. In addition, many of these investments can benefit only the elite, and in some cases it is even a complete waste as it is not benefiting even the elite. The Presidential Palaces are almost unused either by the President or by the other dignitaries.

The available budget data on lower level of government do not show any specific pattern of equity. In fact, the budget for the country divisions is almost constant for each of them, independent of considerations of size or poverty reduction objective. This is due to the fact that the variable allocation budget is limited, in 2013 it accounted for XAF 7.3 billion, while the fixed allocation accounted for XAF 22.8 billion, see Table A3.2. As a result, Bouenza division, with a population of 309k, is receiving almost the same budget as Kouilou, with a population of 91k (see Figure 3.12). Going forward the government should consider creating a proper budgeting process for lower levels of government to obtain greater equity for the population.

FIGURE 3.12: **Ratio of Budget Allocation to Population. Millions of XAF Per 1000 Per Habitant**



Sources: Congolese Authorities and World Bank Staff estimate.

3.5. Policy Recommendations

The findings of this chapter called for substantial reforms of the public expenditure in planning, budgeting, and actual spending.

The government should consider strengthening its budget planning process and keep a link between planning and budgeting

As Congo is reviewing the implementation of its NDP, it is critical that it commit to improving its public investment planning. The massive failure of the investment in electricity to deliver to its promise has highlighted the need for a better planning of investments in Congo. The government should consider planning all its investments for typical timeframes; a period of five years or three years could be set. Within this period, the government would plan investments with the highest marginal socio-economic return and build a workable sequencing that would be used in the budget. The planning would have to make sure that the most critical items for the development of the country are prioritized before new projects are added.

It is critical that the investment plan has many layers of prioritization. The first layers would be the layer of essential investments that have to be taken during the period. It should be based on the pessimistic scenario of government resources, such that in any case those investments will be carried out. The second layer could be based on the reference scenario, it could contain investments that are useful and that are important to carry out within the period. The third layer could be based on the optimistic scenario and could contain investments which are very useful but that could be carried in the next period without hampering the development path that the country has envisioned. The current NDP with its PAP has only one layer of investment and the goals are sometimes very high for the capacity of some line ministries.

The government should also make sure that team working on planning is involved in the budgeting process and are present and have a say when the final decisions are made. The absence of those involved in drafting the planning documents such as the NDP are detrimental to the budgeting process. Moreover, it is critical that representatives of this team have their say when arbitration occurs on the final budget so that they could flag any critical component of the budget that seems to be overlooked in the budgeting negotiations.

The government should consider improving its budget presentation in order to ease the analysis

Improve budget classification by enabling the distinction between directly productive sectors and indirectly productive sectors. Since 2011. The functional classification of the budget is no longer provided. This renders the analysis of actual use of spending difficult, and the government might not be able to track its spending in any meaningful way.

From a policy perspective, as Congo is reviewing the implementation of its NDP it is critical that the budget classification reflects the Government's declared objectives to grant priority to key sectors. To this end, distinguishing between priority and non-priority sectors could be a classification to consider. The advantage of doing so is two-fold: first, it would allow the government to assess whether allocations and actual spending are in line with its development priorities. This requires that sector strategies are in place and include specific spending targets. Second, such classification would enable the government to track the execution of specific spending in priority sectors and provide a policy response to correct deviations from the spending targets.

The government should consider strengthening the human resources of some line ministries relating to public finance issues, and should also reduce the tendency to use special procedures in budget execution

Initiate a policy of reducing the use of OPPA. A first step could be for the government to clearly define the list of existing OPPA, the institutions which use these procedures and their volumes. A second step should be to agree with the line ministries concerning a calendar to regularize the OPPA. Finally, the government may need to strictly implement a condition to limit the ratio of OPPA to total expenditure (excluding salaries and debt) to a given percent or less. This would signal its resolve to improve transparency and accountability in the use of public resources.

Improve the execution of spending by improving budget planning, increasing absorptive capacity, and increasing the efficiency of public resources. The trend of execution of spending over the past five years was not satisfactory. To improve the execution of spending, policy actions should focus on: (i) improving budget planning; and (ii) increasing sectors' absorptive capacity. In the short-term, the Government would need to undertake bold actions in the area of budget preparation by strengthening the capacity to prepare the budget (revenue and expenditure projections, sector needs, and so forth). In the medium-term, policy actions should focus on increasing the capacity of sectors to absorb resources. This would include increasing their budget management capacity, human resources, increasing the scope of programs and projects to be executed, and other measures recognized to increase absorption capacity.

The government should consider improving the equity and the efficiency of its spending

Beyond the objective of increasing the levels of execution rates, the main issue is the issue of efficiency of spending. The quality of spending matters more than its levels. Improving the efficiency of public spending would require better targeting the allocations of public resources. It would be better to increase resources to infrastructure that have a stronger growth and human development impact (through its direct and indirect effects on education and health outcomes) than to expand investments related to prestige. Take appropriate time to plan and execute an investment as it allows strengthening of absorptive capacity and make sure that the proper sequencing of investment has been respected.

Provide a geographic coverage of the budget by division or rural vs. urban areas in order to better

target the poorest divisions. So far, no budget includes an annex on geographic allocation of expenditures. This is not good enough, because it does not allow an analyst to know whether the allocation of spending reflects the country's spatial poverty incidence. There is a need to make the budget reflect the government's poverty reducing priorities by better targeting the poorest division. Starting in 2015, it would be a positive step if budget conferences were to include sessions to discuss levels of allocations to the various departments. This would require involving representatives of the divisions in the budget discussions. However, the issue is the ability of the division representatives to be familiar enough with budget procedures to have an influence the budget decisions. The government would need to strengthen local capacities in budgetary processes. This could be done in the context of a decentralization program.

4 Sector Expenditure Reviews

This chapter provides a detailed public expenditure review (PER) for four priority sectors for Congo: agriculture, health, education, and energy. It shows that budget allocations and execution vary dynamically across sectors. Spending has been more important in energy but less in agriculture. Efficiency of spending is an issue for each of these sectors. The chapter is based on four standalone PERs: the agriculture sector PER, the health sector PER, the education sector PER, and the energy sector PER.

The PER for each sector is a section in this chapter. The section first analyzes the trend of allocations of public resources to the sector over the past five fiscal years, and the extent to which they are consistent with development priorities of the Government. It then analyzes the structure of spending in these sectors and highlights the relative weight and trends of recurrent versus investment expenditure in these sectors. The chapter also discusses the execution of spending and sheds some light on the determinants of the execution rates. The efficiency of spending in these sectors is presented and its main characteristics are discussed. The weaknesses, issues, and challenges of public expenditure management in these sectors are also discussed. Finally, it concludes by providing some policy recommendations to improve effectiveness of public spending in these sectors.

The key findings of the chapter are the following: i) the allocation of public spending to the agriculture, health, education, and energy sectors increased by more than 10 percent in real terms on average over the period 2008–2013, with education and energy increasing by more than 20 percent each; ii) these increases in allocations were not fully implemented and as a result the increase of actual spending has been lower than the increase in the allocation. In real terms, the growth rate of spending in health and education was lower than 7 percent, was less than 9 percent in agriculture, while it was at about 16 percent in energy; iii) these increases reflect the low levels of allocations to begin with and are mainly the result of resources available after the completion point of the HIPC process in 2010; iv) the share of spending in the social sector remains low; education (about 3 percent of GDP in 2012) and health (about 2.5 percent of GDP in 2012) sectors are still low by international standards and spending remains low in agriculture (about 0.6 percent of GDP in 2012); v) the PIP has been on the rise in these sectors, reflecting the commitment of the government to fill in the infrastructure gap in Congo; vi) weaknesses and issues of poor public expenditure management result in inefficiency of public spending, which impedes Congo from achieving higher development outcomes.

4.1. Public Expenditure Review in Agriculture

Over the last decade, Congo's agricultural sector has underperformed relative to the ambitious targets set by Government. The agricultural sector as a share of GDP has been decreasing over time. Indeed, since independence, this sector has grown more slowly than the other sectors: annual average growth in the agricultural sector was about 2.6 percent between 1960 and 2011, compared to 6.7 percent for industry and 4.1 percent for services. This decline accelerated during the 1990's mainly because the sudden withdrawal of the state from production activities, various recurrent armed conflict, and very little involvement in agricultural research. Thus, following the decline in agricultural production, food security has become an issue and the country now depends heavily on imports of agri-food products. Limited agricultural performance largely results from competitiveness problems, compounded by low production and productivity. Since the government is currently stepping up its effort in the sector, it is worth assessing the quantity and quality of public expenditures in the sector, as well as the sector's effectiveness and efficacy. These are the two goals of this section.

In recent years, agriculture seems to have started recovering. From 2003 to 2013, the sector grew at an annual growth rate of 6.6 percent compared to 4.4 percent for the entire economy. The growth has been even stronger from 2008 to 2013, with an annual growth rate of 7.3 percent. This new start, although slow compared to the ambitions of the government of a double-digit growth, could be the result of renewed government interest in the sector.

This section finds that the government budget in the agriculture sector faces two key issues: low budget allocation and very low execution rate. The agricultural sector's share of total expenditures increased from 0.9 percent in 2008 to 1.6 percent in 2012, with a peak of 2.6 percent reached in 2011, which is far below the 10 percent recommended by AU in Maputo in 2003 as the target level that would allow agriculture to fully play its role in poverty reduction. Budget execution in the agricultural sector has been quite low; averaging only 66.8 percent during the period. This execution rate was low compared to an execution rate of total public expenditures of 94.8 percent on average over the period 2008–2012. The average execution rate of the sector masks some discrepancies observed over time and across the various components of the agricultural sector. Indeed, for the agricultural sector, the lowest execution rate was reached in 2009, with an execution rate of 39.8 percent, while the execution rate of the total expenditures was 89.3 percent. In addition, fisheries and aquaculture are the components of the agricultural sector with the lowest execution rate with an average of 55.2 percent compared to 68.7 percent for agriculture and livestock.

It also finds that the agriculture sector government spending has been fairly efficient. In fact, an average growth rate of government spending in agriculture of 20 percent from 2004 to 2007 resulted in an average growth rate in agriculture of 5.8 percent over the period, while an average growth rate of 19.6 percent of government spending in this sector resulted in an average growth rate of production of 7.0 percent from 2008 to 2012. This efficiency however suffers from an absorption capacity issue when the speed of government investment is too high.

Based on the findings, the main recommendations of this section include: i) improve the coordination of activities between the government and donors; ii) strengthen capacity of staff on PFM issues in these ministries; iii) improve budget predictability by increasing the execution rate of budget; iv) implement systematic project evaluation to improve monitoring and evaluation (M&E); v) modernize family farming and agri-business; and vi) strengthen the Agriculture Support Fund. More details can be found in World Bank 2014e.

4.1.1. Background of the Agriculture Sector

In this section, the term "agriculture sector" includes agriculture, livestock, fisheries, and aquaculture. Currently in Congo, two ministries are in charge of the sector: the ministry of agriculture and livestock (MAE) and the ministry of fisheries and aquaculture (MPA).

Agriculture

Congo has enormous, still largely untapped, agricultural potential. The most important is undoubtedly the large quantity of arable land. The country has over 10 million ha arable land, of which nearly 90 percent is still available. The country thus has high growth potential in both food and cash crops. This land availability contrasts with the conditions found in many Sub-Saharan African countries, where population pressure and agricultural development cause severe land constraints. This is the case for countries with a large population per km^2 such as Rwanda, Burundi, Ghana, and other (see Table 4.1).

Congo has high growth potential in food and cash crops. In addition, its unique geographical location, straddling the equator, provides opportunities for crops throughout the year. This is quite rare in Africa and even in the world. The country also has a large current endowment of fruit trees that are not fully exploited. Finally, know-how in grafting and layering makes it possible to shorten production cycles. These factors allow the Congo to position itself as an exporter of fruits.

Despite these strengths, agriculture has declined over the years due to low investment and productivity. This decline affected both food crops and cash crops such as coffee, cocoa, sugar cane, and peanuts. Thus, following the decline in agricultural production, food security has become an issue and the country now depends heavily on imports of agri-food products. While agricultural production stagnated or contracted, imports of foodstuffs increased significantly, reaching about XAF 130 billion per year, and consuming nearly 12 percent of export earnings. This reflects the increased vulnerability of countries and peoples, especially the poorest.

Limited agricultural performance largely results from competitiveness problems, compounded by low production and productivity. These problems are related to the predominance of traditional production systems, which occupy 81 percent[17] of cultivated land and are characterized by low productivity. This type of agriculture coexists with two other agricultural production systems—peri-urban agriculture and large private plantations—which, although developed on smaller scales, are more productive.

TABLE 4.1: **Selected Sub-Saharan African (SSA) Countries – Agricultural Potential, 2005–2010**

	Agricultural land (percent of surface area of country)	Agricultural sector production (percent GDP)	Population density (persons/km^2)
Congo	30.9	4.20	10.6
Burundi	86.5	34.8	308.8
Cameroon	19.4	19.6	39.8
Côte d'Ivoire	63.6	23.6	63.1
Ghana	67.8	32.2	101.6
Rwanda	78.0	35.8	391.8
Tanzania	39.3	29.8	47.3

Source: FAO.

Moreover, on small farms (0.5 to 1.5 ha), traditional agriculture is also characterized by very low yields. For example, in Congo, the main consumable agricultural products are cassava and plantain, and to a lesser extent, maize. However, the country underperforms in terms of yield of these productions. The yield for plantain/banana was 7.3 t/ha in 2012, lower than in Cameroon (12.5 t/ha) and Ghana (10.5t/ha). The same trend is observed for cassava. The yield in Congo (7.8 t/ha) is far lower than similar African countries that produce twice as much as Congo. Regarding the yield for maize, it was 800 kg/ha in 2008 and 1t/ha in 2012. This is half of the yield of similar African countries like Cameroon (2.1 t/ha) or Ghana (1.9 t/ha). These low yields are due to rudimentary production techniques, including the low level of fertilizer use.

The poor performance of agriculture in the past is the result of a lack of sustained government support and poorly designed policy over a long period. Indeed, over thirty years (1960–1992) agricultural policy focused on the creation of public enterprises (offices, and state farms and ranches). During the structural adjustment period that led to the withdrawal of the state from production activities, agricultural policy has focused

[17] DGE (Estimations).

TABLE 4.2: **Yields of Cassava, Maize and Plantain, 2008–2012 (t/ha)**

	2008	2009	2010	2011	2012
Cassava					
Cameroon	14.0	14.0	14.1	14.6	14.5
Congo	10.0	9.8	8.9	7.6	7.8
Ghana	13.5	13.8	15.4	16.0	16.7
Maize					
Cameroon	2.0	2.0	2.0	2.1	2.1
Congo	0.8	0.8	0.8	0.9	1.0
Ghana	1.7	1.7	1.9	1.6	1.9
Plantain/Banana					
Cameroon	12.0	12.0	12.2	12.5	12.5
Congo	7.5	7.4	6.7	7.5	7.3
Ghana	10.7	11.0	10.8	10.8	10.5

Source: FAO 2013.

on the development of private farms with the idea of improving productivity.

The Government is determined to revitalize the agricultural sector to make it a driving force for structural transformation of the economy. However, several major constraints need to be resolved in order to enhance the strengths of Congolese agriculture and strengthen its contribution to development. These constraints are farm size and low productivity and land titling.

Livestock

Despite its potential, the livestock sector is still embryonic in Congo. Like agriculture, issues of capacity and competitiveness have hampered its development. For example, between 2008 and 2012, chicken production has experienced an average annual growth rate of 3.0 percent to reach a production of 2.78 million heads in 2012 (Table 4.3). However, this growth rate is much lower than that of all non-oil sectors and even agriculture. Consequently, its relative contribution to non-oil GDP has declined steadily.

Congo has significant natural assets well suited to livestock, including huge natural areas conducive for raising sheep and goats. In past decades, several

TABLE 4.3: **Selected Livestock Production, 2007–2012**

	2007	2008	2009	2010	2011	2012
Chickens (1000s)	2400	2450	2500	2600	2700	2780
Goats	295,000	295,000	315,000	320,000	323,000	324,500
Sheep	105,000	116,000	118,000	120,000	122,000	122,000

Source: FAO 2013.

experiments have been conducted with the successful introduction of new breeds (Lagoon and Ndama). However, the development of traditional cattle farming was stifled by the emergence of state farms that occupied the best pastures and whose products competed with traditional farmers. The failure of state farms provides an opportunity to boost the stock and consumption/export of cattle in the private sector.

Congo also has great potential in small livestock and poultry, which is most developed in rural areas. However, unlike Sahel countries (such as in Chad or Cameroon) or areas with large populations of pastoral culture (Kenya and Tanzania), the Congo's culture is not intensively agro-pastoral. Therefore, the development of small livestock requires further support via farmer-farmer mentoring to help them to take an interest in this sub-sector. As for traditional small farmers, government support will help them to modernize their farms and thus increase their productivity.

Fisheries and aquaculture

In fisheries, the country has great and underexploited potential. It has a coastline of 170 km and a dense hydrographic network on the continent with two major rivers: the Congo and its tributaries and Kouilou-Niari and its tributaries. These two major rivers are very rich in fishery resources with about 100,000 tons of freshwater fish and 80,000 tons of marine fish per year. However marine fisheries have been declining, while freshwater fishing is stable at a harvest of about 15,000 tons fish per year.

The annual contribution of the fishing sector to GDP was just below 1 percent during the period 2002–2012. Compared to other "coastal" countries,

the contribution of the Congolese fisheries to GDP and exports remains low. The production of fish (fresh water and marine fisheries) averaged about 60,000 tons per year and grew by an average growth of 4.1 percent annually from 2002 to 2011.

Fisheries and aquaculture employ a large upstream and downstream workforce. This workforce includes some 60,000 operators (representing 3.8 percent of the national labor force) including 30,000 fishermen in inland waters and 3,000 in marine waters. Eighty percent (80 percent) of the artisanal marine fishermen are from West Africa. They own 90 percent of the vessels, mainly canoes with drift or set gillnets, platforms, and cast nets.

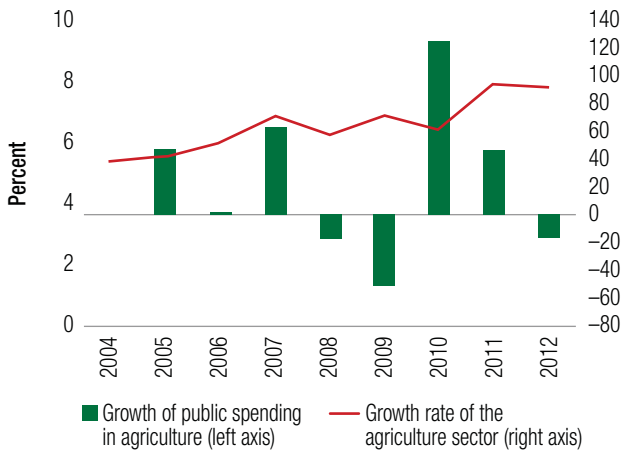
4.1.2. Budget Allocation in Agriculture

Between 2008 and 2012, the agricultural sector budget constituted a very small share of the total budget with slightly less than 1.6 percent of the total budget. During this period, aggregate budgeted government expenditures averaged XAF 1,906.6 billion. Of that amount, the agricultural sector budget constituted a very small share, averaging only XAF 29.7 billion per year, or slightly less than 1.6 percent of the total budget. MAE represented an average of 1.5 percent while MPA represented only 0.1 percent. However, over this period, the expenditures on the agricultural sector increased by more than total government expenditures. Indeed, the annual average growth rate of expenditures on the agricultural sector was 19.5 percent between 2008 and 2012, compared to 11.6 percent for the total expenditure of the government (Figure 4.1).[18]

Budget allocation in the agriculture sector is still far below the share of the total budget recommended by the African Union. The agricultural sector's share of total expenditures increased from 0.9 percent in 2008 to 1.6 percent in 2012, with a peak of 2.6 percent reached in 2011. This share of expenditures is far below the 10 percent recommended by the Maputo meeting of 2003 to allow agriculture to fully play its role of poverty reduction.

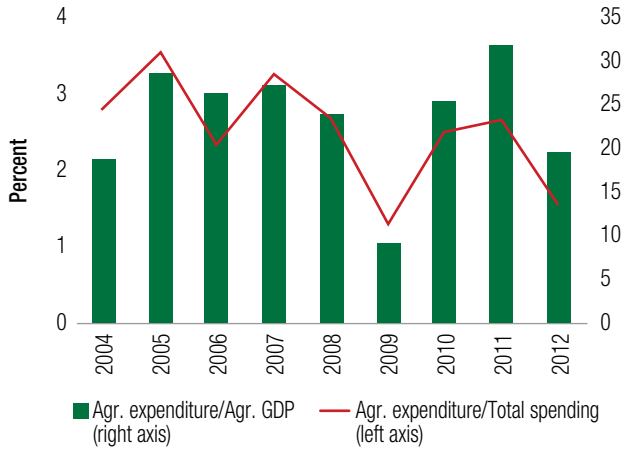
However, the recommended allocation of the African Union seems very high. Available data on the share of agriculture budget in developing as well as emerging economies show that the share of the agriculture budget is generally lower than 5 percent. Countries with a higher proportion of rural population such as Uganda and Niger do not even exceed 2 percent. This

FIGURE 4.1: **Growth Rate of Agriculture and Total Government Expenditures, 2008–2012**



Source: Congolese authorities.

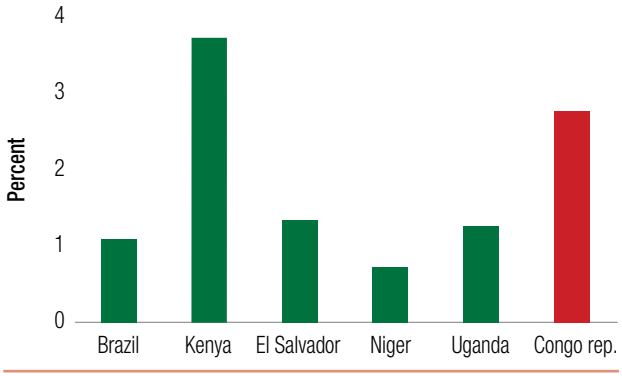
FIGURE 4.2: **Ratio of Agriculture Expenditures to Total Expenditures and to Agricultural GDP**



Source: Congolese authorities.

[18] Meanwhile, this should not mask the need to substantially increase of the share of agricultural expenditures.

FIGURE 4.3: **Selected Countries – Agriculture Share of Total Budget, Average 2008–2011**



Source: Various World Bank countries PER.

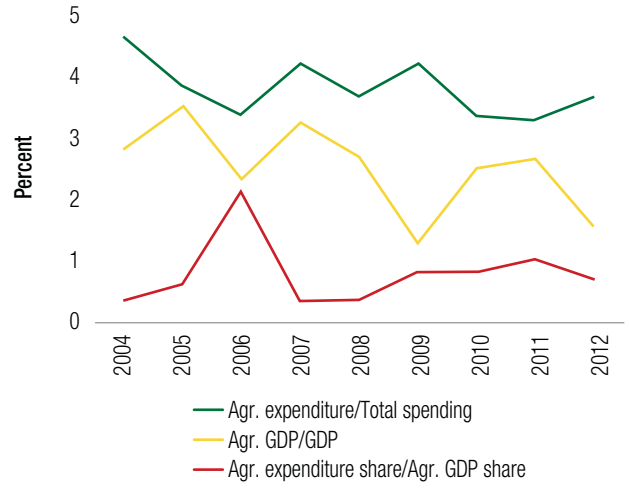
is also true for middle-income countries such as Brazil and El-Salvador (see Figure 4.3).

The standard approach for assessing the adequacy of agricultural expenditures relative to the size of the sector is to express public expenditures in agriculture as a share of agricultural GDP. Figure 4.2 displays agricultural sector expenditures as a share of total public expenditures and as a share of agricultural GDP; 2009 represents a low level of agricultural sector expenditures in terms of agricultural GDP, while 2011 is the high point for this indicator. Indeed, 2009 is a year of drastic decline of public expenditures even if agricultural sector expenditures relative to total expenditures still increased. As the effect of expenditures is always delayed, we did not see the impact on agricultural GDP. Beginning in 2010, public expenditures start to rise again to reach a peak in 2011 (19.6 percent). The light decline observed in 2012 is mainly due to a decline of agricultural sector expenditures in 2012. A level of public expenditures in agriculture relative to the size of the country's agricultural GDP above 20 percent shows that the country spends enough on agriculture relative to the size of the sector in the economy.

The public expenditure and GDP shares of agriculture have opposite trends. While the agricultural sector expenditure share of public expenditures increased between 2009 and 2011 (see Figure 4.4), agriculture as a share of total GDP has decreased the trend for the same period. This decreasing trend is mainly due to the increase of oil production in 2010, which resulted in a decrease of the share of the agricultural GDP. It is noteworthy that in 2012, even as expenditures in agriculture as a share of total expenditures decreased, the share of agricultural GDP increased, which corroborates the recent increase in rhetoric from Congolese policymakers to make agriculture a key driving sector of the economy. Despite the fact that the share of agricultural GDP is now very small, this shows that the government is on the right path but needs to do more for the agricultural sector to turn it into a driving sector of growth.

Between 2008 and 2012, agricultural expenditures in Congo were smaller than its economic contribution to GDP. Figure 4.4 displays agriculture expenditures as a share of total public expenditures divided by the ratio of agricultural GDP and total GDP. A ratio of 1 indicates that public spending in agriculture expressed as a share of total public spending is equal to the contribution of agricultural GDP to total GDP. A ratio of less than 1 indicates that the expenditure share going to the sector is smaller than the economic contribution of the sector, and vice versa. Between 2008 and 2012, the ratio in Congo was between 0.53 in 2008 and 0.44 in 2012 with a peek at 0.79 in 2011. Hence, agricultural expenditures in Congo are smaller than the economic contribution of the sector. The average of this ratio during the five past years is 0.50.

FIGURE 4.4: **Agricultural GDP as Percent of Total GDP**



Source: Congolese authorities.

The above analysis provides evidence, based on the various measures of agricultural sector expenditures (agricultural expenditures relative to the size of the agricultural sector, the contribution of agriculture to the overall economy, and Africa-wide spending targets formulated by policymakers), that agricultural sector public expenditures are low. This low level of agricultural sector public expenditures is not in the direction of the important role that, according to the policy makers, agriculture in Congo must play as an engine of growth and poverty reduction.

4.1.3. Budget Execution in the Agriculture Sector

From 2008 to 2013, budget execution in the agricultural sector has been quite low. Table 4.4 shows that during this period, budget execution in the agricultural sector averaged only 66.8 percent. This means that an average of about 33 percent of the approved amount was never spent. The execution rate of public expenditures in agriculture is also low compared to the execution rate of total public expenditures of 94.8 percent on average over the period 2008–2012. The average execution performance masks some discrepancies observed over time and across the various components of the agricultural sector. Indeed, for the agricultural sector, the lowest execution rate was reached in 2009, with an execution rate of 39.8 percent, while the execution rate of the total expenditures was 89.3 percent. In addition, fisheries and aquaculture are the components of the agricultural sector with the lowest execution rate with an average of 55.2 percent compared to 68.7 percent for agriculture and livestock.

Effective public provision of agricultural goods and services is critically affected by the predictability of the budget.[19] Government ministries, departments,

[19] One measure of budget predictability is the relationship between voted and executed budgets. The relationship between voted and executed expenditures is an indicator of the effectiveness of the budget in allowing departments and programs to plan their activities and deliver public services for the year, as expressed in policy statements, output commitments, and work plans.

TABLE 4.4: **Agricultural Sector Expenditure Execution Rate, 2008–2012 (percent)**

	2008	2009	2010	2011	2012	2008–2012
Fisheries and aquaculture						Average
Recurrent	106.3	65	107.5	92.7	90.2	92.3
Capital	60.8	23.9	45.2	20.8	42.3	38.6
Total	78	37.1	71.2	31.7	58.1	55.2
Agriculture and livestock						
Recurrent	101.7	65.9	104.6	86.3	100.8	91.9
Capital	61.7	30.9	60.3	82.1	68.2	60.6
Total	73.7	40.2	73	82.9	73.8	68.7
Agricultural sector						
Recurrent	102.2	65.7	105	87.2	99.3	91.9
Capital	61.7	30.1	58.9	71.9	66.4	57.8
Total	74.1	39.8	72.8	74.6	72.5	66.8
Government expenditure						
Recurrent	99.5	84.4	94.6	107.2	108.1	98.8
Capital	97.5	95	88.4	102	82.2	93.0
Total	98.7	89.3	91.3	104	90.7	94.8

Source: National Authorities and authors calculation.

and agencies can plan and implement programs, projects, and activities in a systematic way only if the budget provides a good indication of the resources that will actually become available.

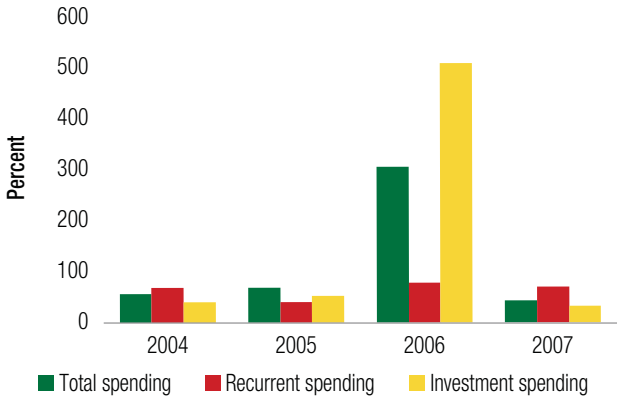
Unpredictability of spending mainly originates from the instability of capital outlays more so than instability of recurrent expenditure. On average, the execution rate of capital expenditure was 60.6 percent in MAE compared to 91.9 percent for recurrent expenditure and 38.6 percent for MAP compared to 92.3 percent for recurrent spending in this ministry. This situation in Congo is common for most other countries where budget execution is a problem. The unpredictability of capital spending in Congo is reflected not only in the chronic large discrepancies between budgets and actual spending, but also in the extreme variability in the size of those discrepancies. The execution rate of capital expenditures in the agriculture sector varies from 30.9 percent in 2009 to 71.9 percent in 2011. For fisheries and aquaculture, the execution rate varies from 78 percent in 2008 to 31.3 percent in 2011.

The existence of chronic large discrepancies between approved and executed budgets is an important challenge for the elaboration and implementation of public programs and projects in the agricultural sector. When there is no consistent and predictable relationship between budgets and actual releases, designing and implementing programs and projects becomes extremely difficult. These unstable and unpredictable capital budgets often forced policymakers and program managers to change course and reprioritize spending in response to unexpected shortfalls or windfalls. The consequences in terms of project implementation were clearly negative. Some critically needed capital projects had to be delayed or canceled entirely, and others that had been launched faced delays in completion or at worst remained unfinished. Attainment of policy goals was jeopardized, and achievement of expected outcomes was undermined.

Compared to 2004–2007, the execution rate in the agricultural sector has been less volatile. During 2003–2007, the sector suffered from highly volatile and generally low execution rates. A high rate of 305 percent in 2006 was followed by a low of 43 percent in 2007, with these fluctuations mostly driven by the execution of the investment budget (see Figure 4.5).

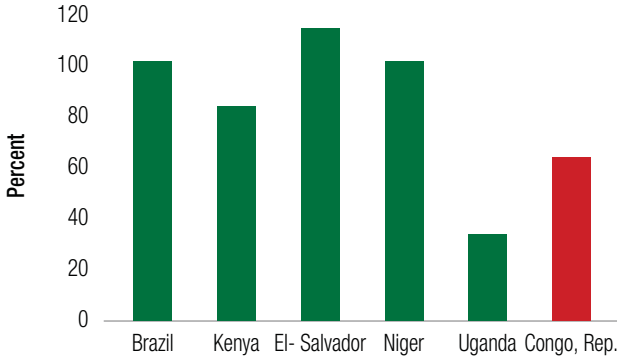
In terms of international comparison, the execution rate of Congo is low. For countries with recent PER, Congo is one of those with an execution rate lower than 80 percent in this sector (see Figure 4.6). As stated previously the issue of low capacity in line ministries in charge of agriculture is a leading cause of low execution. Going forward, the government should consider strengthening public financial management in these line ministries.

FIGURE 4.5: **Agriculture Sector Execution Rate 2003–2007**



Source: Congo PER, 2008.

FIGURE 4.6: **Selected Countries – Agriculture Sector Budget Execution Rate, 2008–2011**



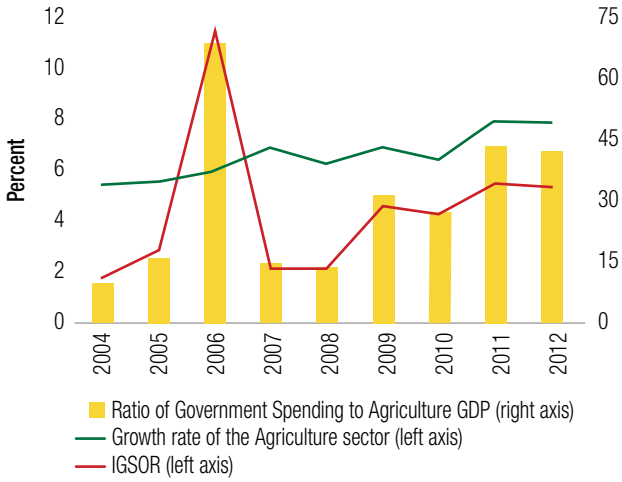
Sources: Various World Bank countries PER.

4.1.4. Overall Efficiency of the Investments in Agriculture

Government spending in agriculture has been fairly efficient if measured by the sector outcome. In fact, during this period, the growth rate in the agriculture sector accelerated. Indeed, from 2003 to 2010, annual growth in the agricultural sector averaged about 6.0 percent. Since 2010, this growth rate accelerated from 7.9 percent in 2011 to 7.8 percent in 2012 and 8.5 percent in 2013. Growth in government spending in the sector clearly contributed to the growth of the production of the sector. A spending growth rate of 20 percent from 2004 to 2007 resulted in a growth rate in agriculture of 5.8 percent, while from 2008 to 2012 the growth rate of 19.6 percent resulted in a growth rate of production of 7.0 percent. The IGSOR of the agricultural sector stayed stable from 4.5 in 2004–2007 to 4.4 in 2008–2012 (see Figure 4.7).

The efficiency of government spending however suffers from absorption capacity issues when the speed of government investment is too high. Figure 4.7 shows that IGSOR increases substantially when government spending increases; for example in 2006 the IGSOR was equal to 11.3, which is a very high ratio. Of course in 2007 the IGSOR was low due to reductions in government spending but also to the lagged effect of the 2006 spending which bore fruit in the coming years. Meanwhile extreme variability of the budget in the sector is not a positive sign. The government should plan its investment in order to build absorption capacity and increase its spending efficiency in the sector.

FIGURE 4.7: **Sector GDP Growth Rate 2000–2013**



Source: World Bank staff estimate.

Government spending has been effective since the number of programs in the agriculture sector, which have been created and implemented, has increased. The renewed financing of the sector by the government resulted in the creation of seven programs and the launch of others. A detailed description of each of these programs is presented in Box 4.1. Each main program of the government is described with its main outputs. The main government programs (financed only with internal resources) include the Agriculture Support Fund, Modern Agricultural Villages, Agricultural Techniques Demonstration Centre, The National Centre for Crop Disease Control, and the palm oil and sugar industries.

The implementation of these initiatives has accelerated the growth of the agricultural sector since 2001 and especially over the past three years. The level of production of the main agricultural products demonstrates this acceleration of growth. Apart from paddy rice, the production of the main agricultural products had a positive trend. For example for cassava, the production increased by 20 percent between 2005 and 2012, moving from 1.0 million tons to 1.2 million tons. The same trend held for plantain/banana production, between 2008 and 2012, plantain/banana production increased from about 78,000 tons to 84,000 tons.

However, the expanded agricultural production has not kept pace with population growth. Per capita production was on the decline until 2008. Since 2008, per capita production has stabilized and earlier declines have begun to turn around for some products. Hence, cassava production per capita was around 275 kg per capita during the period 2010–2012, and plantain/banana production was around 19 kg per capita over the same period.

The measurement of efficiency is not fully satisfactory because of the lack of data. To estimate the efficiency and the effectiveness of total government agricultural expenditures on the sector, information on the

Box 4. 1: Agricultural programs

The Agriculture Support Fund: Since being re-launched in 2008 the Fund has financed more than 1,113 agricultural sub-projects for a total amount of XAF 7.2 billion, along with XAF 1.3 billion in grants for institutional support in the following areas: agriculture, livestock, fisheries, fish farming, aquaculture, and marketing of agricultural products. The Fund has also funded development activities in technical centers. These activities are mainly: (i) improved seeds activities in the Etsouali, Mayoumina, and Néméyong centers; (ii) technical support for rearing cattle in Boundji and Dihesse centers; and (iii) agricultural extension and livestock in Kombé, Brazzaville (Agricongo), Dolisie, Pointe-Noire, and Ouesso.

The Imvouba Agricultural village: The village was inaugurated on February 5th, 2012. The village specializes in the production of broiler chickens (poulet de chair) and is built on an area of 150 hectares. The village accommodates 50 residential homes including 45 families and 5 operators and support staff. Each of the 45 semi-industrial poultry operations contains 1,500 broilers. In addition, each farmer received two plots of land to grow cassava or for gardening. The Imvouba Agricultural village has produced 20 million eggs since its creation, nearly 300 tons of vegetables, and 466,008 broilers.

The Agricultural Techniques Demonstration Centre: The Centre provides training and research in agricultural domains, and agricultural extension services that are unfamiliar to Congolese farmers. Training kits consisting of hardware and farm implements were purchased and given to the trainees at the end of their training. Seven training sessions were organized for 199 producers in the fields of horticulture, poultry, and cassava production. The Centre also has several structures, including experimental greenhouse varieties of Congolese, Chinese, and African vegetables and an extension center of breeding techniques.

The National Centre for Crop Disease Control: The center acquired laboratory products and began the implementation of timber yards (5 hectares or ha). To reduce the problems related to land management in the context of the implementation of the program of horticultural centers, the Ministry of Agriculture and Livestock has acquired farmlands at Nkayi, Dolisie and Yie for total area of 29 hectares. Vegetable seeds and pesticides were purchased for XAF 102 million. The National Centre of Improved Seeds also produced 2.2 million healthy cassava cuttings.

The palm oil industry: The palm oil industry is being revived in the Sangha region through the 18,000 ha concession to Atama Plantation Company, which already operated 5,000 ha. In Sangha, Cuvette and Cuvette-Ouest, the company Eco-Oil Énergie took over the activities of the Ex-Sangha-palm and the Congo National Palm Plantations Authority. The investment of XAF 351 billion francs should eventually lead to the operation of palm oil production on 50,000 hectares across three sites (Mokéko, Owando and Itoumbi) and employ 5,000 people.

Sugar: In March 2012, the Société Agricole de Raffinage Industriel de Sucre (SARIS) relaunched the manufacture of sugar cubes with a new operational chain of production in Moutéla (Nkayi, Niary Department). Launched in June 2010 and created with the support of the Congolese state, the project represents a total investment of approximately XAF 1.5 billion. The SARIS Congo factory, which has an installed capacity of 70,000 tons per year, is the only sugar factory in the country. However, the 2012 sugar harvest was poor due to unfavorable weather conditions. In 2013, production was around 68,000 tons, a 17 percent increase from 51,000 tons in 2012. The production plant produces about 4,300 tons of sugar per month for the domestic market and exports 12,000 tons annually. SARIS Congo is the third largest employer in Congo, with more than 3,500 direct jobs, including permanent and temporary employment during the harvest period. Annual turnover at the end of December 2013 was up 16.3 percent (XAF 29.2 billion in 2013, against XAF 25.2 billion in 2012).

Development and Rural Roads Rehabilitation Project, co-funded by the World Bank: This program has: (i) built about 1251 km of rural roads, facilitating market access to production areas; (ii) rehabilitated the Support Centre of the Agricultural Research Center of Loudima; (iii) constructed the Landing of Makotimpoko and Makoua; (iv) constructed infrastructure for 36 infrastructure projects (33 boreholes and 3 water points); and (v) financed 814 micro agro-pastoral and fisheries projects.

Source: Authors.

outputs and outcomes associated with the different types of expenditures reviewed earlier are needed. Measuring efficiency requires estimation of the unit cost of providing different services, which can be compared over time. However, lack of data availability on outputs and outcomes made it impossible to estimate these unit costs.

Fraud in the sector occurred mainly during the project financing process and has reduced the

government spending efficiency. The most important case of fraud was found during the implementation of the Agricultural Support Fund. The main objective of the fund is to support agriculture projects and then provide financial support to most profitable ones. However, in 2009, an assessment of the fund provided to projects showed that numerous projects that do not qualify were financed. This poor targeting led the Government to restructure this fund and hire a new management team that changed the financing process. In terms of technical losses, there is room for improvement. Indeed, the low productivity of the sector is mainly due to the lack of the use of improved seeds and fertilizer. Getting better seeds and more fertilizer into the hands of Congolese farmers should not be difficult, but it must happen on a sustainable basis. This will happen faster with a public role in the expansion of agricultural support services, ideally leading to a stronger private sector role as agricultural operations become more productive and profitable.

4.1.5. Government Spending Consistency of the NDP

Since 2010 the government has tried to design its budget using the MTEF approach. The approach forces the budget to be aligned with the programs and strategic axes of the NDP. The two last MTEFs of the agricultural sector show that the alignment with the strategic priorities of the government is improving over time.

The main discrepancies tend to crop up in the form of a low budget execution rate. A deviation of more than 10 percent from the approved budget for a project puts its successful implementation at risk. The lack of predictability of the budget, especially for capital expenditures, makes it difficult for projects to be implemented and for services to be provided to farmers. In addition, the length of the budget cycle and the disbursement of funds that occurs generally around June-July make it very difficult to implement the approved budget, as only a maximum of six months are left to execute such a budget.

In assessing the consistency between agricultural spending and agricultural strategic priorities, comparisons are made between the level of aggregate agricultural spending and the corresponding aggregate spending projection in the NDP. The long-term vision of the agricultural sector of the government is that by 2050 this sector is transformed into a major sector of the Congolese economy. The sector could feed the country's population and could generate export revenues, while preserving the natural heritage. The strategic objective of the sector is, by 2035, for Congo to have become self-sufficient in fulfilling its basic food needs, and to export more raw and processed products while preserving its ability to meet the needs of future generations.

In terms of outcome indicators that need to be monitored to effectively track progress in delivering on its mandate as stated in the NDP 2012–2016 and to monitor and evaluate the sector's contribution toward achievement of the overall growth and development objectives of the country as stated in the NDP, the information presented on budget execution of the MAE and MPA suggests that these ministries are already aligning their budget with the development strategy of the government.

4.1.6. Recommendations

Faced with prospects of declining budget allocations in the future, the topmost priority for MAE and MPA is to ensure that limited resources are used as efficiently and effectively as possible. These ministries should target the highest priorities and seek institutional arrangements to deliver services more effectively through decentralized implementation arrangements. In line with the widely accepted principles of good governance, MAE and MPA should ensure transparency, accountability, and participation in its service delivery in an effort to maximize the efficiency and effectiveness of their expenditures. Against this background, the following recommendations are made to improve public expenditures in the sectors.

Strengthening capacity of line ministries on PFM issues. The most important issue found from the PER is the low budget execution in line ministries of the sector. This is mainly due to low capacity within these ministries to prepare and implement projects planned in

the budget. The government should consider strengthening these ministries by providing them with staff experienced with PFM issues and by training existing ministry staff dealing with PFM issues to improve their skill with PFM-related issues.

Coordination of activities with other ministries and donors: During project implementation, wastage can be reduced through better coordination of activities and the allocation of adequate operating funds for supervision by local production department staff.

Budget predictability. Budget execution, the binding constraint for implementing projects, should take into account the strong seasonality of agriculture (and thus resource requirements) and the large costs of untimely, unpredictable counterpart financing in development projects. In terms of overall cash flow, MAE and MPA should cater carefully to relatively small but time-sensitive cash flow requirements to improve their operational effectiveness.

Efficiency and efficacy. One of the main constraints of the sector is its underperformance in term of results achievement. To overcome this underperformance, the government should set up program to increase agricultural productivity. This can be done through these following steps: (i) Create a formal land market with land title to allow agriculture on larger areas; (ii) facilitate farmers' access to finance by providing a guarantee or collateral; (iii) develop the agriculture value chain from farm product to industry production; and (iv) strengthen the capacity of the farmers in agribusiness or modern farming.

Monitoring and evaluation. Substantial benefits will arise from creating a results-based system to monitor and evaluate public expenditures. This system would contain provisions for regular program monitoring and for evaluating the impacts of major interventions. Currently, MAE and MPA focus on regularly monitoring project implementation. Such monitoring is necessary to follow the progress and achievement of targets; it is also critical to ensure that monitoring reports are used inside and outside of MAE and MPA to reward good performance (or impose sanctions on poor performance), address inefficiencies, or reallocate resources between different priority areas. In addition, rigorous impact evaluation should be done for most development projects. Results-based M&E is indispensable to good national management and policy planning. The regular monitoring system provides very little information about the real impact of public programs. Impact evaluations can range from the PETS analysis to more detailed assessments. Once these evaluations become the norm, policymakers and planners will be well equipped to guide budget allocations across sectors and address operational constraints in agriculture programs.

Modernizing family farming and agribusiness. To support agricultural production and family farming, the government should help traditional farmers modernize their farming methods by modernizing their farms. Modernization is quite different from mechanization, which the government is implementing now. Modernization implies mechanization *and* management of the farm as a market oriented business (agri-business).

Strengthening the Agriculture Support Fund. The Government should strengthen the analytical capacities of the Fund and avoid providing access to ready-to-roll cassava plantation plots for new farmers. Experience from various countries shows that providing these ready-to-roll farms to new farmers failed most of the time because of lack of experience and focus of these new farmers. It is recommended that potential farmers go through the selection process of the Fund to ensure the sustainability of their project if they are to receive any financial support.

4.2. Public Expenditures Review in Education

The Congolese government has given increasing attention to the education sector in the national budget, however insufficient allocation to achieve the sector goal and poor budget planning which led to overruns are critical issues for the government budget in the education sector. From 2008 to 2013, budget allocations to the education sector have increased, as have budget execution rates, even as these varied between

line ministries. The progress made in access to primary education can been seen as a result of the efforts made in civil works to rebuild the school network, and in the introduction of the free primary education policy; budget allocations supported these efforts. However, overall, the share of public spending allocation in the education sector decreased slightly as a result of greater investment in economic infrastructure. The country is still lagging behind middle-income-country standards. Between 2004 and 2007, the average share of budget allocation to the education sector was 10.8 percent, which was higher than the 10.2 percent average from 2008 to 2012. In fact, over this four-year period, the share of the budget to the education sector fluctuated between 12.4 percent in 2004 to 9.8 in 2007. The budget allocation to the sector grew at an average real growth rate of 24.2 percent between 2008 and 2013, a rate higher than between 2004 and 2007 (22.1 percent). The budget execution rate was higher than 90 percent, but varies among the three education ministries.

This section also finds that from 2005 to 2011 that the efficiency of government spending in education presented a mixed picture. On the one hand it has been efficient because it led the increase of the quality of education of the workforce as well as the reduction of unemployment for people with a greater level of education. On the other hand, it has been inefficient since the rate of return of education decreased.

There is room to re-prioritize and improve the allocative and operational efficiency of the Congolese education system. For example, the gains obtained in primary education need to be sustained. The development of Technical Vocational Education and Training (TVET) is important but revamping the TVET infrastructure and equipment is not sufficient to ensure the development of the required skills. In terms of efficiency, repetition and dropouts are systemic sources of inefficiency in the Congolese education system. In addition, the high ratio of administrative staff to teaching staff, and evidence that many parents still pay fees to cover salaries of volunteers in primary education indicate potential systemic sources of inefficiency around human resources in the sector.

Moreover, although public spending in Congo is pro-poor in primary education, it is regressive in post-basic education, and overall it favors the well-off; hence, it does not contribute to improved equity in access and education attainment. The current system is favoring the well off and keeping many Congolese caught in the poverty trap. Free primary education has supported access to education to poor Congolese, however, most of them either do not complete this level or even if they do, do not move up the education ladder to secondary and upper levels, which are those that would allow them a significant increase in income. Post-primary education is unaffordable and higher education is prohibitively expensive for poor Congolese, who constitute half of the country's population. Although gender, distance to school, and geography play a role in equity of access and attainment, it is income that prevents poor Congolese from obtaining an education. At the same time, public spending is regressive in post-primary education reinforcing the inequities—for example, the high level of spending in scholarships for high education targets the most well off, which are those who can reach this level.

Based on these findings, the main recommendations of this section include: i) increase the allocation of resources to the education sector, with a focus on primary education; ii) executing the sector Medium-Term Expenditure Framework (MTEF); iii) improve budget data and information; iv) improve public resource management; v) prepare a list of poverty reducing expenditures to be protected against a sudden shortfall in the resources and follow up its execution on a quarterly basis; vi) ensure sustained investment flows and target specific investment programs; vi) develop a tracking mechanism for donors' aid flows provided and executed outside the education sector's budget; vii) create and reinforce Public/Non Public Sector Partnerships; viii) reinforce technical capacity in public finance management; and ix) take into account the specificity of the school year calendar in the budget implementation of line ministries in these sectors, which could be done for example by allowing for multi-year budgeting for these lines ministries. This section is adapted from Chapter 1 of the social sector PER—see World Bank (2014 a) for details.

4.2.1. Background of the Education Sector

From 2005 to 2011, with the abolishing of school fees, the Congolese education system attracted most young Congolese, both boys and girls, reducing the number of out-of-school children in the country. With the expansion of private higher education more students, including many girls, enrolled in post-primary education and are now enrolled in tertiary education. However, there is room for improving the quality of learning outcomes, and many challenges remain with regards to repetition and to the ability of the system to retain its students. Although more Congolese are completing the various levels of education, the numbers decrease with the education level.

Objectives of the Education Sector

Education is one of the priority sectors under Pillar 4 – Social Development and Inclusion of the NDP 2012–2016. Both the NDP and the Document de stratégie sectorielle de l'éducation 2008–2020 set the following key objectives for the sector: (i) ensure universal primary education for all by 2015 in line with the MDGs; (ii) improve retention in primary and secondary education while improving the flow of students through the cycles; (iii) develop technical and vocational education in line with market demands and economic diversification; and (iv) develop quality higher education in line with market demands and priority sectors growth.

Governance and Management of the Education System

Three ministries are in charge of education in Congo, each implementing its own policy, and there is no coordinating body overseeing policymaking and implementation for the overall sector. These ministries are: the Ministry of Primary, Secondary Education and Literacy (MEPSA), the Ministry of Technical and Professional Education, Qualifying Training and Employment (METPFQE) and the Ministry of Higher Education (MES). MEPSA is responsible for primary and secondary education and literacy programs. Primary education is of 6 years, followed by 4 years of lower secondary and three years of upper secondary education. TVET falls under the administrative mandate of the METPFQE, while higher education falls to MES.

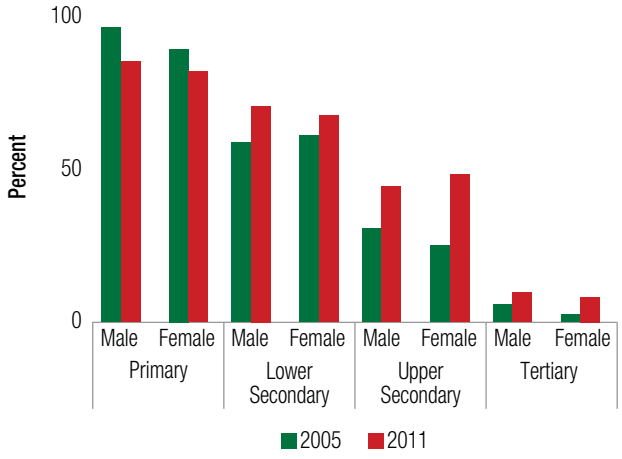
Within each ministry education management is highly centralized. MEPSA and METPFQE are organized by directorates at the regional level, which constitute an intermediate layer in terms of administrative and pedagogical coordination between central administration and schools. Devolution to the regional directors of education of some responsibility over pedagogical guidance and staff allocation has been taking place; however, overall staff management is centralized and schools have very limited autonomy.

The private sector plays an important role in education delivery in the Congo. During the armed conflicts of the 1990s, communities and private sector filled in the void in education delivery left by the public sector. Communities hired local primary and lower secondary teachers (les bénévoles), often with very limited capacity and qualifications, and paid their salaries. Private schools at all levels opened in the country. As a result, 31 percent of primary school Congolese children are enrolled in a private school, which is a high rate when compared to 16.6 percent that is the average for Sub-Saharan Africa (SSA). Private higher education provision enrolls almost half (44 percent) of all higher education students.

Access and Quality

From 2005 to 2011, Congo saw substantial improvements in access of all levels of education for both boys and girls. Most school age Congolese children are enrolled in primary education. In fact, primary gross rate (GER) stands at 116 percent while net enrollments rate (NER) is at 88 percent in 2011. In addition, good progress has been made in all other education levels. However, the number of school age Congolese attending secondary (lower and upper) education is still low (NER of 49 percent for lower secondary and of 24 percent for upper secondary) (see Figure 4.8). While primary education has been free since 2007 and textbooks and learning materials are distributed to schools, this is not the case for post-primary education, for which families are forced to make a significant financial contribution. Enrollment

FIGURE 4.8: **Enrollment Rates by Gender and by Level of Education, 2005 and 2011**



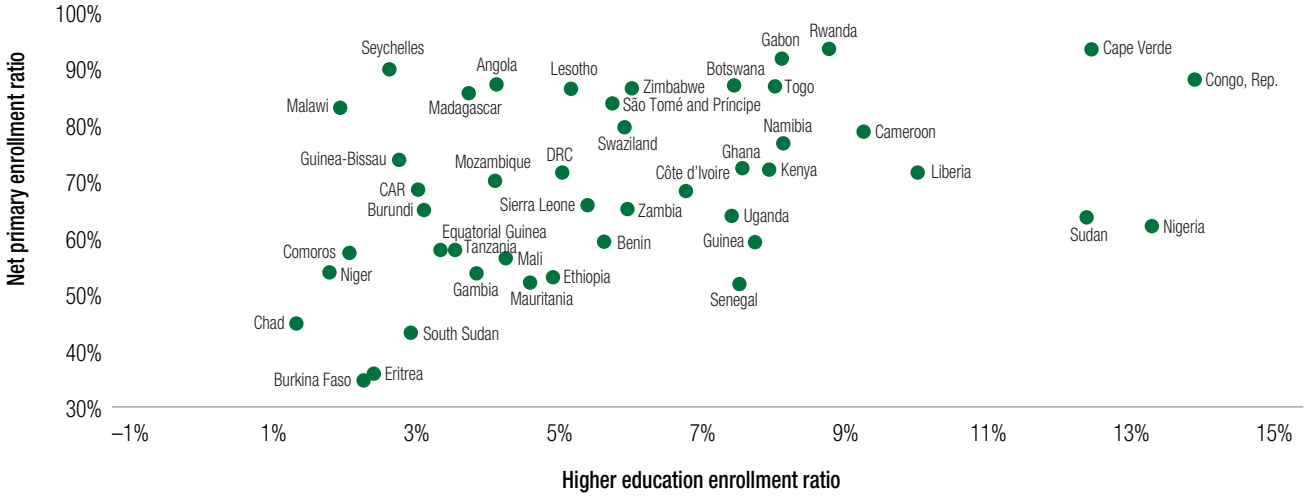
Source: Estimations calculated from QUIBB 2005 and QUIBB 2011 data.

in higher education has more than doubled in the period of 2005–2011, in association with an increase in provision mostly by the private sector. Meanwhile gender parity in access to primary education is achieved, and progress towards gender parity in post-primary education is even more significant. In recent years, a significantly higher number of girls have enrolled in secondary and higher education making gender parity also reachable at these levels (see Figure 4.8). In fact, with regards to access to primary education (for both boys and girls), Congo compares well with countries such as Namibia and has access rates higher than the average for SSA, and for some of Congo's neighboring countries, such as Cameroon and Gabon.

Although not all young Congolese complete primary education, the number of completers has increased in the last decade. The primary completion rate increased from 72 percent in 2005 to 88 percent in 2011. Thus, even if Congo will not be able to meet the MDG, it compares very favorably with most SSA countries. As Figure 4.9 highlights, by presenting a regional comparison of the net primary rate (which is a proxy for primary completion rate) and higher education access rate, Congo compares with strong performers such as Cape Verde and performs better than its neighboring countries such as Gabon**.**

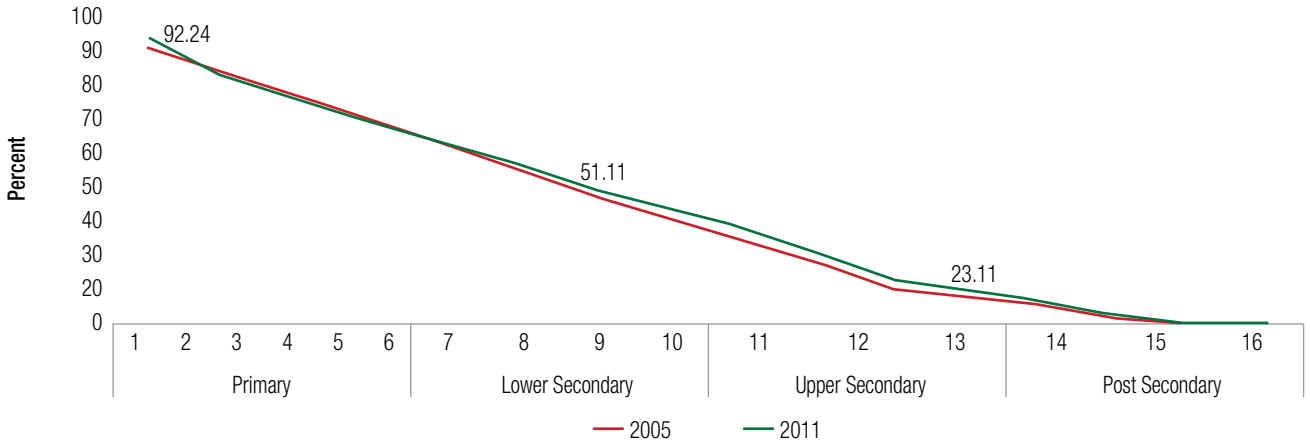
Challenges remain with regards to student repetition, retention rate, and quality of education. In Congo, student repetition on average is one of the

FIGURE 4.9: **SSA Countries – Net Primary Enrollment Rate and Higher Education Access Rate**



Source: Authors' computation using ECOM 2011 for Congo Rep. and similar household surveys in other countries: Benin (2010), Burkina Faso (2010), Burundi (2010), Cameroon (2011), Chad (2011), Cote d'Ivoire (2011), Comoros (2004), DRC (2010), Ethiopia (2011), Gabon (2011), Gambia (2010), Ghana (2010), Guinea (2012), Kenya (2008), Lesotho (2011), Liberia (2010), Madagascar (2010), Malawi (2010), Mali (2010), Mauritania (2008), Mozambique (2009), Namibia (2010), Niger (2011), Nigeria (2010), Rwanda (2010), Sao T&P (2010), Sierra Leone (2011), Senegal (2011), South Africa (2012), South Sudan (2009), Sudan (2009), Swaziland (2010), Tanzania (2010), Togo (2011), Uganda (2010), and Zambia (2010), and Zimbabwe (2011).

FIGURE 4.10: **Retention Rate by Level of Education**



Source: Estimations calculated from QUIBB 2005 and QUIBB 2011 data.

highest in SSA. Repetition is high for all education levels, but particularly so for primary education. Close to 1 in 4 primary school Congolese children is a repeater. Repetition rates reach 18.4 percent in lower secondary and 17.2 percent in upper secondary. Such high rates place Congo amongst the worst performers in SSA countries, with only Burundi presenting higher repetition rates for primary and lower secondary education. Concerning retention rates, although some small improvement has occurred, still only 50 Congolese children enrolled in grade 1 reach grade 6 with no repeated grades (the last grade in primary), and only 23 reach grade 10 (the last grade in lower secondary education). Further, given that only 88 percent complete primary education, and 54.9 percent complete lower basic education, many Congolese loose the opportunity of education. The education system still fails many through repetition, which combined with dropouts and low retention, is responsible for this low performance. Finally, quality, as measured by learning outcomes is also still a challenge. The latest results from the *Program d'Analyse des Systèmes Éducatifs de la CONFEMEM*[20] (PASEC) (2007) position Congo as a low performer in comparison to other countries. Congo's performance at fifth grade was slightly below the average for PASEC countries in French, while slightly above the average in mathematics.

4.2.2. Budget Allocation in the Education Sector

Education in the Congo is mostly financed through the public budget, although it also benefits from external partners and household contributions. The recurrent budget covers salaries, scholarships, and learning materials, while the capital budget covers mostly infrastructure and equipment. No maintenance of capital goods is covered. Household contributions support salaries of bénévoles (volunteers), food, some furniture, school maintenance, and examination fees. External financing has focused mainly on technical assistance and support to infrastructure development. Over the period of 2008–2012, the external financing contribution represented about 5 percent of total financing for the education sector. Although there is no direct public subsidizing of private education provision, the salaries of teachers in private accredited schools are paid by the public budget. In 2011, these teachers represented 20 percent of all primary school teachers and 4 percent of all secondary teachers paid by the state.

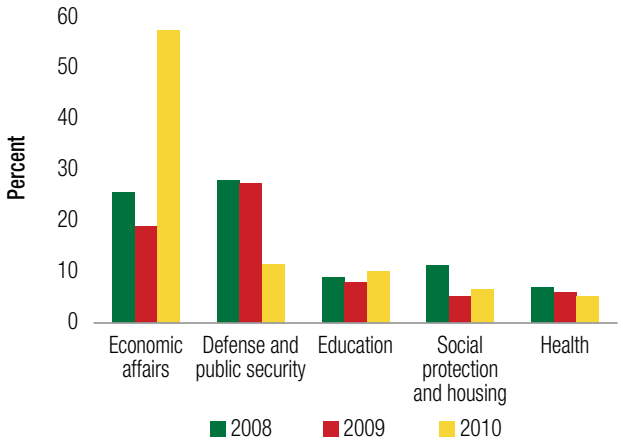
[20] *Program d'Analyse des Systèmes Éducatifs de la CONFEMEM* stands for Program of Analysis of CONFEMEN Education Systems. *Confederation des Ministres de l'Éducation des États et Gouvernments de la Francophonie (CONFEMEN)* stands for Confederation of the Ministers of Education from States and Governments of Francophone Countries.

TABLE 4.5: **Weight of Actual Education Expenditure in Total Expenditure and in GDP Over the Period 2008–2013**

	2008	2009	2010	2011	2012	2013
Total recurrent and capital expenditures in Education (Billion FCFA)	107	106	135	155	197	258
As a percentage of total public expenditure (%)	9.8	10.7	11.1	8.8	7.8	14.0
Recurrent	15.5	16.3	17.0	16.8	13.1	17.7
Capital	2.2	5.0	5.0	3.8	4.2	10.7
As a percentage of GDP	2.0	2.3	2.3	2.3	2.8	3.9
Per capita in FCFA	28,30	27,35	34,03	38,02	47,21	59,91
Per capita in US$	63.2	57.9	68.7	80.6	92.5	121.3

Source: Estimates based on IMF, Republic of Congo: 2012 Article IV Consultation.

FIGURE 4.11: **Budget Allocations for Selected Sectors, 2008–2010 as Percentage of Total Budget**



Source: MEFPPPI, Loi de Finances.

TABLE 4.6: **Intra-Sectorial Allocation Over the Period 2008–2013**

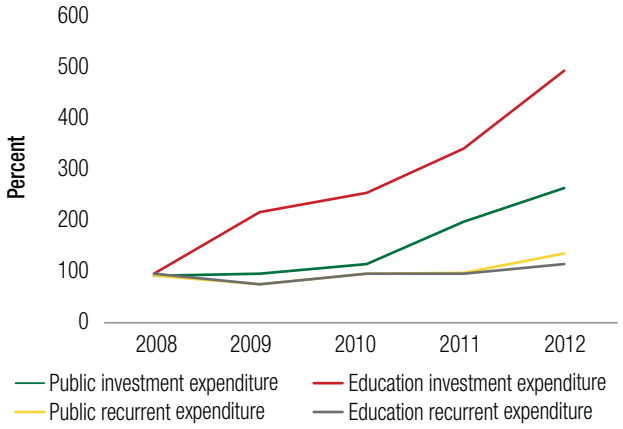
	2008	2009	2010	2011	2012	2013
MEPSA	61,3	65,3	61,6	56,2	61,5	49,0
METPFQE	16,9	11,5	17,3	20,1	16,7	34,5
MES	21,8	23,2	21,1	23,8	21,8	16,5
Total	100,0	100,0	100,0	100,0	100,0	100,0

Source: MEFPPPI: Budget Execution and other data 2008–2012.

In relative terms, the weight of education expenditure in total public expenditure fluctuated from 7.8 percent in 2008 to 12.9 percent in 2013. In 2012, due to the response to the catastrophe resulting from the explosion of an ammunitions depot in Brazzaville, the weight of education expenditure in total expenditure dropped to 7.8 percent. In nominal terms, the actual total expenditure with education increased from XAF 107,256 million in 2008 to XAF 197,214 in 2013, an overall increase of 84 percent. In 2013 the allocation in the sector climbed to 12.9 percent. However, these figures are still below the average for SSA, which was 20 percent in 2011. When measured as a percentage of GDP, expenditures in education increased from 2 percent in 2008 to 2.8 percent in 2012, and it would have jumped to 5.1 percent if the 2013 budget were fully executed, thereby surpassing the SSA average of 3.9 percent of GDP.

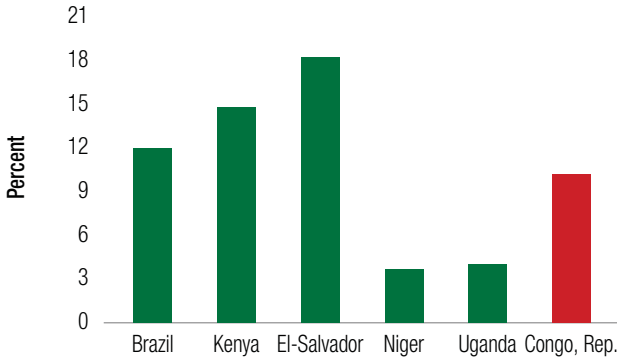
Until 2012, a large proportion of the education budget was allocated to MEPSA, in line with the objective of achieving the MDGs in 2015. An increasing attention to the goal of developing skills for growth sectors led to a very important increase in the funding allocation to the METPFQE. This accompanied the Head of State's declaration of 2013 as "l'Année de le Formation Qualifiante." As a result, MEPSA's allocation decreased, while the allocation for the METPFQE doubled. Further, until 2012, both the METPFQE and MES were allocated an increasing share of recurrent expenditure, whereas MEPSA benefited from a higher share of capital expenditure. In 2013, 83 percent of the 2013 budget allocated to

FIGURE 4.12: **Evolution of Public and Education Expenditure (recurrent and investment), 2008–2012**



Source: Estimates from MEFPPPI, Budget Execution and other data, 2008–2012.

FIGURE 4.13: **Selected Countries – Education Share of Total Budget Allocation, 2008–2011**



Sources: Recent countries PERs and IMF.

the METPFQE was on investment. However, the percentage of investment expenditure budget for the METPFQE for 2014 is slightly lower, but still very high, around 77 percent. If the budget for 2013 were implemented as planned, capital expenditures in education would have been higher than recurrent expenditures.

From 2008 to 2012 in real terms, overall public expenditure in education grew at an average rate of 11.4 percent, whereas the growth rate of total public expenditure for the same period was 17.9 percent. This was largely the result of an imbalance between investment and recurrent expenditure allocations, strongly favoring those for investment. During the period, education capital expenditure was multiplied by a factor of five, whereas total public capital expenditure was multiplied by a factor of 2.7. Recurrent expenditure in education followed the same pattern as overall public recurrent expenditure (see Figure 4.12).

Overall, the share of public spending allocation in the education sector decreased slightly at a result of greater investment in economic infrastructure, and the country is still lagging behind middle-income-country standards. From 2004 to 2007, the average share of budget allocation to the education sector was 10.8 percent. That is higher than the 10.2 percent from 2008 to 2013. In fact, over this four-year period, the share of budget to the education sector fluctuated from 12.4 percent in 2004 to 9.8 percent in 2007. The budget allocation to the sector grew at an average real growth rate of 24.2 percent between 2008 and 2013 a rate higher than between 2004 and 2007 (22.1 percent). The main reason for this is the fact that the government substantially increased its budget during this period by scaling up its investment in economic infrastructure such as roads, bridges, airports, dams, and the like. Moreover, the budget share of education in Congo is still low by middle-income-country standards. At about 10 percent of budget allocations, Congo is behind countries such as El-Salvador, Kenya, and Brazil (see Figure 4.13).

4.2.3. Budget Execution Rate in Education

The execution rates of the consolidated education budget improved noticeably over the last several years, both for recurrent and investment expenditures, although the latter are systematically lower than the previous. The consolidated execution rate increased from 89.9 percent to 94.6 percent from 2008 to 2012. While it is true that the execution rate for investment expenditure is lower than for recurrent expenditure, it is important to note that investment

expenditure showed the most remarkable improvement. The investment expenditure execution rate increased from 39 percent in 2008 to 83.4 percent in 2012. The introduction of a new Procurement Code in May 2009 (revised in 2011) along with the implementation of other measures from the Public Financing Management Program (PFMP) framework, such as the decentralization of budget execution and the introduction of a computerized budget chain, seem to have borne good results.

In spite of the good progress made there are several important challenges that must be addressed in order to continue to improve budget execution rates in the education sector. The implementation of the new procurement code seems to have not yet been fully realized and requires sound dialogue among the various line ministries. All procurement, irrespective of the line ministry, higher than XAF 1 billion falls under the responsibility of the Délégation Génerale de Grands Travaux (DGGT). In 2012, projects managed directly by the DGGT accounted to 73 percent of all projects in Congo. This centralization of large procurements can lead to different investment budget execution rates in the various line ministries. Procurement for high visibility and larger projects may precede other procurements and thereby favor the budget execution rate of one ministry over the others. Other challenges in the execution of public investment relate to issues such as (i) lengthy reaction from the Treasury during the payment phase, (ii) a highly centralized decision-making mechanism at the minister level, and (iii) different procedures required by external financiers. It is worth noting that feasibility and sustainability studies are not often included in the decision-making process for investments, which poses risks to their sustainability.

The budget execution rate varies among the three education ministries. MES seems to be facing overruns both in recurrent (5 percent in 2012) and investment expenditure (14 percent in 2011), although more significantly in the latter. This suggests potential programing problems that MES needs to address. The lowest budget execution rates are found in investment expenditure in METPQE and MEPSA. In 2010, the last year for which there is available data on the composition of investment expenditure, the lower execution rate was associated with the low execution of the categories (i) elaboration of studies (only 37 percent executed); and (ii) acquisition of equipment (64 percent), potentially reflecting a limited capacity of the planning departments in the preparation of the tender processes.

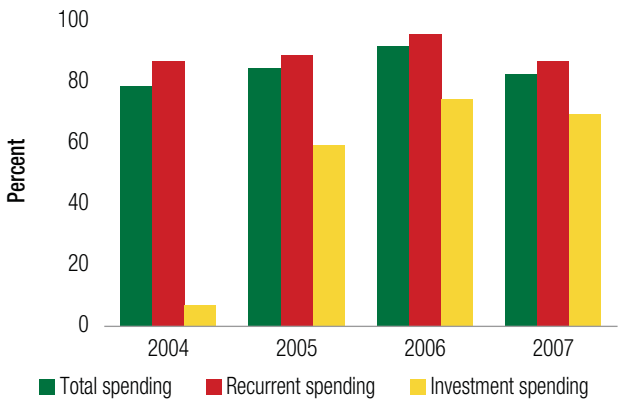
Compared to 2004–2007, budget execution in the education sector has improved, however, the execution rate remained low by middle-income-country standards. On average the execution rate moved from 85 percent during the period to more than 90 percent in the current period. The improvement affected both recurrent and capital expenditure. Recurrent spending execution rate was on average 89 percent in the previous period, while it stood at more than 100 percent over 2008–2012. In addition, the execution rate of investment spending moved from less than 50 percent in 2004–2007 (see Figure 4.15) to about 70 percent in 2008–2012. However, the execution rate of

TABLE 4.7: **Budget Execution Rates (percentage) by Ministry, 2008–2012**

	2008			2011			2012		
	Current	Investment	Total	Current	Investment	Total	Current	Investment	Total
Total Budget	52.7	104.7	67.0	107.2	107.3	107.2	121.6	76.6	90.1
MEPSA	100.3	29.0	83.2	90.7	95.0	91.6	97.1	84.6	92.1
METPQE	124.8	87.7	113.1	104.1	79.1	91.0	107.3	72.7	91.7
MES	107.5	21.4	96.3	111.7	114.3	112.3	106.1	99.4	105.0
Total Education	104.9	39.0	89.9	97.2	91.6	95.6	100.9	83.4	94.6

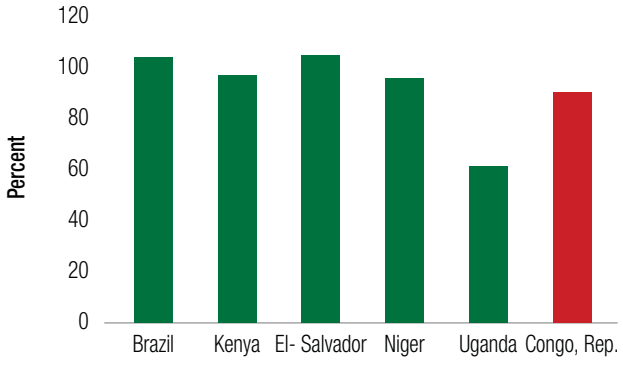
Source: MEFPPPI Budget Execution and other data, 2008–2012.

FIGURE 4.14: **Budget Execution Rate of the Education Sector**



Source: 2008 PER.

FIGURE 4.15: **Selected Countries—Budget Execution Rate of the Education Sector**



Source: 2008 PER.

investment spending is still volatile; it suffered a blow in 2008. Finally, Figure 4.16 shows that the country is lagging behind many other developing countries that have done a PER in recent years. Many developing countries are able to achieve a rate of execution of more than 95 percent.

The improvement in the investment rate changed dramatically in 2004 to 2005. It moved from less than 10 percent in 2004 to about 60 percent in 2005. Some reforms undertaken since 2006 have been fruitful although others such as the implementation of the METFs have failed in 2012 after the country achieved the HIPC process in 2010.

4.2.4 Overall Efficiency of the Investments in Education

Internal efficiency

In Congo efficiency gains could be made on the quality of service delivery. These need to focus on an overall improvement in the quality of service delivery that increases the number of quality teachers, decreases the ratio between administrative staff and teaching staff, makes better use of teaching time, separates the teaching function from others, and is based on improved planning of distribution of human resources. Further, the quality of teaching needs to be addressed and gains are required in retention and repetition rates, as well as in dropout rates. Data collection and analysis on inefficiency factors are also required in order to better identify other sources of inefficiency and act upon them.

Box 4.2: Internal and external efficiency

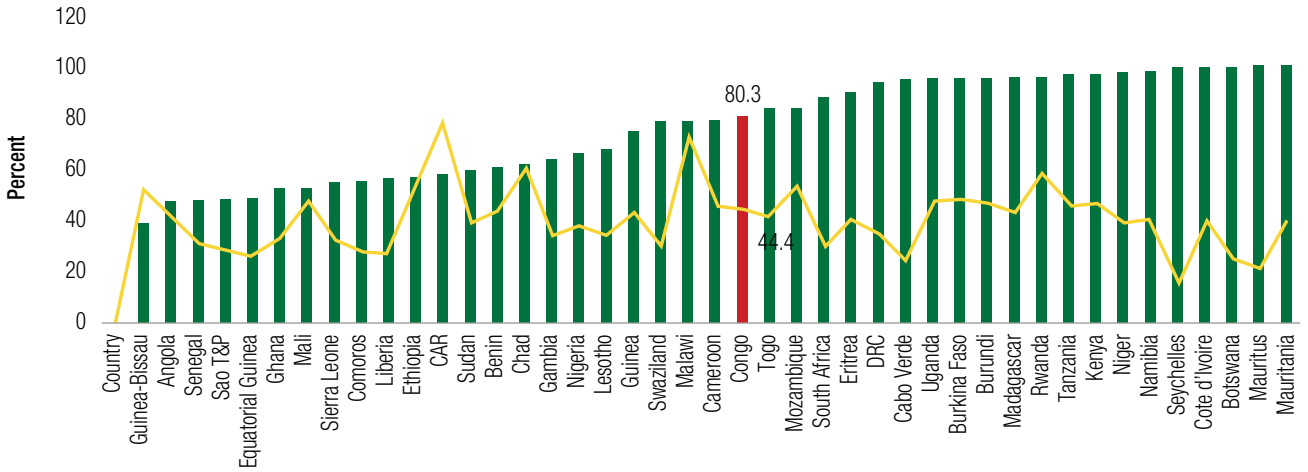
There are two types of efficiency aspects of the education system: internal efficiency and external efficiency.

The internal efficiency of an education system can be analyzed in various ways. The chosen approach in this section is the most widely used and accepted, which can be defined as the ability of an education system to educate the greatest number of students in the shortest period of time, and with the least use of financial and human resources. The following indicators/aspects are used in the analysis of internal efficiency: (i) repetition rate, (ii) dropout or retention rates, (iii) survival or completion rates by level of education, (iv) quality of education, and (v) resource utilizations (pupil/teacher ratio, student/textbook ratio, and scholarship administration).

The external efficiency of the system provides a perspective of the social and private benefits generated by education, as well as other intermediate benefits of education that can lead to better social and economic rates of return. In order to provide some insights on the external efficiency of the Congolese education system, a Mincer regression model was used to estimate earning increases associated with additional years of levels of schools. A logistic regression was used to estimate the role of education in choices of job based on security and return differential. Further, given that educational attainment is a critical determinant of poverty in developing countries, an estimation of poverty incidence by level of education for the working age was also carried out.

Source: HD PER of the Republic of Congo

FIGURE 4.16: **SSA Countries – Percentage of Trained Teachers and PTR in Primary Schools in, Circa 2011**



Source: Authors: Estimations calculated from QUIBB 2005 and QUIBB 2011 data.

Although Congo increased the funds allocated to education, student retention is very low and barely changed between 2005 and 2011; repetition is a key factor of inefficiency. High repetition is very costly. In 2011, the grade repetition cost in Congo was about 0.6 percent of GDP, close to 21 percent of the annual current education expenditure (at 2011 prices). School dropout rates have significant implications in public and household expenditure and income. The current dropout rate in Congo (7 percent, two percentage points lower than in 2005) implies an opportunity cost of 3.3 percent of GDP, and 10 percent of total household consumption expenditures. While improvements have taken place with regards to reducing the number of dropouts, repetition rates continued persistently high between 2005 and 2011, reaching more than 20 percent in primary education. On average, and at the national level, it takes 7.4 years of schooling for a Congolese child to complete 6 years of primary education, and 4 years to complete 3 years of upper secondary education. Efficiency gains can be made in this area.

More Congolese children are completing primary education but quality is still an issue. Although the completion rate in primary education increased to 88 percent, Congo is a low performer among PASEC countries, and there is some indication that quality may decrease with grade in primary education. However, there have been important investments to improve the availability of quality inputs such as textbooks—close to three million French and Math textbooks were distributed between 2007 and 2012—and there were some initiatives in teacher training, with more than 9,000 teachers benefiting from in-service training in the same period.

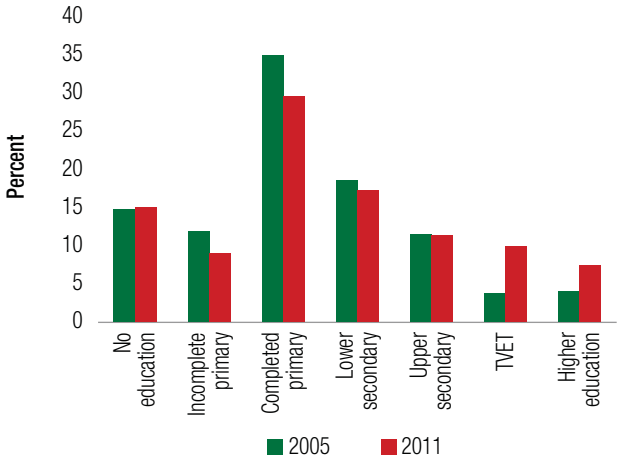
Nonetheless, most students seem to be satisfied with their schools, although many complain about overcrowded classrooms. In fact, student satisfaction is high both for primary and lower secondary education, and it slightly increased between 2005 and 2011. Nonetheless student perception of key factors for quality teaching and learning point to challenges around teacher distribution and teaching issue: overcrowded classrooms, lack of supplies, and teacher absenteeism. The fact that there are no real major changes in students perceptions between 2005 and 2011 can indicate possible slow changes in improvement of key efficiency factors such as teacher distribution and teacher quality. This is evidence of how low budget execution in the sector is negatively affecting services delivery. In fact, some investments planned to improve school infrastructure have not been implemented due to the lengthy and complex processes characterizing small to medium size budget execution in Congo.

With regards to share of trained teachers and pupil teacher ratio (PTR), Congo ranks in the middle of SSA countries, comparing favorably with countries such as Cameroon and Togo. PTR and the share of trained teachers are two indicators that can be used to measure efficiency in use of resources and quality of service delivery. The PTR is an important indicator in education planning, and a low PTR may give a pupil a better chance of contact with the teacher, hence better (quality) teaching and learning processes. However, a low PTR also increases unit costs, since teacher salaries constitute a large proportion of the total cost of schooling. In 2011, the primary school PTR for Congo was 44 to 1. In the same year, the share of trained primary teachers was 80 percent (see Figure 4.16).

However, the teacher to administrative staff ratio is very high in Congo, which indicates an additional inefficiency in the distribution of human resources in the education system. The excessive number of administrative staff suggests that the education system is being used as an employment buffer, implying a significant financial burden that could be reallocated to other needed inputs. As the budget information provided by the Ministry of Finance does not distinguish between the remuneration of the teaching and non-teaching staff it is not possible to reckon the associated financial implications. The teaching function is also often performed in conjunction with other functions. Indeed, MEPSA's education statistics reveal the functional accumulation of the school staff, namely administrative staff that also teach (21 percent of the teaching staff in primary and 6.7 percent in the Collège), as well as school directors that also carry out teaching activities (10.8 percent of total teachers in the primary level).

The financial implications of these overlapping functions are also not clear, given the level of aggregation of the information from the Ministry of Finance. In fact, there may be additional sources of inefficiency for which there is no available information. The latest primary education teaching census dates from 2008 and at the time it allowed for the identification of 5,148 'ghost' teachers, whose salaries were frozen, and 1,672 'ghost' personnel which salaries were also suspended. Further, 2,253 staff from other ministries was identified under MEPSA's budget. However, no follow up assessments were made, as no clear information has been collected on the existing bénévoles (volunteers) in the system. There is also no additional detailed information on staff paid under the METPFQE and MES. This is required as the staff costs for both ministries are very high and are one of the key drivers for the unit costs for TVET and higher education.

FIGURE 4.17: **Educational Attainment of the Labor Force, 2005 and 2011**

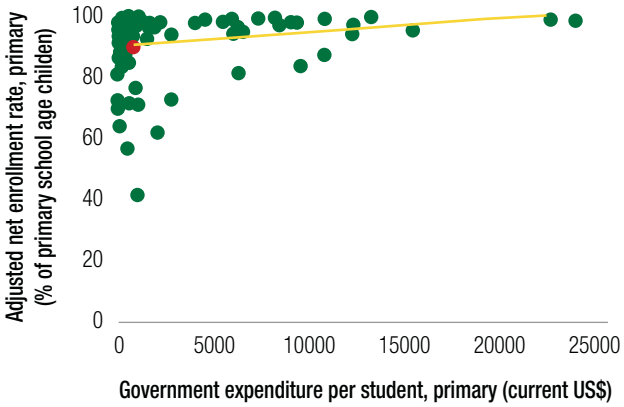


Source: Authors estimations calculated from QUIBB 2005 and QUIBB. 2011 data.

External efficiency

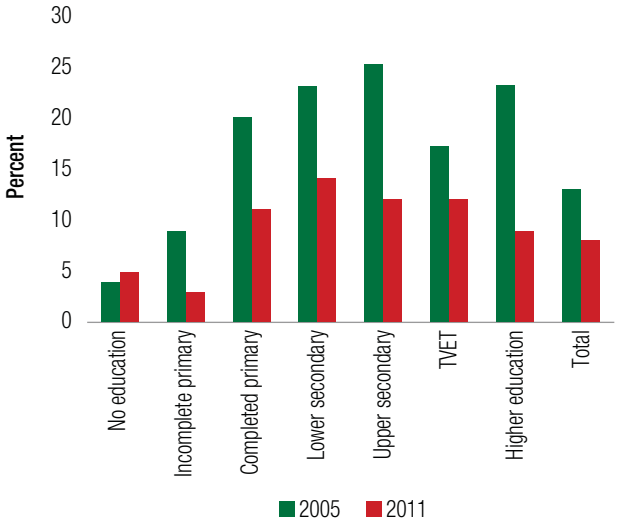
From 2005 to 2011, government spending in education efficiency presented a mixed picture. On the one hand, spending was efficient because it led the increase of the quality of education of the workforce as well as a reduction of unemployment for people with a greater level of education. On the other hand, it has been inefficient since the rate of return of education decreased. Overall, using an efficiency frontier analysis, one finds that education spending in Congo is much closed to the efficiency frontier (see Figure 4.18). In fact, when the primary school enrollment is consider as the outcome of the education sector, one finds that with the level of spending done by the Congolese government during the period 2008–2013, the adjusted enrollment rate should have been 91 percent compare to 87 percent currently.

FIGURE 4.18: **Efficiency Frontier in Education, 2008–2013**



Source: Authors computations based on WDI data.
Note: Congo is represented by the red point.

FIGURE 4.19: **Unemployment Rate by Level of Education, 2005–2011**



Source: Authors estimations calculated from QUIBB 2005 and QUIBB 2011 data.

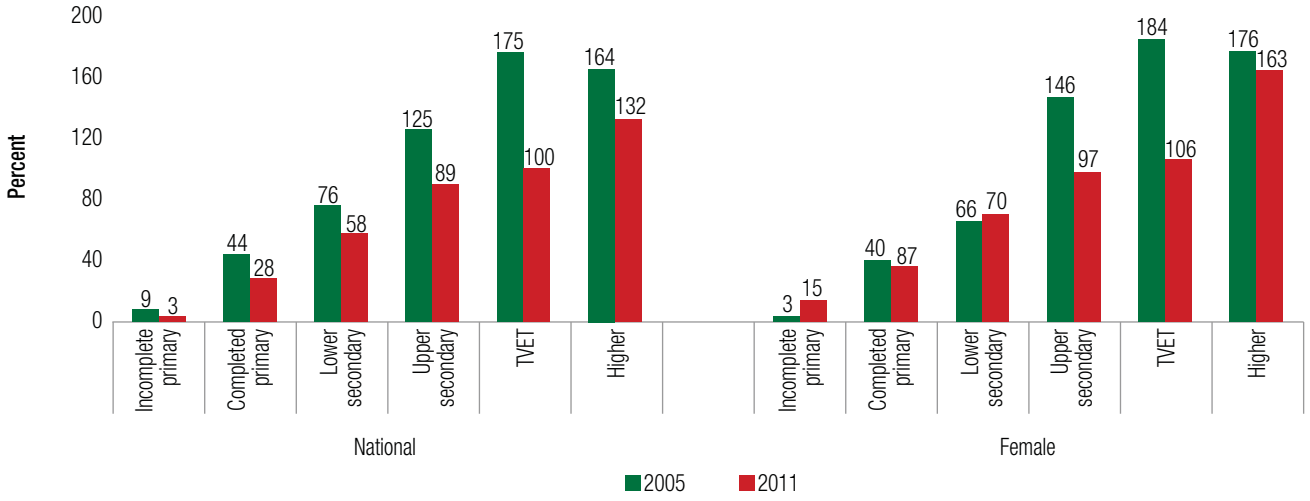
During this period, although the educational attainment of working age[21] was overall low, the percentage of those with a higher education degree increased. The percentage of Congolese with a completed post-primary education is low, indicating that for some time, the system has not been favoring progress between cycles. Further, men are more likely to attain higher levels of education than women: 4.6 percent of men completed secondary education against 3.7 percent of women, and 7.9 percent of men completed higher education against 5.6 percent of women. The percentage of women without instruction is more than double that of men (11.3 percent against 4.9 percent). This difference is wider in rural areas, where one woman out of five has no instruction.[22]

Between 2005 and 2011, unemployment dropped for all levels of education, but particularly so for upper secondary and higher education. Given the strong participation of the informal sector in the Congolese economy, unemployment figures should be read with caution. Such a low overall unemployment rate of 8 percent hides the fact that more than six out 10 working age Congolese earn a living in the informal sector. The formal sector is largely circumscribed to the public sector, and the formal private sector is very limited. This can explain the low unemployment rates for working age Congolese with very limited educational attainment: most of these do not have wage jobs and earn their living in the informal sector. As for the highly educated Congolese, jobs have been found in the public sector. It is the middle level educated Congolese (secondary education) that find it more difficult to find wage jobs. However, some progress has been made as highlighted by the decrease from 25 percent to 12 percent in the unemployment rate of Congolese with a secondary education diploma (see Figure 4.19).

Education rates of return in Congo are high, albeit decreased from 2005 to 2011, but education was the main factor justifying increases in earnings during this period; further, the higher the education level, the higher the probability of being wage employed. During the period, education was responsible for an average earnings change of 91 percent, while labor market factors only contributed to a 35 percent change. The highest returns resulted from a TVET and education diploma, and this pattern is common to men and women although rates are slightly lower for women, indicating that the role of

[21] Working age is defined as aged 15 to 64.
[22] Data from the Demographic and Health Survey of 2011–2012 was used for this analysis. The level of educational attainment is measured in this survey through the percentage of the population that has reached a certain level of education.

FIGURE 4.20: **Rates of Return by Level of Education, National and Female, 2005–2011**



Source: Authors estimate based on QUIBB 2005 and 2011.

education in increasing earnings was more significant in 2011 than in 2005 (see Figure 4.20). Incomplete primary and complete primary produce much lower rates of return compared to any other education level. Holding of an upper secondary education diploma or higher education is more important for women than men. The employment profile varies accordingly with the education level, and thus those with higher education are mostly employed in wage jobs and earn more than those without. In 2011, 80 percent of those with a higher education diploma were in wage employment against 55 percent, 56 percent, 36 percent, 21 percent, 14 percent, 10 percent, for those with a TVET diploma, secondary, lower secondary, primary education, incomplete primary, and no education, respectively.

4.2.5. Spending in Education and Equity

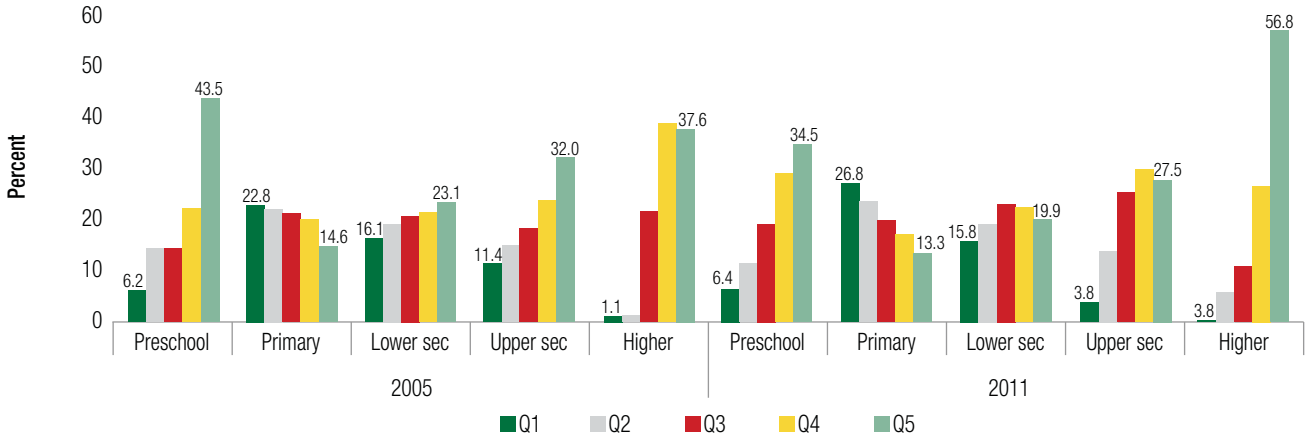
The education system has been pro-poor in primary education and favored mostly the well off in post-basic education, thus contributing to the intergenerational cycle of poverty among the Congolese. Rural and urban disparities are significant in the educational attainment of both young and working age Congolese; regional differences are also significant but disparities of income are the most important. Education in Congo is a fundamental factor for poverty reduction but spending on education has not supported this role.

The population of primary school age and enrollment at primary level seemingly decrease with the wealth quintile, from the poorest to the richest quintile. This means that, in comparison to the richest households, more children from poor households are enrolled and benefit from public spending at the primary level.[23] In post-primary levels, although the population figures show very minor differences except for the richest quintile, where there are fewer primary school age children, enrollment figures clearly show that the poorest household children benefit less from post-primary education. It should also be noted that, as stated above, primary education has been free in Congo since 2007, which might have contributed to the increase in the share of primary enrollment from the poorest households from 22.8 percent to 26.8 percent from 2005 to 2011 respectively.

Post-primary education poses an important financial burden on households and enrollments

[23] There are several factors why poor households are associated with large numbers of children: (i) more educated people have lower fertility rates and less prevalence of poverty; (ii) children contribute to household production as they grow, and the poverty level of the household diminishes with increased working household members; and (iii) in rural areas where poverty rates are high, people have less access to health services and less practice of family planning methods.

FIGURE 4.21: **Distribution of Enrolled Students and School Age Population by Quintile**



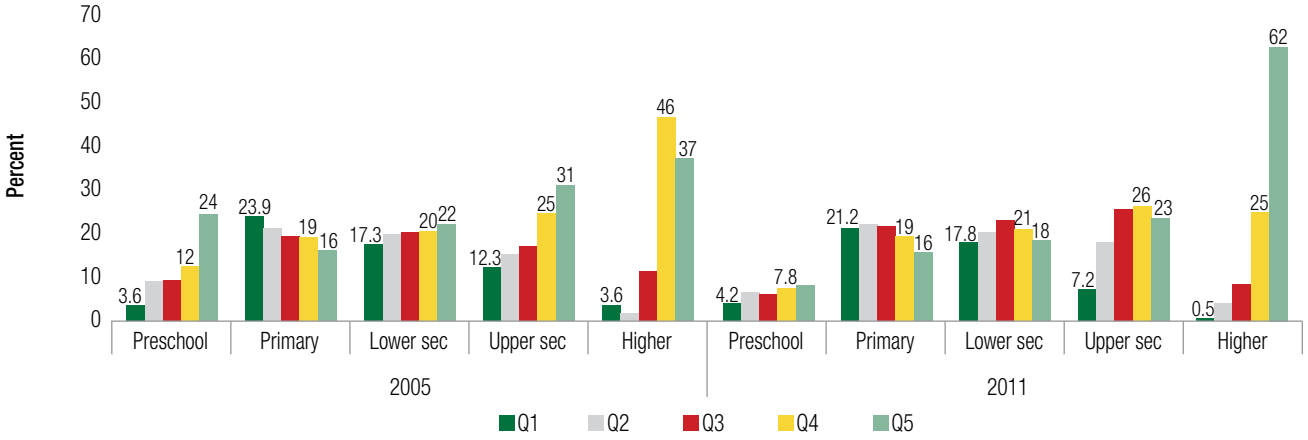
Source: Estimate based on QUIBB 2011.

are therefore mostly comprised of children from high-income quintiles. For instance, in 2011, only 3.8 percent of upper secondary students, and 0.3 percent of higher education were from the poorest quintile of households, while the corresponding figures from the richest quintile were 27.5 percent and 56.8 percent, respectively (Figure 4.21). Compared to 2005, the share of children from the poorest households enrolled in post-primary education declined. This implies that government spending on post-primary education benefits primarily more affluent households.

Public spending in primary education has been pro-poor, while spending in post-basic education has mostly favored the well off. In 2011, the poorest quintile received 21.1 percent of the public benefits allocated to primary (just slightly above the population share of the quintile), while the richest received 16 percent (4 percent less than the population share of the quintile). For post-basic education, however, the situation is different with 22 percent of the budget allocated to higher education and per student spending of 12 times higher than for any other level (see Figure 4.22). Compared to 2005, the benefit to the poorest households decreased, even in primary education, and increased for the richest households.

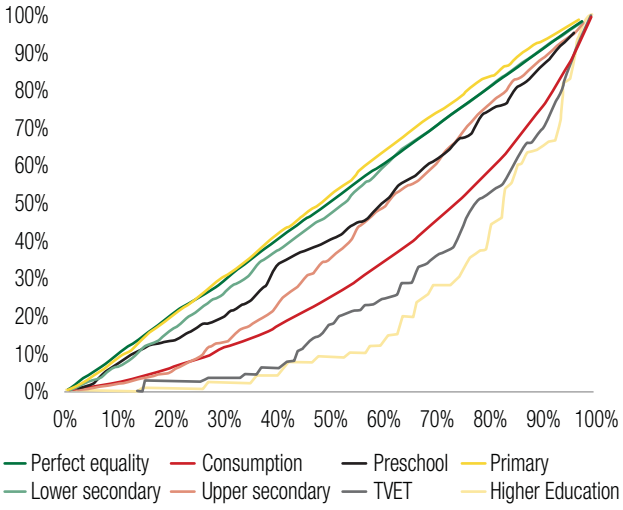
The benefits of public expenditure on both primary and lower secondary education were relatively

FIGURE 4.22: **Benefit Incidence Analysis of Public Expenditure on Education, 2011**



Source: Estimate based on QUIBB 2011.

FIGURE 4.23: **Lorenz Curve for Household Consumption Expenditure and Public Spending on Education by Level**

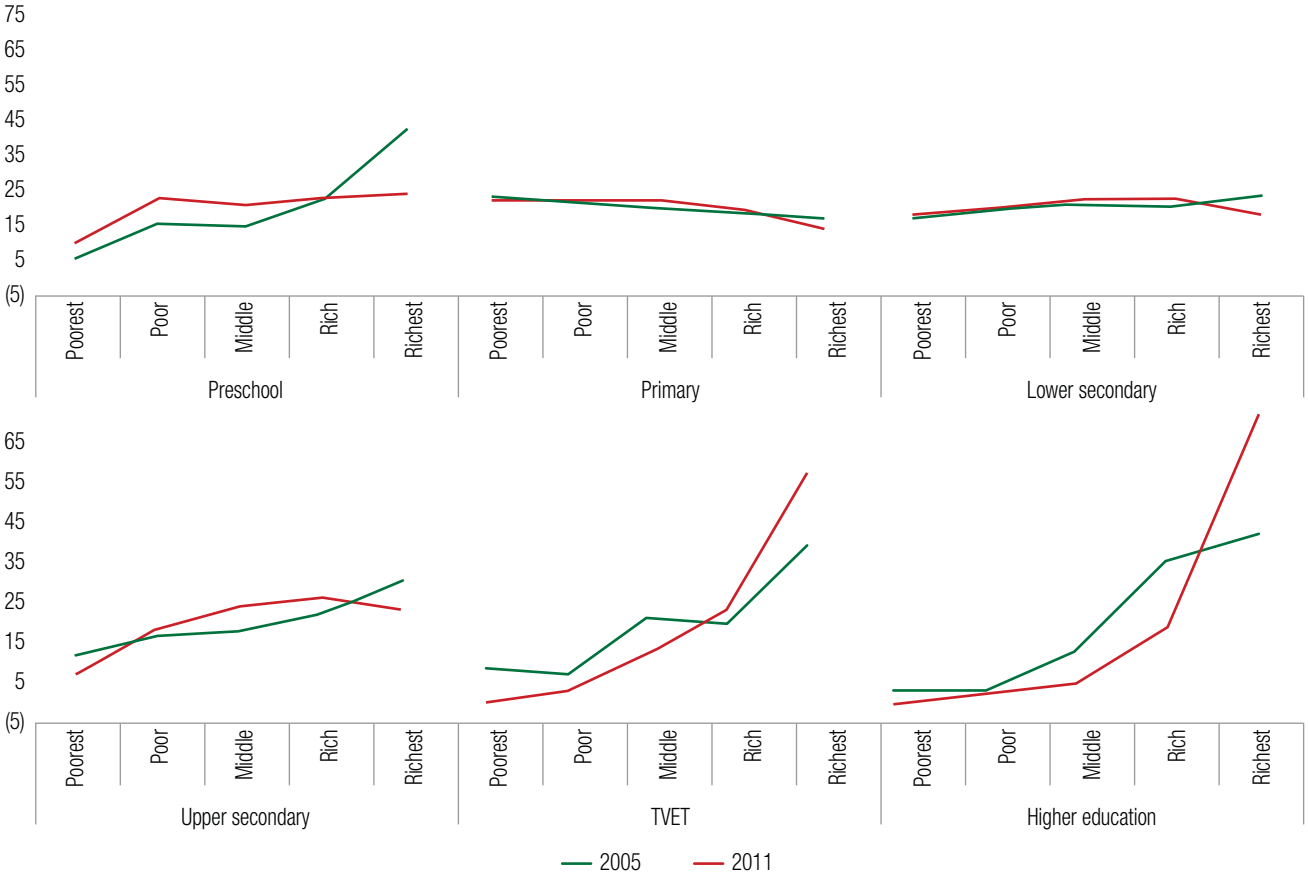


Source: Estimate based on QUIBB 2005 and QUIBB 2011.

more biased towards the poor than was the distribution of income. In other words, expenditure at these levels of education was relatively more equitable than income, as the benefit incidence for public spending on each were both above the consumption concentration curve. Public spending on primary education was progressive, while expenditures on lower secondary education were still progressive, though to a lesser degree than primary, but was not pro-poor, as was the case for post-basic education.

Overall spending in education favors the richest households; however, the allocation of the education resources by education levels has clearly different patterns. About 32 percent of the total education benefits accrue for the poorest quintile, compared to 10 percent to the richest. Whereas in primary and secondary education benefits are progressive, in higher education the benefits are regressive (see Figure 4.23 and Figure 4.24).

FIGURE 4.24: **Education Benefits by Level**



Source: Estimate based on QUIBB 2005 and QUIBB 2011.

4.2.6. Recommendations

Based on this finding of this section, this PER advocates that the government take the following action to achieve its goal in the education sector and to render its spending in the sector more effective.

Re-prioritize and improve the allocative and operational efficiency of the education sector budget. There is space to re-prioritize and improve the allocative and operational efficiency of the Congolese education system. In fact, there is room for a revision of the investment allocation for the METPQE. A trade-off can be considered with secondary education, for which very limited funding is now being allocated, and most of that to finance recurrent expenditure. Moreover, given the weight of scholarships in MES overall expenditure and the recurrent overruns, there is a need to reconsider the distribution of funds between expenditure categories within MES budget.

Align budget allocations to strategic education goals. While all strategic education goals are fundamental for sector development, it will be important to better align budget allocations with such goals, based on strategic planning and sound understanding of the role of the public budget for key development areas.

Create conditions for the establishment of sustainable partnerships with the private sector. There is need for the public sector, through MES and the METPQE, to create the conditions for the establishment of sustainable partnerships with the private sector that provide both technical and financial support, and decisively contribute to the achievement of the strategic sector goals.

Understand the underlying causes of high repetition levels, and create the conditions to retain students in higher levels of education than primary. Repetition and dropout are systemic sources of inefficiency in the Congolese education system. Although practically all school aged Congolese children enroll in primary school, close to only half complete this level and less than a fourth complete lower secondary education. Very few reach higher education. This pattern of retention has high costs for the system, for families, and for the Congolese labor market.

Understand the profile and distribution of human resources beyond the simple knowledge of pupil-teacher ratios, so as to allow for the definition of clear policies that can tackle the existing inefficiencies. Although there is insufficient data to allow for a detailed understanding of the distribution of human resources, the high administrative staff to teaching staff ratio, and evidence that many parents still pay fees to cover salaries of *benévoles* in primary education indicate potential systemic sources of inefficiency around human resources in the sector. Further, the last teacher census indicated a large number of ghost personnel in the sector.

Create the conditions to improve equity in education. There is an urgent need to create the conditions to improve equity in education. Public spending in Congo is pro-poor in primary education, regressive in post-basic education, and overall favors the well off, thus it does not contribute to improving equity in access and education attainment.

4.3. Public Expenditures Review in Health

In Congo, the improvement of the health conditions of the population is considered fundamental in achieving poverty-reduction and economic growth outcomes. This is clear from the NDP 2012–16. The NDP and the *Programme National de Développement Sanitaire* (PNDS)[24]—currently being updated—define key areas of intervention in the sector. Priority is given to the achievement of the Millennium Development Goals (MDG) for health: child/infant mortality; maternal health; and fighting HIV, malaria, and other infectious diseases. Important attention is also given to the general strengthening of the health system in terms of governance.

From 2008 to 2012, increased attention was given to the health sector in the national budget, however public health spending still remains low and reliance on household spending to support health

[24] National program of health sector development.

care is very high. Real government health spending has increased since 2009 both in absolute terms and as a share of GDP. However, in 2009 and 2010 the Congo devoted a relatively low total amount of resources to the health sector. According to the NHA study, in 2009 government and household financing for health were about equally split but in 2010 government financing went up in relative terms, to reach 57 percent of total health financing. The heavy reliance on household spending is, in large part, from the fact that all public providers lack budget resources to purchase medicines and other medical supplies.

This section finds that insufficient allocation to achieve the sector goal, and poor capacity to execute budget are critical issues in the health sector. Both Congo's total health budget allocation as a share of GDP and as a share of the total government budget allocation are very low, in relation to the country's per capita income. Whereas Congo's per capita income in international dollars is among the highest in SSA, the share of resources in the economy that is devoted to the health sector is among the lowest, and so is the share of government spending going to health. Additionally, the Ministère de la Santé Publique (MSP) budget execution rate was volatile during the period 2008–2012, but with an upward trend in recent years. In 2008 and 2010, the execution rate of the health budget was under 80 percent. In 2009, only 42.7 percent of the budget was executed. The year 2011 saw the highest level of execution, at 90 percent. The MSP execution rate has been lower than the overall government's budget execution rate that averaged 93.4 percent in 2009–2012, with a low of 83.9 percent in 2012.

In addition, the low utilization rate of beds in basic hospitals and limited use of services in general, suggests efficiency problems in the system. Although there is some evidence of a positive relationship between public per capita spending and indicators of health system performance—such as number of visits to public health facilities, the use of contraceptives, and the percentage of women that received pre-natal care and that took anti-malarial drugs during pregnancy—that can suggest that services are located where they are the most needed; this positive relationship does not hold for all health outcomes. The limited resources available in Congo are not distributed evenly across the country. This contributes to inequalities in access and outcomes across different populations. The excessive price of services seems to create a barrier to the poorest households and those living in rural areas. Given that government expenditures in health do not vary too much across quintile this expenditure is equitable. However, there is a real possibility that households in the poorer quintiles are not accessing all the services and medicines they would need due to a lack of financial resources. Indeed, when asked about their level of satisfaction with the service received at health facilities, the most common problem identified by poor is the fact of service being too expensive. This problem appears to have intensified for the bottom quintiles from 2005 to 2011.

Many challenges remain in the government's budgeting and expenditure system in health. For example, according to various stakeholders the formulation of the government's budget for the health is a highly centralized process. This highly centralized management of public resources for health does not promote efficiency in spending by the recipients at the peripheral level. Moreover, the government budget formulation for health lacks transparency and budget criteria are basic. Budget execution remains a challenge. Problems also remain in procurement and disbursement.

The main recommendations to improve public expenditure efficiency in the heath sector include: i) increase allocations to the health sector, with a focus on delivering basic health services; ii) improve the budget preparation process by elaborating a clear timetable and defining responsibility of each actor involved in the preparation of the budget; iii) reinforce the links between the sector's strategic objectives and spending targets, and monitor progress closely; iv) set the basis for a programmatic budgeting approach by reinforcing prerequisites for an MTEF; iv) prepare a list of poverty reducing expenditures to be protected in the case of a sudden budget shortfall and follow up on its execution on a quarterly basis; and v) strengthen human resource management and reinforce capacity in budget processes

and spending management by the provision of technical assistance. This section is adapted from Chapter 2 of the social sector PER in Congo (see World Bank (2014a) for details).

4.3.1. Background of the Health Sector

Congo's health sector is guided by a set of clearly defined objectives, aligned with the MDGs and focused on improved service delivery. The sector is decentralized at three main levels, and uses a referral system. The private sector plays an important part in delivery of care however, there are important challenges associated with it: (i) there is little regulation and a heavy process of registration; and (ii) there are few quality control mechanisms concerning procurement of drugs. Quality control also an issue with regard to public health providers, as these often bypass COMEG and procure directly from private providers at lower prices. The latest EDSC 2011–12 has revealed a positive tendency of improvement of key health status indicators in the country. The latest estimates indicate that Congo has achieved considerable gains in health status. The positive trends shown by the most recent data are definitely a good sign and cannot be neglected.

Objectives of the health system

The objectives of the National Health Policy (NHS) adopted in 2003 are to: (i) promote the health of Congolese; (ii) guarantee access to quality healthcare services by the population; and (iii) reinforce the national capacity of management of the health system. Two *Programmes National de Développement Sanitaire* (PNDS) have since been published to translate these goals into actionable measures. With the support of development partners, the government set up and implemented the most recent PNDS between 2007–2011, in a manner aligned with the aim of achieving the MDGs, and within the context of the vision laid out by the Head of State known as the "Nouvelle Esperance" (New Hope). This Plan, which is being updated, aims to improve the performance of the health system in order to reduce the burden of morbidity and mortality, and promote health by strengthening care and services at the district-level, general hospitals, specialized support services, as well as strengthen institutional capacity and partnership coordination.

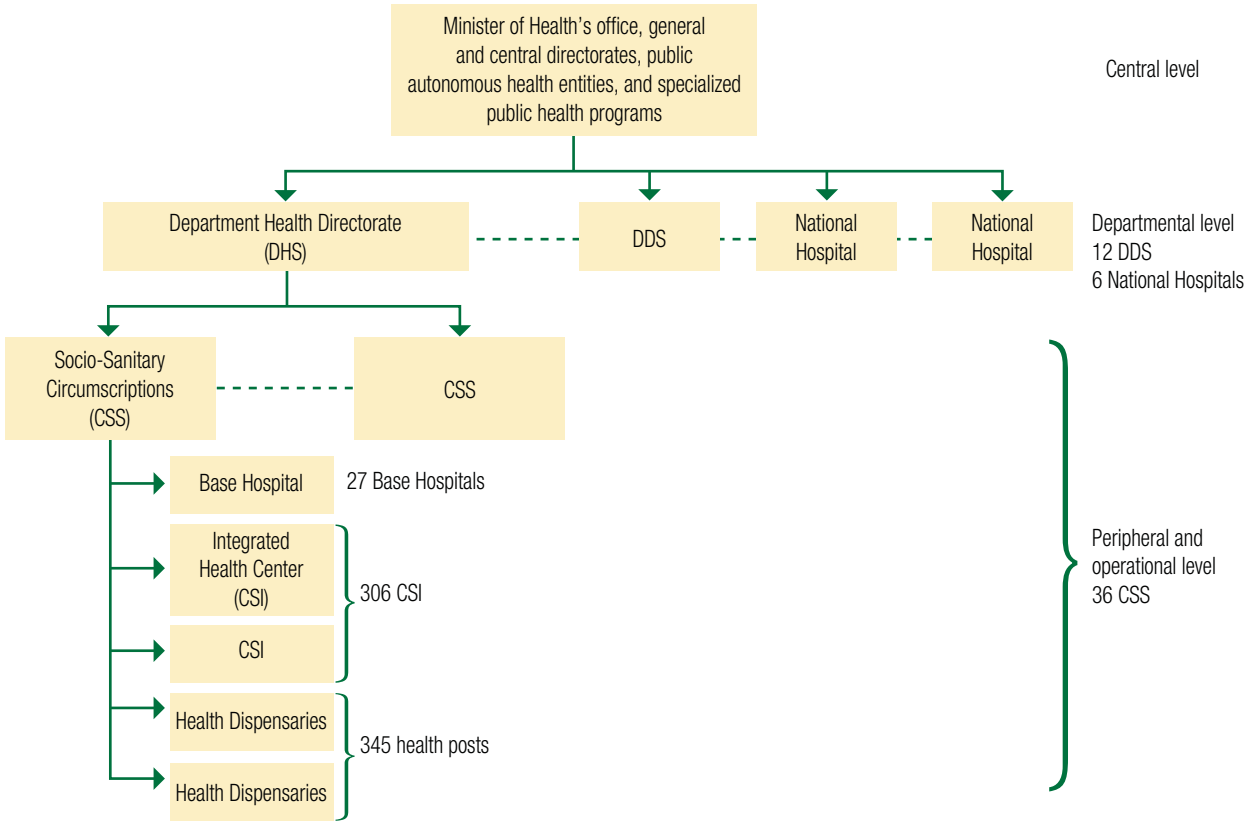
Specific priorities for the health sector have also been identified in the NDP 2012–2016 and will likely be the basis for the updated version of the PNDS. These include: (i) improving the governance and direction of the sector; (ii) improving access to healthcare services; (iii) reducing inequities in access to health services; (iv) strengthening the supply of healthcare; (v) improving the quality of services; (vi) managing medications; (vii) combatting communicable and non-communicable diseases, with particular emphasis on maternal and child health; and (viii) managing emergencies, disasters, and responses to epidemics.

Organization of the government health system

The government health system in Congo is formally decentralized and comprises three hierarchical levels. They are (i) central, (ii) departmental, and (iii) peripheral and operational (Figure 4.25). The central level is strategic and normative and is responsible for health system planning, monitoring, evaluation, coordination, mobilization, and resource allocation. It comprises the Minister's Office, the general and central directorates, public autonomous health entities, and specialized public health programs. The intermediate level is in the hands of the departmental health directorates (DDS). They provide technical support to Socio-Sanitary Circumscriptions (CSS). The peripheral and operational level comprises operational units responsible for program planning and implementation. It is composed by CSSs, each of which is subdivided into health areas. A CSS consists of a network of ambulatory health providers, both public and private.

The government health care delivery system comprises a national network of health facilities distributed throughout the country and organized under a pyramidal referral system. At the bottom of the public delivery system are health dispensaries. The next referral level is composed of Integrated Health Centers

FIGURE 4.25: **Structure of Public Health System**



Source: Congo HD PER, 2014.

(CSI), of which there are two types, depending on the services they offer. The Centres de Santé intégré à Paquet Minimum d'activités Elargi ("CSI à PMAE")[25] offer a broad array of preventative and curative ambulatory services, whereas the Centres de Santé Intégré à Paquet Minimum d'Activités Standard ("CSI à PMAS")[26] offer a narrower set of such services. The first referral facility for CSIs is the Hôpital de base (Basic Hospital). In 2012, all regional departments except Kouilou had one or more Basic Hospitals. These inpatient facilities, in turn, have as their referral, in the public system, the Hôpital general (General Hospital).

Beside the public sector, Congo has a significant private health care system. The private health care providers play a major role in Congo's health system, but there is little coordination between public and private providers and little regulation of the latter. According to a 2012 World Bank (WB)/International Finance Corporation (IFC) report that analyzed Congo's private health care delivery system, in 2005, there were 1,712 health care providers in the country, of which more than half (1,002) were private. The vast majority of private providers (88 percent) were for profit. The private health care delivery sector is largely unregulated and poorly organized.

As is the case for the health system, there is a private and a public pharmaceutical sector. The MOHP requires that government health providers buy drugs from Congo Essential Generic Drugs Agency (COMEG), a public entity. However, many public providers, including Basic Hospitals and CSIs, choose not to comply, and prefer instead to bypass the institutional procurement system in order to purchase drugs and

[25] Integrated Health Centers with a Minimum of Services Offered.
[26] In English, Integrated Health Centers with Additional Services Offered.

TABLE 4.8: **Selected SSA Countries – Infant, Child Mortality, and Neonatal Mortality Rates, 2011**

	Per capita GDP 2011 (2005 PPP int. dollars)	Infant mortality rate (deaths per 1,000 live births)	Child mortality rate (deaths per 1,000 live births)	Neonatal mortality rate (deaths per 100,000 births)
Benin (2011–12)	1,430	42	70	23
Cote d'Ivoire (2011–12)	1,580	68	108	38
Cameroon (2011)	2,053	62	122	31
Senegal (2010–11)	1,834	47	72	29
Congo (2011–12)	**3,850**	**39**	**68**	**24**
Gabon (2012)	13,998	43	65	26

Source: WBWDB and ICF International (2012).

supplies directly from private providers, at lower prices. The lack of regulation and control of the private drugs procurement system poses patient safety problems. The private drugs supply system comprises five wholesalers and a large number of retailers, including pharmacies and shops, which sell their products to public and private health care providers.

Health outcomes and health risks

Infant Mortality Rate (IMR) and Child Mortality Rate (CMR). Up until recently Congo was lagging behind other countries in the region in terms of health indicators. In contrast with these trends, the EDCS 2011–2012 report presented an encouraging picture. From EDCS (2005) to EDCS 2011–2012, the estimates of the IMR and CMR decreased, and improvement is statistically significant and accelerating. It estimated that in 2009, the IMR was 39 deaths per 1,000 live births, the CMR was 68, and the death rate for children ages 1–5 was 30.[27] Congo performs well in comparison to neighboring countries such as Cameroon and Gabon with regards to child health outcome indicators. The Congo is the second richest country among those selected, after Gabon. Several factors and government initiatives contributed for the positive trends observed in IMR and CMR. For instance, child vaccination coverage has improved overall for the Bacillus Calmette–Guérin (BCG) and diphtheria, pertussis, and tetanus (DPT) and measles. The coverage of the yellow fever vaccine also increased dramatically, from 31.8 percent to 54.5 percent.

Maternal Mortality Rate (MMR). According to EDCSs, the MMR has also fallen from 781 deaths per 100,000 live births to a rate of 429 in the past six years. Congo's MMR compares favorably with that of countries with similar per capita income, including Cameroon, Mauritania, Nigeria and Swaziland. This improvement is related to the positive performance of several indicators related to maternal health including: (i) improvement in the rate of Congo's institutional deliveries by qualified health personnel, which is now high; (ii) improvement of knowledge about contraception; (iii) increase of the intergenesic period (the time lapse between birth of one child and conception of the following child in mothers with at least two children); (iv) increase in the use of prenatal care; and (v) improvement in the coverage and utilization of services, but also a reduction in inequality.

Life Expectancy at Birth (LEB). The LEB for Congo was reported as 57.8 years in 2011 (World Bank DataBank). However, this number may be

[27] As discussed in the introduction, priority is given to surveys above administrative data. However, it is important to note that there is a large discrepancy between the data reported by the World Bank's World DataBank (WBWDB) for Congo and the estimates obtained through the EDSC 2011–12 survey. The DataBank reports much flatter IMR and CMR rates over time and this tendency is felt in most health indicators with the EDSC 2011–12 showing better results than the WBWDB.

under-estimated since the recently released information about the country's drop in the IMR and CMR probably has not been reflected in these numbers. Still, LEB in Congo has steadily been rising for the past decade presenting a value slightly above the average for Sub-Saharan Africa; the LEB is in line with the values observed for African countries with similar income per capita and HIV prevalence. However, when compared to middle-income countries worldwide, there is still a lot of room to catch up.

4.3.2. Budget Allocation and Spending in the Health Sector

Except for the year of 2009, public allocations to the health sector have been improving very mildly, and in per capita terms have remained mostly constant. Overall, budget allocations for the sector are low in comparison to countries of similar income and in comparison to the average for SSA. Donor contribution to the health budget is also low by regional standards, but this is not the case for household contributions. The latter financed mostly curative care and medicines and, although decreasing, in 2010 household contributions amounted to 37 percent of the health budget. Budget execution rates have improved. Challenges remain with the regulation of fees applied by providers, as well as controls on procurement of drugs both by public and private providers. Several measures introduced to improve service provision seem to be bearing fruit.

Budget allocation in the health sector

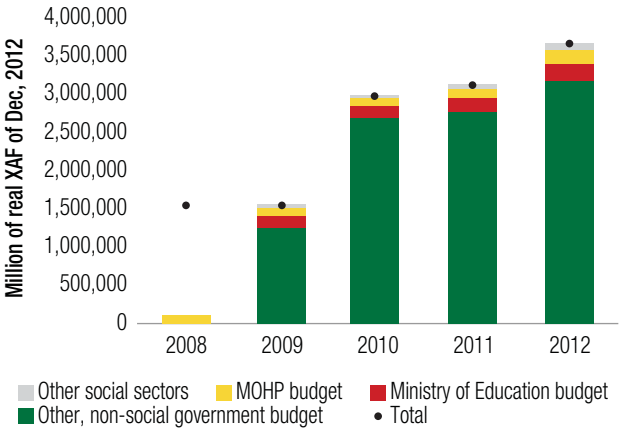
Within the social sectors, the MOHP has been gaining importance, but its per capita ratio remained constant. In 2009 the MOHP budget represented about 75 percent of the overall education budget. By 2012, the MOHP and overall Education budgets were similar. The above factors combined have resulted in a MOHP budget that remained nearly constant, in real per capita terms, between 2008 and 2011 (see Figure 4.26). The MOHP's real per capita budget was nearly the same in the years 2008, 2010, and 2011, in the range 28,000–29,000 XAF (US$60–65) per citizen. Yet the real per capita budget nearly doubled between 2011 and 2012 and in 2013 it fell but to a level that was considerably higher than in the years prior to 2012. In 2011 the MOHP budget represented 3.8 percent of total government budget, a slight increase from 3.4 percent in 2010. This percentage increased to 5.3percent in 2012 and decreased again to 4.2 percent in 2013.

In 2012, the MOHP budget experienced a sharp increase to reach about 45,000 XAF per citizen, or US$87. This one-year increase reflected the government's decision to declare 2012 as the country's "Health Year." Budget information for the year 2013 confirmed that this increase was a one-off phenomenon, although the 2013 per capita real MOHP budget of approximately XAF 35,840 (US$70) per citizen was much higher than in preceding years.

Compared to the period 2004–2007, budget allocation in the health sector has been fairly stable. In fact, from 2004 to 2007, the share of budget allocation to the health sector moved from 4.5 in 2004 to 21.5 percent in 2006 and then to 5.2 percent in 2007. This has not been the case during the recent period. From 2008 to 2013, this share fluctuated between 8.6 in 2013 to 10.1 in 2009.

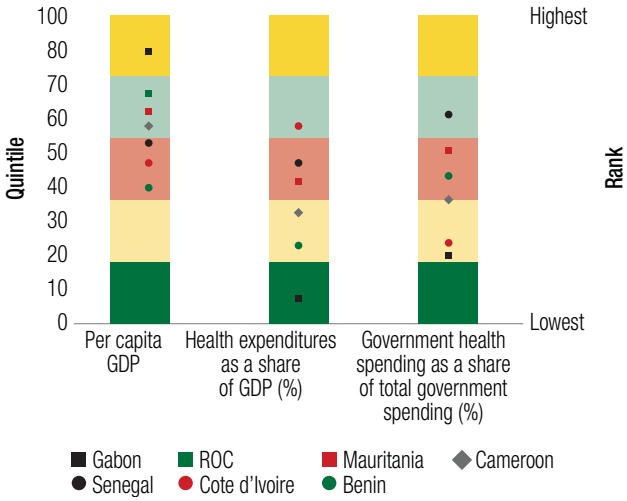
Both Congo's total health budget allocation as a share of GDP and as a share of total government budget allocation are very low, in relation to the country's

FIGURE 4.26: **Government Budget Allocation, Size of MOHP**



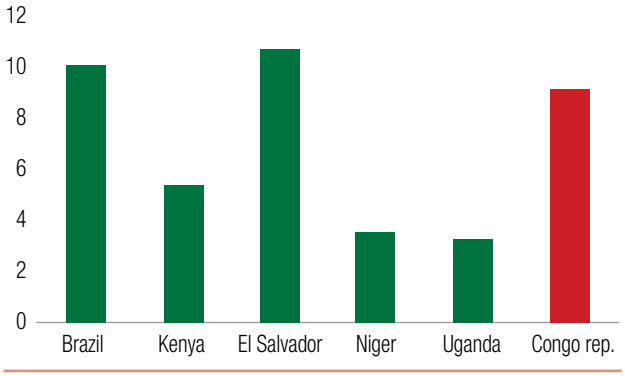
Source: Ministry of Finance MOHP budget data.

FIGURE 4.27: **Selected SSA Countries – Government Health Spending as a Share of GDP and of Government Spending, 2011 (in percentage)**



Source: Authors from World Bank DataBank.

FIGURE 4.28: **Selected SSA Countries – Government Health Spending as a Share of Government Spending, Average Rate, 2008–2011 (in percentage)**



Source: Authors from World Bank DataBank.

per capita income. Whereas Congo's per capita income in international dollars is among the highest in SSA, the share of the economy that is devoted to the health sector is among the lowest, and so is the share of government spending going to health (see Figure 4.27). Congo's pattern is similar to that of neighboring SSA countries, such as Gabon. Despite recent increases, Congo's proportion of government expenditures allocated to health falls short of the Abuja Declaration commitment of increasing government funding for health to 15 percent of government's total expenditure (Figure 28).

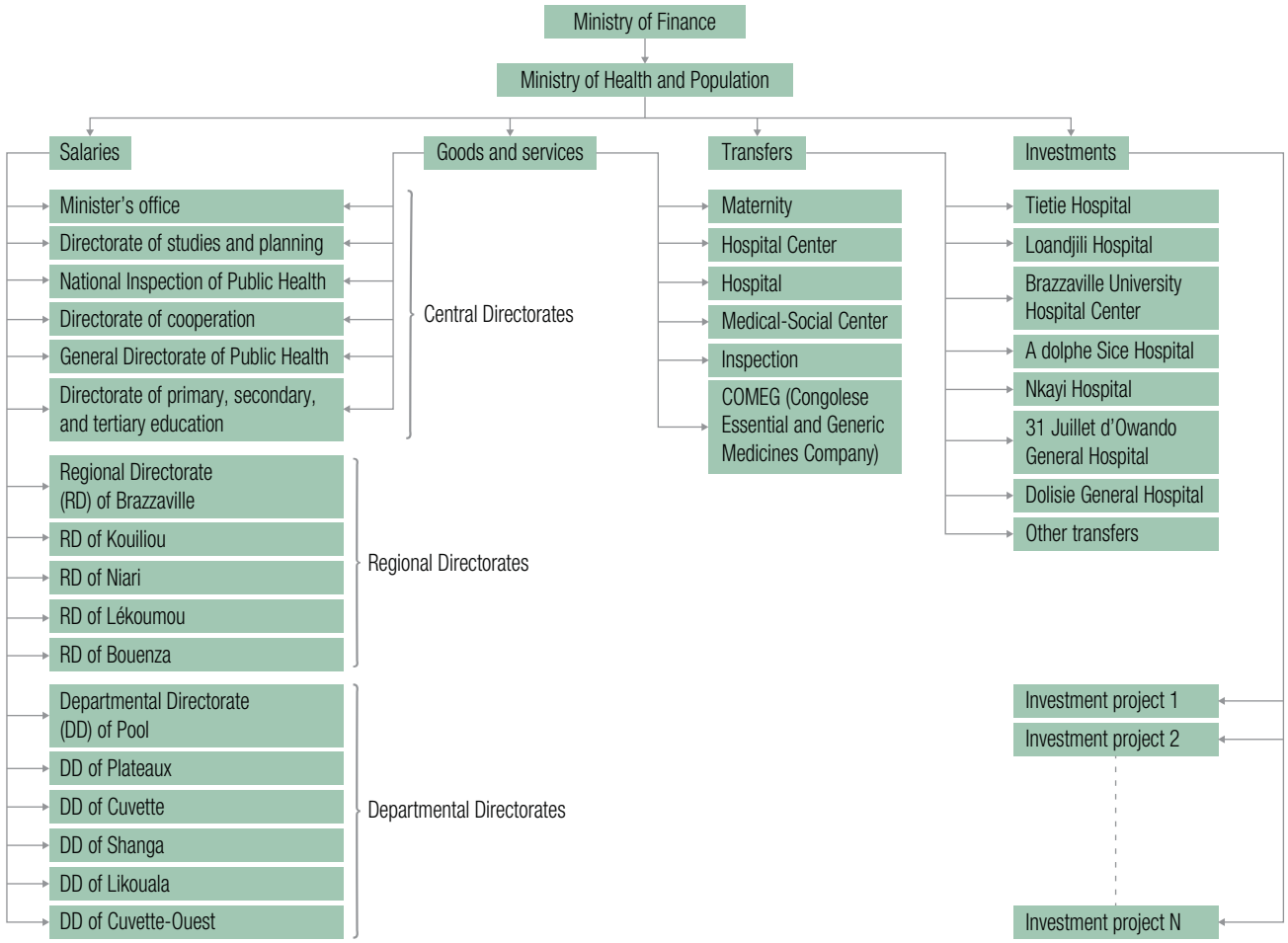
Government's budgeting, spending and resource allocation system in the health sector

Public funding for the health sector is channeled through either delegated credits or transfers, both of which are directed to institutions and health care providers. Delegated credits call for the execution of budget items whose nature and amount are preset by government. Transfers involve the allocation of a budget envelope, or block grant, to recipients who are given the freedom to allocate these resources according to their needs and priorities. Such autonomy, when exercised in the spirit of a results-based management approach, can be effective for the health system. Transfers are allocated on a lump sum basis and carry no conditions with respect to how they should be spent. In Congo, almost two-thirds of all government financing for health is in the form of delegated credits and the remaining one-third is channeled to health care providers in the form of transfers of block grants.[28]

The health budget is formulated mostly at the central level and is structured into four main categories, which are salaries, goods and services, transfers, and investments. Salaries are centrally allocated to central and regional directorates. Goods and services are allocated to central directorates as well, but not to the regional level (see Figure 4.29). Thus, resources for the acquisition of goods and services must come at these levels, mostly from user fees. Goods and services are also envisioned in the budget for central health institutions, including some health care providers. Transfers are directed primarily to autonomous public hospitals.

[28] According to the National Health Account (NHA) of 2013, transfers do not seem to have had a sizable impact in terms of improvements in health indicators.

FIGURE 4.29: **Structure of the Government's Budgeting and Expenditures System in the Health Sector**

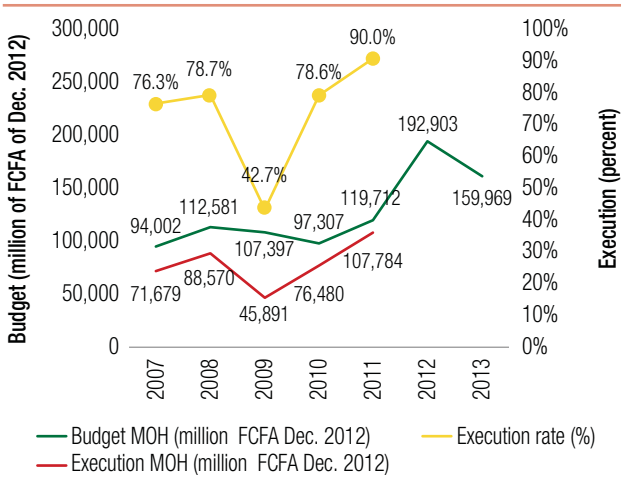


Source: Congo HD PER 2014.

Budget execution in the health sector

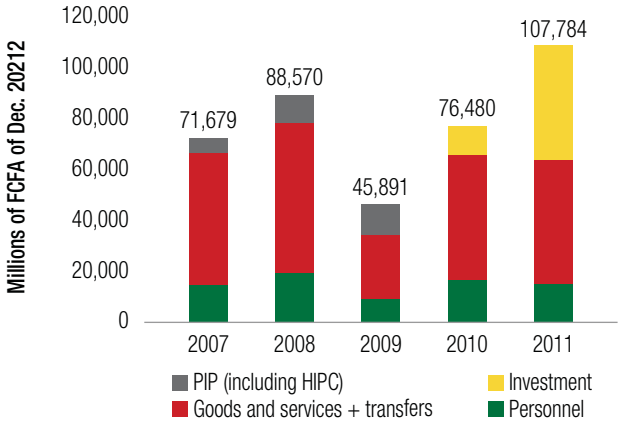
The MSP budget execution rate has been volatile during the period 2008–2012, but has had an upward trend in recent years. In 2008 and 2010, the execution rate of the health budget was under 80 percent. In 2009, only 42.7 percent of the budget was executed. The year 2011 saw the highest level of execution, at 90 percent. The MSP execution rate has been lower than the overall government's budget execution rate that averaged 93.4 percent between 2009 and 2012, with a low of 83.9 percent in 2012. Figure 4.30 shows Government, Ministry of Health budget and budget execution in millions XAF (Dec. 2012) in percentages. Between 2008 and 2011 the real executed budget per citizen went up by one-third.

FIGURE 4.30: **Ministry of Health Budget and Budget Execution**



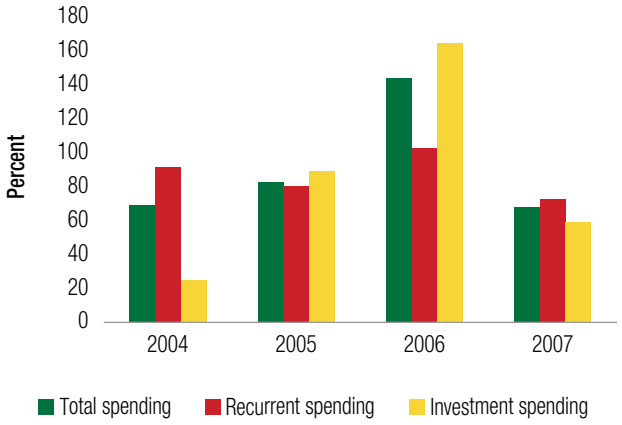
Source: MSP budget information supplied by the MEFPIPP.

FIGURE 4.31: **Execution of Government Health Budget, 2007–2011**



Source: MSP budget information supplied by the MEFPIPP.

FIGURE 4.32: **Execution of Government Health Budget, 2004–2007**



Source: Congo PER, 2008.

Between 2008 and 2010, personnel accounted for approximately one-fifth of total government health expenditures. In 2011, it fell to 14 percent. Goods and services and Transfers represented a decreasing share of total expenditure, from 71.3 percent to 45 percent in 2011. Investments accounted for 14.4 and 40.9 percent in 2000 and 2011, respectively. In terms of execution, the rate seems to be lower for investment spending than for current spending, but in the two years with data available there was a big improvement in the execution rate of investment that went up from 25 percent in 2010 to 89 percent in 2011. Figure 4.31 shows the execution of Government health budget over the period 2007–2011 in millions of XAF as of December 2012.[29]

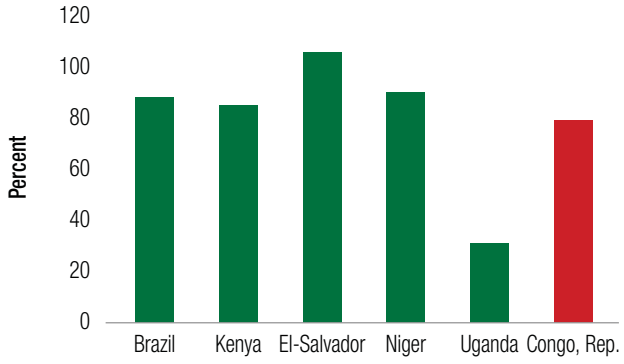
[29] Budget items have changed over time, making analyzing trends in budget execution by budget item a challenging exercise. In fact, budget items differed between the period 2007–2009 and the period 2010–2013. In the former period the items Salaries and Goods and Services were lumped together while no information was presented for Investments. Instead, the budget item Program Implementing Partners (including Heavily Indebted Poor Countries, HIPC) showed up in the data. In the latter period, Salaries and Goods and Services were presented separately, Investments were reported, and the item Program Implementing Partners (including Heavily Indebted Poor Countries, HIPC) was removed. Given this discontinuity in budget line items, it is not possible to present a systematic analysis of trends by item. The trends are in execution of the health budget and its components.

This execution volatility is a testimony that the government did not significantly improve its management of financing in the health sector since the last PER. In fact, from 2003 to 2007, execution rates in the health sector fluctuated widely, ranging from 78 percent in 2004 to 143 percent in 2006 to 68 percent in 2007 (see Figure 4.32). This fluctuation was particularly strong in the investment budget, where execution rates ranged from 25 percent in 2004 to 164 percent in 2006. High execution rates in 2006 were driven by the Government's efforts to accelerate investment projects related to the I-PRSP, which had been delayed during the first two years of I-PRSP implementation (2004–2005). Wages and salaries in health were markedly under-executed due in part to problems of recruitment and retention of health staff. The execution rate in the sector is still low (79.1 percent) compared to other developing countries (see Figure 4.33).

Health expenditure by source

Two major sources of funding are used for health expenditure in Congo: household income and government budget. From 2009 to 2010, the Government budget covered 53 percent of total health spending and households supported about 42 percent. In fact, unlike many developing countries, donor financing of the health system in Congo is limited.

FIGURE 4.33: **Selected Countries – Execution of Government Health Budget, 2008–2011**

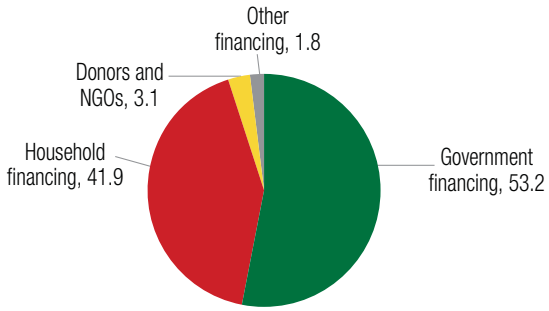


Sources: PERS.

Health system financing in Congo is heavily dependent on households' out-of-pocket spending (OOPS). According to the NHA study, in 2009, 48 percent of all financing for health care came from households; in 2010 it fell to about 37 percent. However, those estimates may underestimate current figures since they were inferred on the basis of the 2005 ECOM household survey. When the NHA report was produced, results from the more recent 2011 ECOM survey were not yet available. An analysis of the more recent ECOM estimates a total household spending amount of XAF 112,352 million that is more than twice higher than the equivalent figure reported in the NHA report for the year 2010 (about XAF 50,000 million). If this figure of XAF 112,352 million is the most accurate, then household OOPS on health would be 30 percent higher than the government reported health spending in 2010, of XAF 77,914 million.[30] Donor financing for health care in Congo, on the other hand, is relatively low by regional standards. Other sources of financing, such as community contributions and spending by enterprises are also very small overall at the national level (see Figure 4.34).

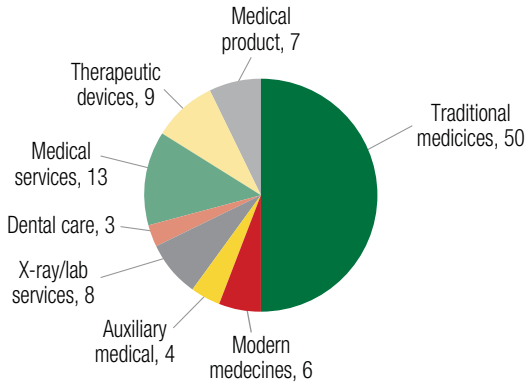
Medicines are the major expenditure category, accounting more than one-half of household spending on health. In fact, medicines (so called "modern" and "traditional" according to the survey terminology) are the major expenditure category, accounting for about 56 percent of household spending on health. Spending on actual medical services, in the form of fees paid to public and private providers, represents just 20 percent of household health OOPS (16 percent on medical and dental offices plus 4 percent on auxiliary medical services) (see Figure 4.35).

FIGURE 4.34: **Health Expenditure Source, 2009–2010**



Source: MOH.

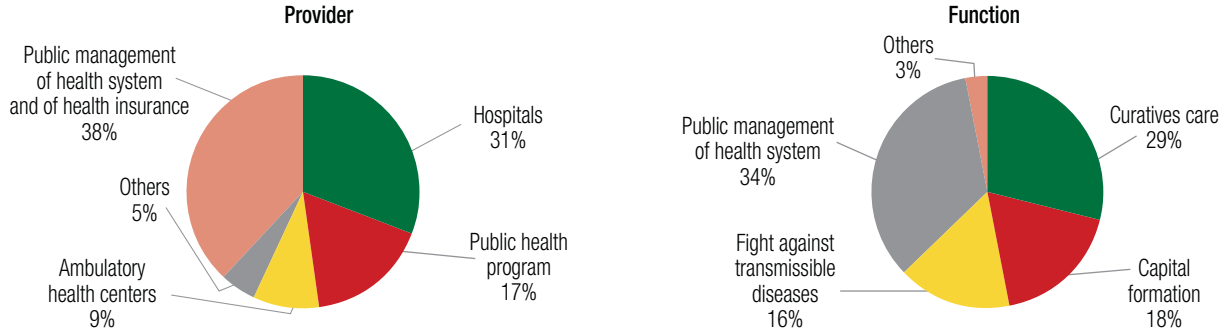
FIGURE 4.35: **Structure of Household Annual out-of-Pocket Health Spending, Around 2010–2011 (percent)**



Source: Constructed by authors from ECOM 2011 database.

[30] The results obtained from the 2011 ECOM for households' OOPS on health in the year 2011 may or may not be directly comparable with those reported in the NHA report. Comparability depends on the exact methods used by the authors of the NHA report to estimate household OOPS for the years 2009 and 2010 on the basis of the health-related OOPS amount reported in the 2005 ECOM survey, however they are further proof of the importance of household spending in health and its upward trend.

FIGURE 4.36: **Structure of Government and Households Health Expenditures by Provider Category and Function, 2010 (millions of XAF of each year and percentage)**



Source: Ministère de la Santé et de la Population (2013).

The share of total spending devoted to health was almost constant among the income quintiles, representing on average 1.5 percent of total household spending, with the households in the poorest quintile spending the highest percentage at 1.8. Strong reliance on OOPS in Congo is partly the consequence of a revolving fund-like system for drugs that operates in all or virtually all government health facilities. Aside from autonomous public hospitals, which receive a block grant and may use part of their budget to purchase medicines, all other public providers lack budget resources to purchase medicines and other medical supplies. To have a stock of medicines they charge user fees to patients and with the revenue collected from these fees they purchase medicines from COMEG or private providers. In Congo, the reliance on user fees for financing of medicines in government health facilities is in line with the Bamako initiative, which calls for the implementation of a drug revolving fund.

A large share of government health spending is devoted to the administration of the public health system, followed by curative hospital care. One-third of all government health spending is devoted to health system administration. The next most important spending category is the provision of curative care, with 29 percent of all spending. The third and fourth most important categories were investments (capital formation) and programs and activities for the fight of communicable diseases, such as HIV and tuberculosis. Maternal and child health services, a category which includes pre- and post-natal care as well as vaccination and growth monitoring for children, represented only 1 percent of government health spending in 2010. Government spending on COMEG, the public central purchaser of essential medicines, represented a negligible share of public resources devoted to health in 2010. Similarly, when looking at the structure of government, by function, as reported in the recent NHA report, this report finds almost negligible spending by government on medicines (see Figure 4.36).

4.3.3. Public Expenditure Efficiency in the Health Sector

The low utilization rates of beds in basic hospitals and the limited use of services in general, suggests efficiency problems in the system. However, there is some evidence of a positive relationship between public per capita spending and indicators of health system performance—such as number of visits to public health facilities (as reported in the ECOM 2011 survey), the use of contraceptives, and the percentage of women that received pre-natal care and that took anti-malarial drugs during pregnancy—that can suggest that services are located where they are the most needed. However, this positive relationship does not hold for all health outcomes. The limited resources (human, physical, and financial) available in Congo are not distributed evenly across the country, contributing to inequalities in access and outcomes across different populations. The excessive

price of services seems to create a barrier to the poorest households and the ones living in rural areas.

Efficiency

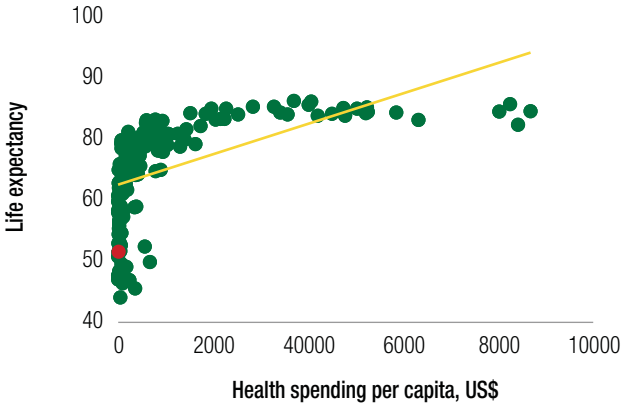
There is some evidence of a positive relationship between public per capita spending and some indicators of health system performance. Indicators such as number of visits to public health facilities (as reported in the ECOM 2011 survey), the use of contraceptives and the percentage of women that received pre-natal care and that took anti-malarial drugs during pregnancy are positively correlated to public spending. However, the positive relationship does not hold for all outcomes. Important indicators on children's health like the percentage of fully immunized children show negative correlation with per capita spending.[31] There is also evidence of a positive correlation between number of beds in public facilities and public spending on health per capita–this suggests that resources are located where people are looking for them. Brazzaville is an outlier with a much larger number of visits than any of the other regions.

Overall, health spending efficiency in Congo is still far from its potential. Using efficiency frontier analysis on data of all countries in the world (see Figure 37) this report finds that Congo is still lagging behind in term of efficiency. In fact, if life expectancy is consider as the proxy of the quality of health care in any given country, then with an average life expectancy of about 58 years at birth over 2008–2013, Congo is lagging behind many countries that have spent less on per capita during this period. In fact with the level of spending of the country during this period the efficiency frontier stands at a life expectancy of about 70 years at birth.

Equity of public health spending

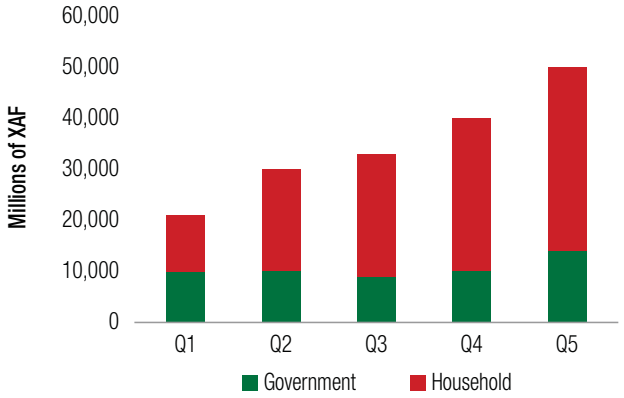
Government expenditures in health do not vary too much variation across quintiles, this is also a good sign in terms of equity. However, richer quintiles spend a lot more of their own money in absolute terms in obtaining health services (see Figure 4.38). There is a real possibility that households in the poorer quintiles are not accessing all the services and medicines they would need for lack of financial resources. Indeed, when asked about their level of satisfaction with the service received at health facilities, the most common problem identified is the fact of service being too expensive. This complaint is, unsurprisingly, more common in the lowest quintile of income. This problem seems to have intensified for the bottom quintiles from 2005 to 2011. Similarly,

FIGURE 4.37: **Efficiency Frontier in Health, 2008–2013**



Source: Authors computations based on WDI data.
Note: Congo is represented by the red point.

FIGURE 4.38: **Expenditure in Health by Government and Households in Quintiles**



Sources: ECOM 2011 and MOHP.

[31] Due to data limitation, the assessment of efficiency spending is the health system did not analyze the existence of a correlation between different levels of spending per capita, in each of the regions and variables that approximate the use of the system (numbers of visits) and health outcomes in each of the regions. Going forward, regular data collection at division (département) level should be encouraged if more reliable analysis of these relationships is to be undertaken.

when analyzing the reasons why respondents did not go to a health facility when they became ill, high price is the number one reason mentioned, particularly for the bottom quintiles of income. In this case, however, the situation seems to have improved from 2005 to 2011.

Taking total spending together gives a picture of a system that is not markedly pro-poor or pro-rich. To get a more accurate picture of government's spending by population segments it would have been useful to have a breakdown of spending by inpatient and outpatient at the hospital level, since the costs associated with each can be quite different, but that was not possible due to data limitations.

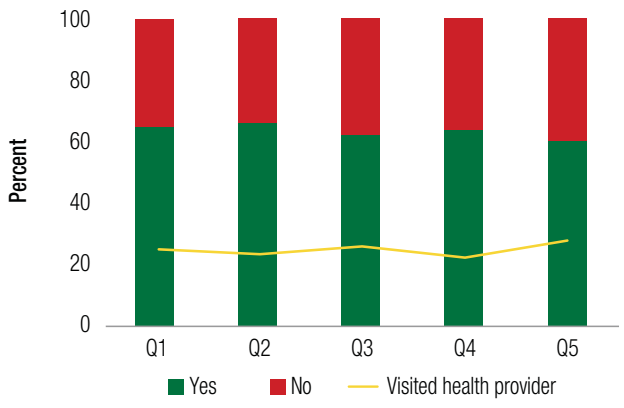
In Congo, government spending with ambulatory care is pro-poor, while government spending in hospitals is slightly pro-rich. HD PER of 2014, used Benefit

Incidence Analysis with data from the ECOM 2011 and from the NHA study (2010) to estimate the amount of government subsidy by visit to public providers, separately by hospital and ambulatory centers assuming constant unit subsidies. It found that subsidies per visit are higher for hospitals than ambulatory centers, as expected. In fact, hospitals receive more visits than ambulatory centers but in general ambulatory centers are more used by the poorest segments of the population.

The prevalence of health problems does not vary much across quintiles. In the same way, the percentage of respondents that reported seeking help from some type of health provider does not differ much across the quintiles of wealth (see Figure 4.39 and Figure 4.40). This seems to be a good sign in terms of equity—poorer individuals are not excluded from the system and know where to seek health care. It can also be a sign of the high level of urbanization of the country; according to the same survey a vast majority of population (85 percent) lives within 5km of a health facility. These numbers reflect both reporting of illnesses and visits to health providers.

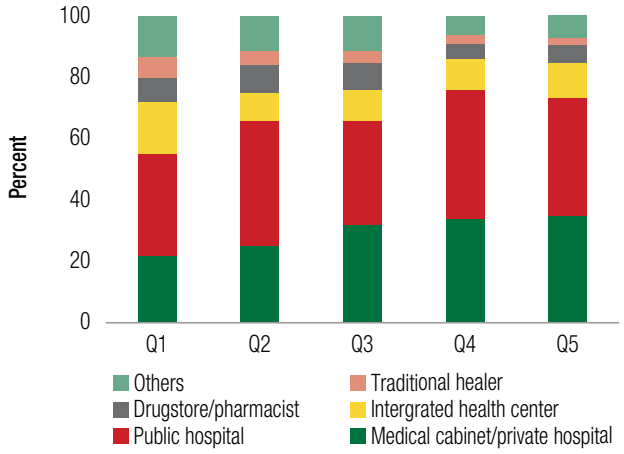
Meanwhile, as expected, the population in richer quintiles has more access to private care and uses less traditional medicine healers. The use of public facilities, however, does not vary much across quintiles,

FIGURE 4.39: **Reporting of Illness and Visits to Health Provider**



Source: ECOM 2011.

FIGURE 4.40: **Visits to Health Facilities by Type of Provider and Expenditure Quintile**

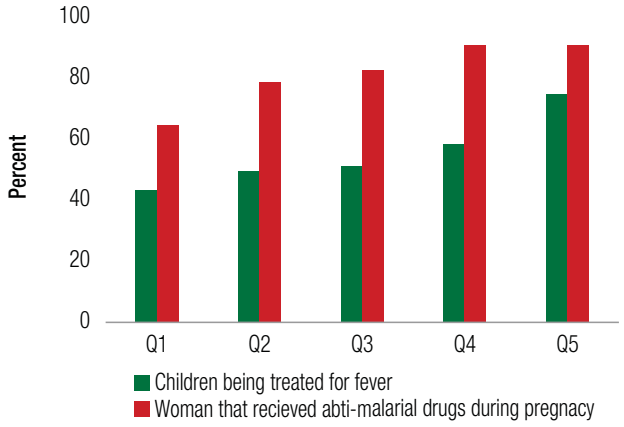


Source: ECOM 2011.

which is also a positive sign in terms of equity of access to public services. Figure 4.39 shows visits to health facilities by type of provider and expenditure quintile.

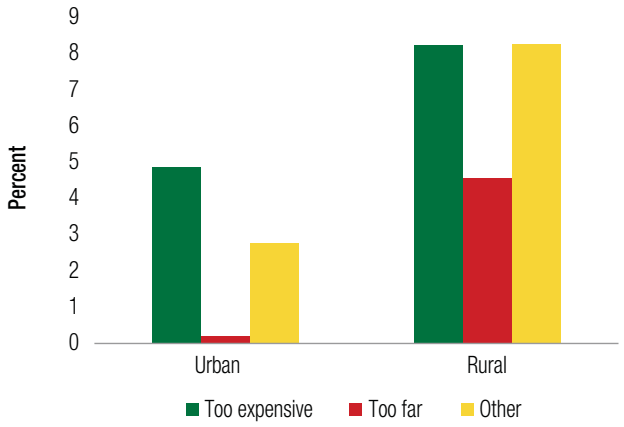
All these differences in access and ability to afford services and medicines are reflected in different health outcomes across quintiles. Obviously, not all the differences in health outcomes across quintiles can be attributed to inequities in access to the health system; several socio-economic characteristics and behaviors that are correlated to income (education, type of housing, etc.) play an extremely important role as well. As an

FIGURE 4.41: **Access to Malaria Treatment by Expenditure Quintile**



Source: ESDC 2011–2012.

FIGURE 4.42: **Reason Why Did Not Use Health Service when Needed, 2011–2012**



Source: ECOM 2011.

example, Figure 41 depicts the situation across quintiles for access to malaria treatment. Rural populations report a higher rate of illness than urban ones (40 percent versus 36 percent), but also report a higher use of health services for the reported illness. This at least gives some hope that services are available and populations know how to use them including in rural areas. When looking at the type of provider sought, it is clear that in rural areas there is less reliance on private health services and more reliance on informal providers like traditional healers and churches. The use of public services, however, does not vary much from urban to rural, with rural tending slightly more to CSIs than hospitals. These facts can be just a reflection of the different availability of services in rural areas.

The very high cost of health services is a major barrier to health care both in rural and urban areas in Congo. Looking at reasons for not accessing a health provider in case of illness, it is clear that surveyed populations in rural areas report more problems both in terms of the price of services and distance. In the same way, rural households seem to have more reasons for complaining about the service recently received than the urban ones. Meanwhile, the "too expensive" complaint leads the way, followed by "lack of medicines." These results seem consistent with the ones observed for the different levels of income quintiles, and price again seems to be a barrier of access to low-income populations (see Figure 4.42).

4.3.4. Recommendations

Policy to render government health spending pro-poor

Policymakers could adopt policies that seek to bridge the gaps in health status between the poor and the non-poor. Achieving nationally better health status indicators in Congo is commendable, but policymakers in the country should pay more attention to the evolution of inequality in health status and should adopt policies that seek to bridge the gaps in health status between the poor and the non-poor. For example, allocating a growing share of public financing to the poorest departments in the country might help to achieve this goal.

Congo could define a national policy to identify the poor and vulnerable, in order to waive user fees for them in government health facilities. This policy might also help to reduce inequity in access to basic health services and nutrition supplements, and inequality in health status. A policy of targeted public subsidies for the poor should also comprise a mechanism to compensate public providers for the user-fee income forgone as a result of their acceptance of waivers for the poor and vulnerable.

There is a need to increase government financing of health in Congo. This could move from 5.7 percent of the budget in 2013 to 15 percent of total government spending. Further improving health status and

financial protection in Congo's health sector calls for increased volumes of financing. This would be in line with the Abuja Declaration by which African Union members pledged to commit 15 percent of their budgets to health.[32]

The government could carry out an actuarial study of the Cordaid[33] benefits package, or of alternative formulations of a benefits package in Congo, in order to determine the volume of public and private financing required to deliver explicit benefits. In fact, expanding and rationalizing government health spending and moving toward Universal Health Care may call for the explicit definition of a benefits package in Congo.

Policies to render government health spending more efficient

National hospitals, all of which currently receive block grants from the government, should be evaluated to determine the efficiency consequence of such grants and to make any necessary changes in this financing mechanism in order to improve efficiency.

Congo should adopt a policy to progressively expand the share of public resources going to health dispensaries and health centers. It would allow CSIs to waive user fees for poor and vulnerable patients and it would also serve to attract more qualified health staff to these facilities through higher salaries and the adoption of economic incentives. More public subsidies would also serve to subsidize an expanded set of basic medicines, a policy that the government has started but which has met logistical problems owing to a faulty implementation.

Assessing hospital occupancy, the reasons behind low occupancy rates, and the feasibility of closing some beds in order to reduce unnecessary hospital spending is a research priority. The authors found limited information with which to judge efficiency in the production of health services in the public sector. A noteworthy finding, however, is the low rate of utilization of hospital beds around the country, except in Brazzaville.

Policies to increase access to health services

Health authorities could make treatment protocols available to health staff and train them in the use such protocols. This will improve the quality of health care in government health facilities throughout the country.

Congolese health authorities could revise the user fee policy of government providers. Outright abolition of fees is not recommended because it is likely to lead to greater access problems than in the current scenario, such as widespread out of stock situations with drugs in facilities. However, government may want to regulate the fees to ensure that they are not abusive, that they are waived for the poor, and that the provider is compensated accordingly, and that these fees are charged only for medicines and not for other services.

Congo should consider hiring qualified health staff in all public facilities throughout the country. This could improve access to these facilities. Currently there is a lack of doctors and nurses in CSIs, particularly in the more rural and remote locations. All countries face the challenge of endowing rural health facilities with appropriate staffing, and many countries have adopted a system of economic and other incentives to achieve this objective. Congo would benefit from learning about such approaches in order to identify those that could work in the country.

Policy to improve the evaluation of the government spending

Congo needs to produce data and maintain databases on heath indicators and budget and spending data in the health sector. Since health status improvement is a central objective of any health system, it is indispensable that a new survey be conducted in the near future, to verify that the gains reported in the EDSC are maintained or furthered, and also to confirm that results are aligned with the EDSC 2011–12. Additionally, government and the development community should continue to

[32] For example, Rwanda, which is aggressively seeking to expand health coverage, devotes 10.8 percent of GDP to health and 57 percent of that amount comes from the government. Ghana, which is also actively promoting health coverage expansion, devotes 4.8 percent of GDP to health and the government contributes 56 percent of that amount.

[33] A Dutch NGO in the health sector.

support in a systematic way the initiative that led to the production of the 2012 Statistical Yearbook. These efforts should involve the strengthening of institutional capacities in health management information systems, both at the central and decentralized levels, the training of staff involved in data collection and reporting, and the supply of computers and other equipment required to operate such a system.

4.4. Public Expenditure Review in Energy

From 2008 to 2012, the Government took strong measures to strengthen the productive capacity, transmission, and distribution of electrical energy. This includes the construction of a gas power plant with a capacity of 300 MW in Pointe Noire as well as a hydroelectric dam in Imboulou with a capacity of 120 MW. For the transport of electrical energy, the government is rehabilitating the transmission and distribution network in Pointe Noire and Brazzaville and lines associated with the Imboulou power plant. Progress is being made in upgrading part of the energy infrastructure, which will enable generation capacity to potentially cover the country's current needs. The installed capacity has increased from about 90 MW in 2001 to 600 MW in 2013.

Even though the potential of electric power supply currently exceeds demand, the total available capacity is low due to the dilapidated state as well as the weak transfer capacity of the transmission and distribution facilities. Distribution of electrical energy from the newly completed power plants remains suboptimal due to the advanced state of degradation of distribution networks and delays in the rehabilitation of power lines,. This has resulted in a situation where, even though *potential* supply is more than adequate, *actual* supply provided is not sufficient to meet the demand of the country. **The lack of rehabilitation and maintenance of facilities and equipment has seriously eroded the capacity of the SNE to meet energy demand.** Insufficient resources have been devoted to the maintenance of energy facilities. This has led to the dilapidation and saturation of production, transmission, and distribution equipment, which causes significant losses of more than 50 percent of the energy actually produced and invoiced, which make electricity supply inefficient and little reliable. Moreover, in coming years, a substantial increase national demand is expected, reflecting the anticipated increase in urbanization, the implementation of mining projects, and the objectives of the industrialization policy. Therefore, the rehabilitation of the power grid is a high priority in the short to medium term.

The section finds that the absence of budget credibility is the main issue for public expenditure in the energy sector in Congo from 2008 to 2013. The energy sector has substantially exceeded its allocated budget each year since 2006. An average execution rate of about 140 percent over 2008–2012 is a sharp increase from about 105 percent in 2004–2007. The analysis of investment execution rates show that budgetary authorities have over-executed in recent years. Poor planning and cost overruns in the construction of energy infrastructure are the main reason for this very high rate of execution. These raise a flag about the robustness of the budgetary and disbursement system in Congo to monitor efficiency in the execution of the country's budget. The relative share of total spending in the energy sector in the country remained stable in 2008–2012 at about 8.3 percent, which is a substantial increase from the rate observed in 2004–2007, when the share of the government budget devoted to the energy sector fluctuated from 1.5 percent to 4.0 percent, an average of 2.4 percent during this period. This share jumped from 4.0 percent in 2007 to 10.7 percent in 2008 because of the government's plan to build the Imboulou Dam, the Pointe Noire thermal center power plant, and a power transport line.

Moreover this section finds that the government spending in the energy sector has been fairly inefficient. In fact, during this period, the growth rate in the energy sector decelerated, moving from 7.7 percent on average in 2003–2007 to 5.1 percent in 2008–2012 despite massive investments in the sector over the latter period. The increase of government spending in the sector clearly failed to stimulate the growth of the production in the sector. In fact, these investments did not

result in improving utilization of production capacity between 2008 and 2011. Despite the entry into production of Imboulou and CEC power plants in 2010, Congo produced only 25 percent of its capacities in 2011, as compared to 31 percent in 2008. The efficiency of government spending suffers from absorption capacity issues and from poor planning and coordination.

Based on these findings, the PER key recommendations are that the government should: i) strengthen national and regional planning capacity to formulate a strategy for solving the energy deficit in Congo; ii) make an effective institutional framework by operationalizing the regulatory agencies and diversifying the actors to spread financial risk sector investment which today is too focused on the Congolese state; iii) restructure the SNE to improve revenue collection performance and restore its financial balance; iv) master the changing demand and improve the efficiency of electrical systems; and v) attract private investment through balanced financial incentives to strengthen capacity. This section is adapted from the Energy sector PER in Congo (see African Development Bank (2014a and 2014 b) for details).

4.4.1. Background of the Energy Sector

Energy infrastructure of the Republic of Congo is insufficient and is managed inefficiently. The national strategic planning in the energy sector is insufficient and does not yet have a medium-term and long-term strategy. The Congo has not updated its plan of priority actions in the sector. Projects contained in prior priority actions plans are already completed or under implementation. As a result, the Ministry of Energy and Water currently only monitors past projects, given the lack of targets for the next three years. Meanwhile, a new master plan of the energy sector is being development by the government with the technical assistance of Electricité de France (EDF).

Institutional capacity and sector framework is inadequate despite institutional reforms. Sectoral policies and strategies for the energy sector were updated in 2010. Despite these advances, the institutional and regulatory framework for infrastructure remains low for several reasons. First, most jurisdictions and departmental agencies do not have all the technical and financial capacity to ensure effective regulation of the sector. In addition, Congo does not yet have legislation with specific provisions governing public and private partnerships (PPP).

Moreover, the master plan for restructuring public water services and electricity has not yet been updated. This plan for restructuring public water and electricity services was written in 2008 and provided for 2015, including liberalization of production, marketing, and distribution of electricity with a refocusing on the transport activities and production. The regulatory agencies are not yet fully operational and independent. The country is lagging behind its peers in terms of consumption, access and reliability. According to the infrastructure index of AfDB (2010) on the energy dimension, Congo has low scores relating to the quality of energy infrastructure. The country is ranked 32nd out of 53 countries on the continent for the energy development dimension of the index. The rate of access to electricity (30 percent of the total population) is below the average of other low-income developing countries (41 percent). Even if the country no longer dependent on imports from the DRC, through an ambitious investment plan prepared for the 2008–2012 period, distribution remains unreliable.

The operational performance of the parastatal infrastructure services is weak and hence, limit investment in the rehabilitation and expansion of the system. The National Electricity Company (SNE) is the main source of inefficiencies in the sector. Losses in transmission and distribution reach 47 percent of the generated power, which is high compared to the average of 27 percent of other resource-rich African countries. Financial losses equivalent to 37 percent of the revenue of the SNE. This is likely due to lack of maintenance and rehabilitation of the existing distribution network, and permissive policy towards illegal connections.

There is also an overstaffing, which is relatively high compared to other African power companies. Finally, the company recovers only 88 percent of its bills. Significant hidden costs impede the ability of the SNE to improve its investment return and limit its capacity of rehabilitation and/or expansion In Congo, the electricity infrastructure

services are under-billed.[34] The current prices barely cover half the cost of providing the service, while the total cost recovery would be affordable for the population.

4.4.2. Budget Allocation in the Sector

Government spending in the energy sector almost doubled in absolute terms from 2008 to 2012. It moved from XAF 108 billion in 2008 to XAF 205 billion in 2012. Given the significance of the expenditure in the energy sector, over 85 percent of the budget allocated to MEH is devoted to the Energy sector. The volume of public expenditure devoted to energy almost doubled between 2008 and 2012, from XAF 108 billion to XAF 205 billion. A significant effort was made by the Congolese government to develop electricity infrastructure and improve production capacity. The budget of MEH almost doubled from XAF 116 billion in 2008 to XAF 226 billion in 2012.

The share of current expenditures in the energy sector is relatively insignificant compared to investment

[34] Many households are lump sum billed customers with monthly payment far from actual consumption.

TABLE 4.9: **Republic of Congo—Sectorial Expenditures of MEH Over the Period 2008–2013**

							2008–2012
Commitments (Billion XAF)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Sum**
Total expenditures and water power	116	53	137	126	226	165	658
Current expenditure and water power	3	4	7	6	8	14	28
Including energy	2	3	4	4	7		20
Including hydraulic	0	0	3	2	2		7
Unaffected	0	0	0	0	0		0
Energy expenditure and investments hydraulic	113	49	130	120	217	151	629
Including energy	106	30	113	85	199		533
Including hydraulic	7	17	17	35	19		95
Unaffected	0	2	0	0	0		2
Total expenditure (excluding debt)	1080	991	1186	1711	2545	2798	7513
Total current expenditure (excluding debt)	636	502	589	680	1010	1002	3417
Total investment spending	444	489	597	1031	1535	1796	4096
	In percentage						**Average**
Expenses ratio MEH/total expenditures	10.7	5.3	11.6	7.4	8.9	5.9	8.3
Ratio of current expenditure/total expenditure	0.5	0.8	1.2	0.9	0.8	1.4	0.9
Ratio of investment expenditures/total expenditures	25.5	10.0	21.8	11.6	14.1	8.4	15.2
Structure of MEH expenses							
Energy ratio	93.1	62.3	85.4	70.6	91.2		80.5
Hydraulic ratio	6.0	32.1	14.6	29.4	9.3		18.3
Unaffected Ratio	0.0	3.8	0.0	0.0	0.0		0.8
Energy expenditure structure							
Current expenditure ratio	1.9	9.1	3.4	4.5	3.4		4.5
Ratio Capital Expenditures	98.1	90.9	96.6	95.5	96.6		95.5

Sources: Comptes Administratifs and détail des BIPs.

expenditures. They are usually at around 3 percent to 4 percent of total spending of the sector.[35] These consist primarily of personnel costs, goods and services, and transfers.

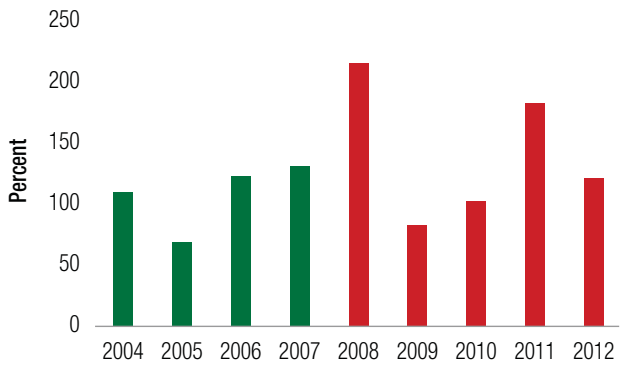
Allocations of investment expenses were over 95 percent of total infrastructure spending over the 2008–2012 period, while operating allowances represent less than 5 percent of total spending. This imbalance between the two categories of expenditures explains the lack of maintenance of existing equipment and infrastructure. The 2010 AICD study on Congo estimated that nearly 23 percent of total infrastructure spending must be used for operation and maintenance. These differences are urgent in energy sub-sectors. Using a more detailed analysis, a drop is seen in the share of investment spending in energy sector capital investment in the country. Indeed, energy investments amounted to 14 percent of total investments in 2012, against 26 percent in 2008. This decrease can be explained by the increase in investment in other sectors of the economy.

The relative share of total spending in the Energy sector was stable between 2008 and 2012 at about 8.3 percent, which is a substantial increase from the rate observed between 2004 and 2007. Between 2004 and 2007, the share of government budget devoted to the energy sector fluctuated from 1.5 percent to 4.0 percent. On average this share stands at 2.4 percent during this period. This share jumped from 4 percent in 2007 to 10.7 in 2008 because of the government's plan to build the Imboulou Dam, the Pointe Noire gas power plant, and a power transport line. Since that these projects are multi-year projects the budget for the sector has remained at a high level.

4.4.3 Budget Execution Rate of Expenditures on Energy

Unlike other sectors discussed previously, the energy sector has substantially exceeded its allocated budget each year since 2006. The average execution rate of the energy sector averaged about 140 percent over 2008–2012, a sharp increase from about 105 percent from 2004 to 2007 (see Figure 4.43). Analysis of investment

FIGURE 4.43: **Budget Execution Rate in the Energy Sector**



Sources: Comptes Administratifs/détail des BIP, Congo PER, 2008.

execution rates show that budgetary authorities have over-executed in recent years. Poor planning and cost overruns in the construction of energy infrastructure are the main reason for this very high rate of execution. These raise a flag about the robustness of the budgetary and disbursement system in Congo to effectively and efficiently monitor the execution of the country's budget.

The Congolese system of public investment has several shortcomings that are illustrated by the expenditure of the sector. First, the project costs are significant and frequently exceed budget allocations. Second, both technical preparation of operational staff and project quality are generally low and uneven; projects contribute to the achievement of low sector strategic objectives despite being fully executed. Third, many weaknesses are rooted in the urgency that accompanies project preparation at this scale, not the least of which is the myriad of specific demands to which the projects are supposed to meet and the overlap of responsibilities between various authorities and stakeholders.

In addition, institutional and governance issues contribute significantly to limiting the sector's success. Many project decisions are not based on socio-economic analysis. Indeed, only projects financed by international institutions are generally subject to

[35] The peak of 9 percent in 2009 is due to a sudden reduction of the investment budget of the sector.

economic analysis. Studies are rarely performed on the project options favoring running costs. The rule requiring the publication of the results of the tender process is frequently ignored. The government used consulting firms to conduct technical studies on large projects, but the deficiencies in these studies have led, in many cases, to increased costs for implementation. Furthermore, procedures are inadequate to ensure the quality of technical studies. In fact, neither the line ministries nor the Ministry of Finance have sufficient technical capacity to ensure the quality of these studies. Hence, at the micro level, analytical and policy efforts should focus on the central issues of the effectiveness and cost-benefit ratio of public expenditure.

A major weakness of the energy sector spending system is related to the channel through which most of the investments are done in the energy sector: the Délégation générale aux grands travaux (DGGT). In fact, in Congo, any investment project with a budget exceeding XAF 1 billion is planned, programmed, and executed by the DGGT. In theory this is done in coordination with line ministries. Given that almost all investments in the energy sector exceeded this threshold, all were planned and executed by the DGGT; there was, however very little coordination with the MEH according to civil servants involved in the process. This absence of coordination led to poor sequencing of investments in the energy network. Moreover, the high tendency of the DGGT to use exceptional budget execution procedures such as OPPA have rendered a priority control of the budget execution irrelevant, leading to substantial costs overruns.

4.4.4 Efficiency of Investments in the Energy Sector

Government spending in the energy sector has been fairly inefficient if measured by sector outcome. In fact, during the 2008–2012 period, the growth rate in the energy sector decelerated. Indeed, it moved from 7.7 percent on average in 2003–2007 to 5.1 percent in 2008–2012 despite massive investments in this sector over the last period. Growth in government spending in the sector clearly failed to stimulate the growth of sector production The IGSOR increased substantially, from 16.5 in 2004–2007 to 76.5 in 2008–2012 in the energy sector (see Figure 4.44), indicating a significant deterioration of the efficiency of public spending in the energy sector. The efficiency of government spending suffers from absorption capacity issues and from poor planning and coordination.

Box 4. 3: Diagnosis of budget expenditures for 2008–2012

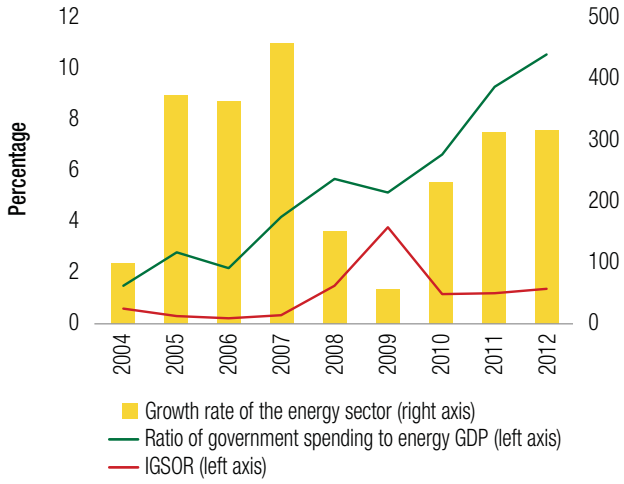
The energy sector shows that there are areas for improvement as well as some strengths.

Areas for improvement include: (i) difficulties in establishing coherence between spending and sector policy over the period 2008–2012; (ii) budget allocations not systematically aligned with sector policy; (iii) very lax compliance with budgetary discipline by the sector; (iv) lack of clear budget classification including projects texts; (v) the need for clarity and rigor in budgetary reporting; and (vi) inclusion in the budget of the projects funded by partners.

Strengths include: (i) existence of a budget detailing projects by investment and operating costs; (ii) existence of a framework of medium-term expenditure framework (MTEF) 2012–2016 of the MEH; and (iii) internal financing of sector spending.

Source: Republic of Congo Energy PER, 2014

FIGURE 4.44: **Sector GDP Growth Rate 2000–2013**



Source: World Bank staff computations.

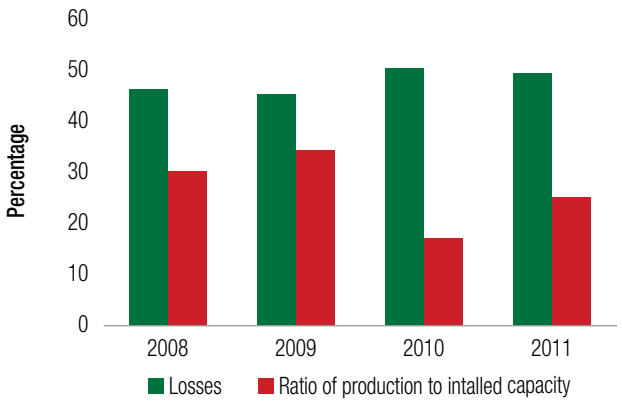
Access to electricity improved between 2009 and 2012, from 45 percent in 2009 to 58 percent in 2012. Investments in production capacity that increased electrical capacity from 171 MW in 2008 to 591 MW in 2012 have contributed to this improvement. These investments have reduced the electricity imports from DRC.

However, these investments did not result in improved utilization of production capacity from 2008 to 2011 because, despite the entry into production of Imboulou and CEC power plants in 2010, Congo produced only 25 percent of its capacities in 2011, against 31 percent in 2008. This underutilization of capacity can be explained by: (i) the limited capacity of transport network hindering the distribution of the installed productions;[36] (ii) the obsolescence and the weakness of maintenance efforts for existing plants—the electric facility of Djoué was stopped in 2008, and did not contributed to domestic production from 2008 to 2012, despite rehabilitation work; and (iii) the reduced use of electric facilities in Moukoukoulou and CTB since 2010 (which became an extra electric central) after the entry of Imboulou and CEC.

The level of energy losses remained stable at around 46 percent over the period 2008–2012, despite the significant investments realized.[37] This high level of losses can be explained by the poor technical configuration of the Congolese' electricity network through the technical deficiencies of the SNE in the management of the distribution network, and unbilled consumption (Government and household's package) (see Figure 4.45).

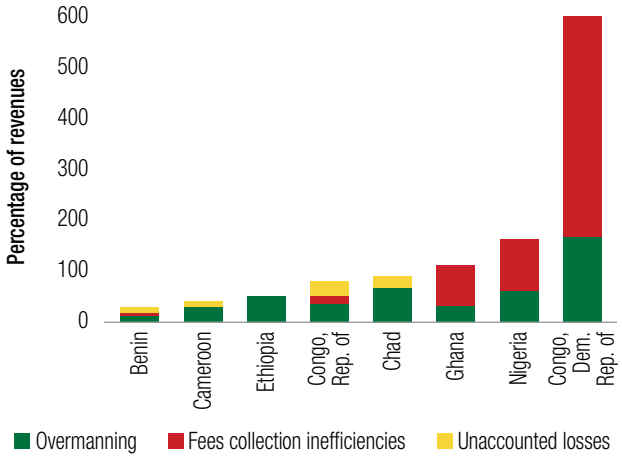
The National Electricity Company (SNE) is the main source of inefficiencies in the sector. Losses in transmission and distribution can be as high as more than 50 percent of the power generated, compared to the average of 27 percent for other resource-rich African countries (see Figure 4.46). Financial losses are equivalent to 37 percent of revenue from the SNE. This is likely due to lack of maintenance and rehabilitation of the existing distribution network, and a permissive policy towards illegal connections. There is also relatively high overstaffing compared to other African countries. Finally, the company only covers 88 percent of its bills. These significant hidden costs impede the ability of SNE to recover its costs and thus limit its ability to invest in the rehabilitation and extension of the system. The current rates, already high by continental standards, are sufficient to cover operating costs, but if investment needs are accounted for recovery costs are only 53 percent.

FIGURE 4.45: **Evolution Networks Losses and Capacity in the Energy Sector**



Source: Energy sector PER, 2014.

FIGURE 4.46: **Selected SSA Countries – Hidden Costs**



Source: Briceño-Garmendia et al.2008.

[36] Significant investments for network improvement were identified in 2012 and 2013.

[37] Distribution losses include losses in transmission and distribution networks (lines).

TABLE 4.10: **Evolution of Electrical Power**

Power plants	2008–2009	2010–2013
Moukoukoulou	74	74
Djoué	15	15
Central Thermal Djéno	50	50
Centrale Therma BZV	32	32
Imboulou	0	120
CEC	0	300
Total	171	591

Source: SNE/MEH.

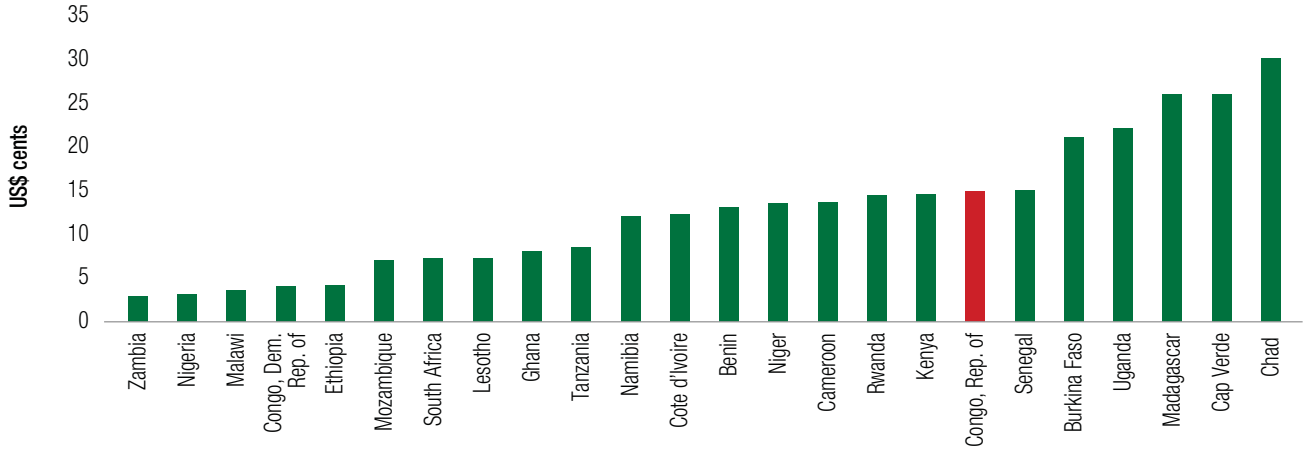
The backwardness of the Congolese energy sector is particularly significant in terms of transport of energy. Despite a hydroelectric potential estimated at 14,000 MWh, the access to energy infrastructure in Congo is low. The access rate to electricity is around 30 percent of the total population, which is below the average of other developing countries with low incomes (41 percent). Congo ranks 32nd out of the 53 countries in the 2010 Energy Development Index Infrastructure Development of the African Development Bank. In 2012, the Congo had a capacity of 591 MW, compared to 171 MW in 2008 (see Table 4.10).

The access to electricity in 2008 is well below the average of others African countries, in both urban and rural areas, but the situation has been particularly severe over the past few years with an access rate of only 16.4 percent. Households in rural areas belonging to the upper two income quintiles spend less than 0.2 percent of their budget on electricity.

The south has easier access to the electrical network of the SNE, while the north is often reduced to off-grid power, which is much more expensive. Therefore, the real price of electricity in the north is three times higher than the south. For example, all forest concessions in the north (and some in the south) are too far away to benefit from the electrical network and must rely on their own diesel generators for the treatment of wood. The cost of production based on diesel is estimated at $0.23 per kilowatt-hour for the concessionaires in the south, where fuel is cheaper because of the proximity of Pointe-Noire, but it is $0.62 per kilowatt hour in the North, almost three times as expensive. By comparison, the long-term marginal cost of grid electricity is $0.08 per kilowatt-hour and could drop to $0.06 if the country had sufficient infrastructure to import electricity from Cameroon (see Figure 4.47). Figure 4.48 shows the budget share for electricity per household, by quintile, depending on region, for 2005.

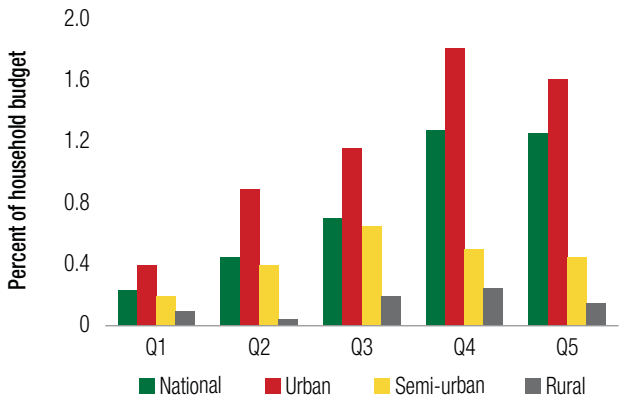
The projections of investment execution rates indicate that budgetary authorizations were over-executed. Indeed, the implementation of an extensive program of public investment entails major challenges at the project level. In the specific case of the Congo, several reasons can explain the fact that resources were diverted to different

FIGURE 4.47: **Selected SSA Countries – Effective Residential Tariff at 100 KWh**



Source: Briceño-Garmendia et al.2008.

FIGURE 4.48: **Household Budget Shares for Electricity, 2005**



Source: IMF, 2009.

objectives, or misspent, instead of contributing to growth. The Congolese system of public investment has several shortcomings: First, project costs are significant and are frequently subject to cost overruns. Second, both the technical preparation of the staff and the quality of projects are generally low and unequal; as a result, these projects do not contribute as well as they could to strategic objectives, despite being fully executed. Third, many weaknesses are due to the speed with which projects are prepared, the many specific demands that projects are supposed to meet, and the overlap of responsibilities among the various authorities and other actors. Institutional and governance issues also contribute significantly to the limited success of these projects.

4.4.5 Recommendations

From the above assessment of public spending in the energy sector some policy recommendation to improve public spending in the sector can be made. They can be are summarized under five points.

Strengthen the capacity of national and regional planning to formulate a strategy for resolving the energy deficit in Congo and the coordination between DGGT MEH on investment in the energy sector.

National energy planning should be improved by: strengthening technical and human resources planning, improving the demand estimations for electricity and predicting its trajectory; and by committing to a shared vision that takes advantage of regional synergies. In addition, a better coordination between DGGT staff and MEH staff is required in order to improve the quality of investment sequencing and programming in the sector. Finally, the DGGT should consider improving the efficiency of its business model.

Fostering an effective institutional framework by operationalizing regulatory agencies and diversifying the actors in order to spread the financial risks of investment in the sector, which is currently too centered on the Congolese government.

Given the scale of investment needed to increase production capacity and access to electricity, the use of private capital is necessary. Indeed, the introduction of independent power producers has two key advantages: the distribution of financial risk among several operators in the sector due to the separation of the business of production and distribution, and the mobilization of additional financing and capacity-building of power generation, ultimately improving the energy supply.

Restructure SNE to improve its performance and restore its financial balance.

The government is already taking important steps towards reforming the SNE; this reform will tackle operational challenges on the part of the SNE. For instance, among others, two actions might facilitate the restoration of the SNE: (i) develop control activities to identify problems of recovery and fraud; and (ii) promote and generalize the promising innovative system of prepaid meters, which, with only a modest management cost allow customers to better manage their consumption and greatly simplifies the issue of recovery.

Improve demand side management (DSM) and the efficiency of electrical systems.

In terms of economic and financial profitability, public money should be invested to improve energy sector

efficiency: for a given demand by developing energy conservation and various measures of energy conservation to reduce the level of consumption, increase the performance of power generation, and the distribution network and for a given supply by increasing the performance of the power generation and distribution network. This better efficiency could provide comparable gains and sometimes greater gains than investing in the development of an additional energy production. In particular, the use of Compact Fluorescent Lamps (CFL), still not widespread in Congo, should be encouraged among the population. A progressive tax (as VAT) on energy consumption would also help empower and educate actors. Finally, funding measures could complement tax measures to encourage industries to diversify energy sources.

Attract private investment through financial incentives to build capacities.

Investment decisions depend on risks and returns of projects. Such decisions do not only depend on the legal security and wider business environment, a common factor in attracting investment in all its forms (PPP, concessions, BOT, BOO). As in other economic sectors, decisions also depend on the creditworthiness of the consumer market and the prospects of profitability. This requires more attention from the government and regulators on the financial terms of these investments and their institutional and regulatory environment. On this issue, there is no universal equation to reconcile and balance the rights and duties of the public and private enterprises.

The obstacles to the implementation of tax benefits relating to the creation of investments designed to reduce the initial cost (for instance, exemptions from customs duties on imported equipment for the construction of new facilities and modernization of the network) and those relating to operations (such as income tax and other direct tax exemptions during the first years of operation) should be corrected by the simplification of controls and application systems. Of course, these tax measures will be useful only if the business environment is attractive enough for investors.

Among the different financial conditions that could make the energy sector attractive for investment is the choice of a pricing system (price cap) that is strongly linked to project profitability. Proper planning should allow governments to assess their energy needs and potential demand in order to properly negotiate with the operators over fee schedules and the level of investment.

Finally, given the technical complexities and uncertainties in the electricity sector, it is useful in many cases to define as precisely as possible the specific commitments of the government and private operators.

PART III
ASSESSMENT OF PUBLIC FINANCE MANAGEMENT SYSTEM

This part of the report consists of three chapters. Chapter 5 focuses on the planning system as well as the budgetary process. Chapter 6 covers public financial management issues. Chapter 7 focuses on public procurement issues and their linkages with budget execution.

Planning System and Budgetary Process

5

The Congolese government has adopted a process to prepare its budget. However, although there is a specific and official schedule for the programming process of public investment, the process is not effective. The program identifies projects to be included in the State budget on the basis of public policy objectives and well-defined criteria. In order to be effective the investment planning process must be clearly planned in the budget preparation calendar. Currently, however, very few projects are subject to feasibility studies prior to enrollment in the State budget and project selection is no longer under the mechanism that has been put in place. As with recurrent spending, the preparation of the investment budget is led by SCMBF, through the central MTEF. Using the central MTEF, the Standing Committee of Macroeconomic and Budgetary Framework (SCMBF) drafts recurrent and capital allocations, but most investment projects are budgeted without prior studies.

The budget execution process is very complex and leads to significant delays. The execution of the budget includes several actors, steps, and procedures. Due to a codification procedure, the budget is hardly enforceable with normal procedure on January 1 of each year. Budget expenditures execution is scheduled by the Directeur Général du Budget (DGB) and settled by the Treasury. The Minister in charge of Finance is the main organizer of budget. State expenditures are provided in the finance law and must comply with laws and regulations. The Financial Controller is responsible for ensuring compliance with regulations for implementation of spending.

The Treasury, which centralized and managed revenues collected by various government agencies, improved many aspects of its management, however the risk involved with cash management remained substantial. The Minister in charge of Finance is the main organizer of the State revenues and the treasurer-general-paymaster is the principal accountant of the State budget. The treasury account is comprised of cash, short-term bank loans, and short-term financial assets, which are said to be centralized in a single treasury account.[38] Since 2008, the Treasury improved many aspects of its management, for example the collection and transfer of oil revenues by SNPC has significantly improved according to EITI reports. In addition, the

[38] However, this only the case of the Treasury current account; the saving accounts are not centralized and are not under the Treasury direct management. In addition, some other agencies that collect some government revenue send it to the Treasury current account with some delays.

realization of budget surpluses over many years is a sign of good performance of the Congolese treasury system. However, low cash management capacity actually hinders the quality of data and limits the overview. The risk of the system of cash remains fairly substantial, mainly because the Treasury management has not been able to systematically the required document in support of its cash operations.

Based on the findings of this chapter, the following measures appear appropriate to the context: i) accelerate the reform of the legal and regulatory framework of public accounting; ii) apply relevant procedures of the accounting instruction of 2001 on a cash basis before the adoption of a new general regulations on public accounting; iii) implement strict internal control mechanisms, which by periodic statements of reconciliation will eliminate the risk of accumulation of arrears of revenue collection; iv) establish an effective cash management system; and v) design and implement an all-actors budget implementation training program including cash planning and implementation of fiscal regulations.

5.1 Programming and Budget Cycle

5.1.1 Budget Preparation

The Congolese government has adopted a process to prepare its budget, however it is not fully applied[39]

The budget calendar is established in late February or early March of each year; it determines the steps to follow in order to enact the finance law but it is not always fully applied. The budget calendar is the steering instrument of the preparation of the Finance law. It describes budgetary activities undertaken from the beginning of the previous year (outstanding) until the promulgation of the new finance law. It is established in late February or early March of each year. It determines the steps to follow in order to enact the finance law by the Head of State, defining activities, deliverables, and responsibilities. In fact, some activities may involve one or more jurisdictions. However, this calendar is not always fully applied. For example, the 2014 budget calendar did not comply with its timing on the implementation of the Medium Term Expenditure Framework process (MTEF).

Under the authority of the Head of State, the Minister in charge of Finance is responsible for drafting the finance bill and the budget. He prepares the draft budget law, which is approved by the entire Cabinet, as stipulated in the organic Law of the financial System of the State (LORFE) of 2012.[40] The finance bill of the year is drafted using a multi-year fiscal and economic program document, which covers a period of three years. The document of fiscal and economic programing is presented by the Minister in charge of Finance, then reviewed and approved by the Cabinet.

Budget preparation takes place within an organizational framework, the Standing Committee of Macroeconomic and Budgetary Framework (SCMBF), which prepares periodic reports of the budgetary framework. The NDP is the basic document for budgetary planning. It traces the budget estimates, and for each ministry it defines its strategic share that is updated each year based on socioeconomic conditions. In June of year n-1, the Committee prepares the macroeconomic framework, which is used to prepare the programming report. The programming report is the key document used to prepare the budget. The budget conference process generally begins in July of year n-1 and ends in September.

The review of the budget bill takes place in each house of the parliament (the National Assembly and the Senate) through their economic and financial affair committee. The process begins with the submission of the budget bill before each house of parliament. These houses organize discussion sessions with line ministries on their proposed budget. On this basis, each committee prepares a report that is submitted to the plenary session. The voting process for the finance bill is in two stages. In the first stage the economic and

[39] See Box A5.1 in appendix.

[40] Articles 12 and 13: "under the authority of the Head of Government, the Minister in charge of Finance prepares draft finance laws that are approved Cabinet."

finance committee vote on the bill. In the second stage, the entire house votes in a plenary session. This vote enables a consensus within the committee about amendments that were mostly retained. The law is passed and promulgated by the President of the Republic before the first day of year n.

The government would like to render its budgeting, a result-based process

The Government is committed to undertake reforms to improve the quality of its operations and results, reflected by the establishment of the Comité National de Lutte contre la Pauvreté (CNLP)[41] and the Committee of monitoring and evaluation of public policies and programs (CSEPPP) in 2011. Specifically, the President of the Republic provided to the government a roadmap[42] covering the period 2012–2016 and requires of each Minister a specific task to ensure that his national policy achieve its goal on populations. In addition, improving the preparation and execution of the budget, matching with results on a multi-year basis through the MTEF is part of the search for efficiency in the management of public policy, as it has been reflected in the NDP 2012–2016. Finally, the Annual Work Plans (AWT) of all ministries are operational tools of Results Based Management (RBM), which are ultimately reviewed by CSEPPP when preparing the budget to assess the Government forecasts for the guidance of the Head of the State.

However, recurrent issues arise in operation, production, and dissemination of periodic reports. The government is facing many difficulties in the implementation of its monitoring and evaluation apparatus: meetings are not regular; there is conflict between institutions on their respective responsibilities; there is a lack of computer networks and/or websites in some ministries (for releasing official documents); the highly centralized administration requires clearance for everything. These issue indicate a need to: i) build technical capacity of these two committees in the overall context of improving the coordination by the Government of technical teams; ii) effectively implement tools to support decision-making; and iii) establish a coherent national policy of managing for results.

The programming process of public investment has a specific official schedule however, this process is not effective

The program identifies projects to be included in the State budget on the basis of public policy objectives and well-defined criteria. Main actors involved in the programming of public investments are: Direction des Études et Planification (DEP),[43] line ministries, the Direction Général du Plan et du Dévelopement (DGPD),[44] the Centre for Study and Assessment investment Projects (CEPI), and the Commission for the identification and selection of public investment projects (CISPIP).

The NDP 2012–2016 is the general framework of strategic planning in the Republic of Congo, where there are broken key strategic objectives. The NDP is currently the main reference in the programming of budgeting and monitoring activities during the five years that it covers. It presents a summary of sector strategies and policies as well as actions and budget planning medium-term programs. The NDP document includes i) the Program of Priority Actions/Medium Term Expenditure Framework (PAP/MTEF) of the government from 2012 to 2016; ii) the macroeconomic and fiscal framework (CMB) 2012–2016; and iii) the institutional framework, monitoring and evaluation of the strategy implementation of PAP/MTEF 2012–2016.

In principle, the programming of public investment projects should flow from sector MTEFs, which themselves are already linked to sector strategies. But the link between public investment program (PIP) of ministries and sector MTEFs are not always well established, as well as the link between budget allocations and sector MTEFs. The theoretical project selection process to program and register for the investment budget is presented in Box 5.1.

Under the theoretical project selection process, projects to be programmed are identified and proposed by the DEP through the completed project

[41] National Committee for the Fight against Poverty.
[42] Circular nº016 of 16 March 2013.
[43] Departments of Studies and Planning.
[44] Directorate General of Planning and Development.

Box 5.1: Theoretical project selection process

1. Identification of projects by the DEP of line ministries and institutions
2. Deposit of files of identified projects at the CEPI
3. Holding sessions of the CISPIP for selection and notification of selected projects
4. Validation by CEPI of the terms of reference of the feasibility studies of selected and notified projects
5. Recruitment of private Cabinets to carry out feasibility studies
6. Funding through the Study Fund of feasibility studies of selected projects
7. Completion of feasibility studies by recruited Cabinets
8. Expertise of feasibility studies (carried by Cabinets) by CEPI
9. Enrollment in the investment program and budget of year (n + 1) of all projects whose studies were appraised by CEPI.

Sources: Authors and Congolese authorities

files and forwarded to CEPI. The selection of projects to be programmed is within CISPIP, which is chaired by the DGPD and which ensures the CEPI technical secretariat. CEPI carries out an initial study of the project based on the transmitted project sheets and prepares the meeting of the CISPIP. The CISPIP meets to select projects to program. CISPIP notifies DEP of projects selected, which then develops terms of references for project feasibility studies and submit to CEPI for review. Based on terms of reference approved by the CEPI, sector ministries launch the Cabinet recruitment procedure to carry out the feasibility studies, which are carried out by the Office recruited. CEPI verifies the feasibility study conducted by the Office prior to the registration of the project's program in the capital budget. In order to facilitate the completion of feasibility studies necessary for good programming projects a "Study Fund" was set up. The fund, managed by DGPD, is powered by the resources of the State budget and is intended to finance studies of projects of all ministries.

This system put in place did not work properly. Created in June 2010, the CISPIP became operational in 2011.[45] In 2011, the CISPIP actually held four sessions during which 62 projects identified by the DEP were selected, notified, and therefore eligible for funding from the Fund study for the realization of their feasibility study. But none of these 62 selected projects could actually benefit any funding from the Studies Fund for the realization of their feasibility studies. This has led to demotivation of DEP who skim through and pass over the CEPI project sheets. In 2012 and 2013, the CISPIP held no session. Consequently, the CEPI activities have also slowed considerably in 2012 and 2013.

The investment planning process must be clearly planned in the budget preparation calendar, however currently very few projects are subject to feasibility studies prior to enrollment in the State budget and project selection is no longer under the mechanism put in place. The selection and project feasibility study should in principle be completed before the start of the budget process to obtain reliable data needed for the integration of investment expenditures in the state budget. To this end, the investment planning process must be clearly planned in the budget preparation calendar. In addition, the project files do not contain a timetable for their implementation, which should allow for the inclusion in the State budget of annual installments required for smooth execution. Moreover, recurrent costs generated by investments are not assessed, so that they can be taken into account in budget planning.

Given the current shortcomings of the investment programming system identified, the government should consider the following: i) take steps to revive the activities of the Identification Commission and selecting public investment projects (CISPIP); ii) operationalize the Study Fund and analysis of projects to ensure the funding and the effective implementation of project feasibility studies; iii) make arrangements to achieve project feasibility studies for inclusion in the public sector MTEF before the start of the budgeting process; iv) proceed within the framework of project feasibility

[45] The establishment of the CISPIP and a study fund are certainly sensible measures to ensure that investment projects proposed by sector ministries are properly investigated, evaluated, and are consistent with the strategic objectives, but the device set up for the identification and selection of projects, and financing and implementation of feasibility studies has not functioned properly.

studies, systematic evaluation of recurrent costs of projects and make an investment selection criteria prior to inclusion in the State budget; v) match all projects proposed for a multi-year budgeting implementation schedule to allow for the implementation of the program authorization mechanism or commitment authorization, and payment of credit; and vi) strengthen capacity of DEP in project studies.

5.1.2 Drafting of Line Ministries' Budgets

The process of allocation of recurrent and capital spending to ministries has been weakened by the end of the use of sector MTEF

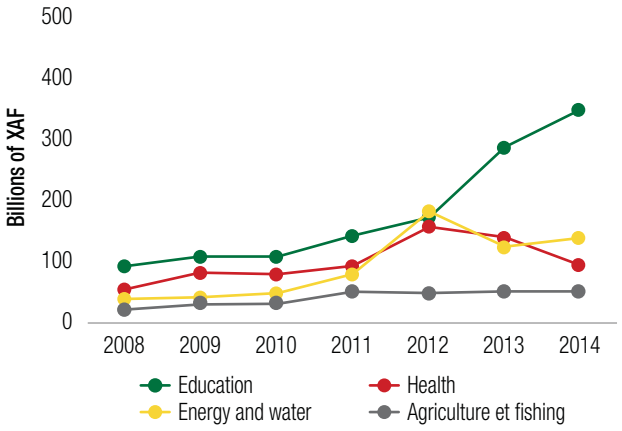
Allocation of recurrent and capital expenditure should induce the updating of MTEF, but it is no longer the case. At the level of line ministries, allocation of recurrent and capital expenditure in the budget should respect the process of updating MTEF Box A5.1. But because of constraints facing the SCMBF in its operation and in the implementation of technical tools, the updating of sector MTEF is almost abandoned. For instance, line ministries are now receiving their strategic shares during the first phase of budget conferences. Preliminary draft budgets of line ministries, which were based on sector MTEF and on Priority Action Plans (PAP) have disappeared. Therefore, the latest proposals are adopted after ministerial review and arbitration during the second phase of budget conferences.[46]

Currently, ministries match budget planning with strategic planning through AWP and Ministerial Performance Contracts (MPC) under the guidance of SCMBF. In this context, the Director General of the Budget (DGB) technically supervises the work on recurrent budget expenses with the administrative and financial managers (DAF), while the Director General of Planning and Development (DGPD) leads the work on capital budget through Directors of Studies and Planning (DEP). Therefore, budget allocations are currently based on historical fiscal performance, projects running over more than one financial year, the priority sector strategies,[47] and the guidance of the Head of State.

Line ministries validate their budget allocations by the Cabinet before the transmission to Parliament of the budget bill. However, ministries have the possibility to explain to members of parliament the sector policies that supported the budgets under consideration. This sometimes leads to substantial changes in the amounts provided in the bill.

Overall, these shortcomings in the budget allocation process did not deter the government from keeping its focus on some priority sectors, but not on all. Figures 5.1 and 5.2 show that the priority given to education sector (primary, higher, and technical) has always been reflected in the budget and even strengthened because its volume has increased by almost 25 percent per year since 2008. The agriculture sector (including fisheries) grows very slowly, against this forecast while the sectors of health and energy experienced divergent trends. Finally, because of the events of March 4, 2012, the alignment of the strategic planning of the NDP budgeting has not been possible in part due to the revision that resulted.

FIGURE 5.1: **Changes in Projected Budgets of Some Ministries, 2008–2014**

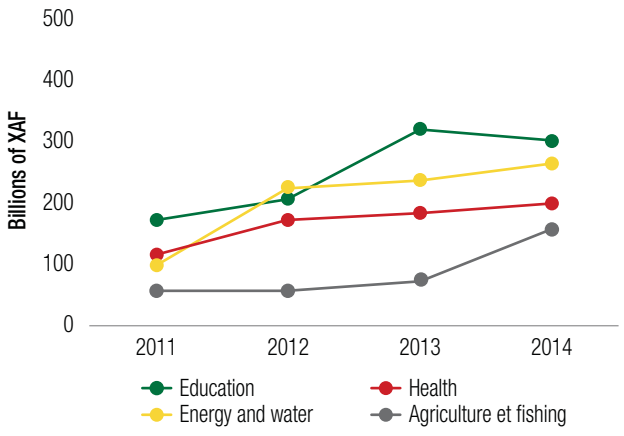


Source: Finances Law 2008–2014.

[46] This lack of usage of the MTEF drives the budget to follow a yearly schedule, without the ability to master the sector medium-term expenditure or the ability to smooth out large expenditures on multi-year stable budget. In fact, PAPs derived from MTEFs almost have disappeared.

[47] See, sector Strategy Papers and their action plans.

FIGURE 5.2: **Forecast Budgets by the NDP Some Ministries, 2011–2014**



Source: NDP 2012–2016, Book 3 du PND, pages 64–67.

5.1.3 Preparation of the Overall Budget

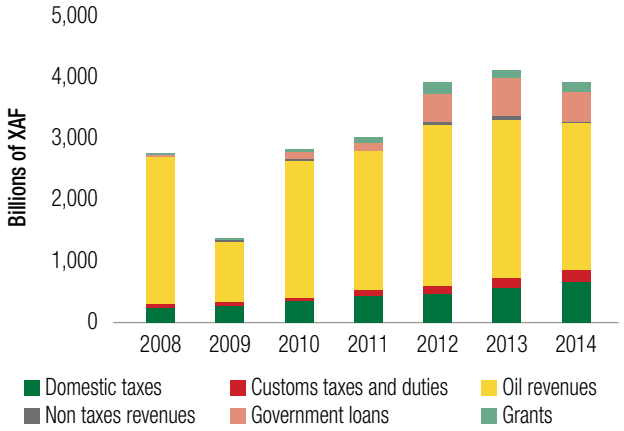
Budget nomenclature

The country prefers using administrative and economic classifications at the expense of the functional classification. According to the legislation in place, three types of budget classification are applied in Congo. In practice, the country has the propensity to the use administrative and economic classifications at the expense of the functional classification. The State budget was presented by functional classification only between 2006 and 2009. Meanwhile, the economic classification is partially used because currently, the government does not produce all its spending in detail. This is due to the non-use of accounts of class 9 "Cost Accounting." In fact, the current version of SIDERE does not produce detailed administrative accounts. This requires specific computer enhancements of the software to enable it not only to make the budget allocation, but also to produce detailed accounting records as administrative accounts for each category of expenditure.

Government revenue estimation is done by SCMBF using data from the taxes, customs, and petroleum administrations, but its quality is weak

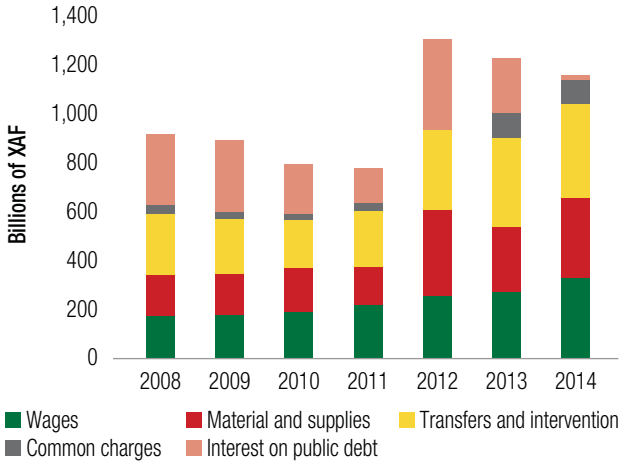
The forecast of government revenue in the budget is made by SCMBF in the Ministry in charge of Finance. The exercise consists of determining the amount of (i) own revenues (taxes, income area, service revenue, and portfolio provisions) and (ii) external revenues (government loans, donations of technical and financial partners) needed to cover the budget expenditures. In practice, in light of recent data on the national and international situation, the SCMBF works with the Department of Taxation and Areas (DGID), the Directorate General of Customs and Excise (DGDDI), Congolese Fund of Allowance (CCA) to forecast

FIGURE 5.3: **Forecast of Budget Revenues, 2008–2014**



Sources: Finance Laws 2008–2014.

FIGURE 5.4: **Forecast Expenditure 2008–2014**



Sources: Finance Laws 2008–2014.

non-oil revenue. The issue in the predictability of external resources is the fact that on the one hand there is the absence of a debt strategy in the medium and long terms, and in the other hand, problems of coordination of financial partners with many commitments.

Regarding the prediction of oil revenues, data used by SCMBF comes from the Direction General of Hydrocarbons (DGH) and the Natural Resources Office of the Cabinet of the Minister of in charge of Finance who work closely with oil companies (such as the National Society petroleum (SNPC), Total E & P Congo, ENI CONGO, etc.) to validate projections of oil production. The low reliability of the tools used is a constant concern. Indeed, no forecast of oil production made since 2005 has been close. One could speak of overestimates of the original production and therefore oil revenues. Strengthening the instruments used for oil forecasting is crucial to accurately predict state revenues. Despite the dominance of oil revenues, tax revenues are often projected as rising steadily under assumptions of success of the ongoing reforms in tax and customs.

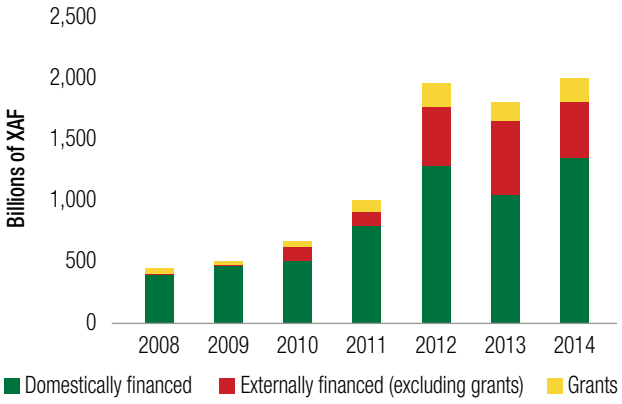
Recurrent and capital allocation are drafted by SCMBF using the central MTEF, but most investment projects are budgeted without prior studies

At the central level, the allocation of recurrent expenditure is discussed in the central MTEF. The MTEF is a fiscal instrument that has a historical basis to date, and offers a variety of opportunities for projections of public spending. Running in conjunction with the macroeconomic framework, from which it takes forecasts of budget revenues to come, the central MTEF produces budget allocations over three years, taking into account the needs of each sector as well as their strategies (if any) to achieve the defined objectives of the NDP 2012–2016. Based on sector PAP/MTEF analysis, the central MTEF allows for a distribution of budgetary resources consistent with the ambitions of the Government. Despite the shelving of the sector MTEF, the SCMBF continues to use this tool or at least some of its principles to set strategic shares or budget allocations to ministries. Recurrent expenditure include: (i) staff costs; (ii) goods and services; (iii) transfers and direct interventions; (iv) common expenses; and (v) the payment of interest on public debt.

In the same way as for the recurrent spending, the preparation of the investment budget is led by SCMBF, through the central MTEF. But the technical coordination of the DEP is done by the DGPD, to produce a balanced and sustainable budget, in line with the guidelines of the NDP, sector priorities, and guidelines of the Head of State. Currently, most investment projects are budgeted without prior studies. The coordination of activities of budget preparation and of execution of feasibility studies for projects to include in the budget that can be considered as overall preparations of priority investment program (PIP) show mixed results and should benefit from additional technical support.

To remedy this shortcoming of lack of feasibility studies in the validation of investment projects by DEP, the Government has set up an Investment Fund to support ministries in design and project appraisal. Operational and appropriation difficulties are preventing this Fund from operating effectively to serve all ministries. Given that projects funded with technical and financial partners of the Government often have feasibility studies, staff of line ministries and of the Investment Fund could gain from the transfer of these good practices to build their capacity.

FIGURE 5.5: **Forecast Capital Expenditure, 2008–2014.**



Sources: Finance Laws 2008–2014.

During budget preparation, external resources are included in the finance bill. All external resources to finance public investment and implementation of development projects are included in the finance bill. The estimates of these resources are from information provided by the government's debt agency (CCA), technical and financial partners, and some project implementation agencies.

Budgeting of public investment

Programming and budgeting of public investments are made primarily by DGPD and DGB. While these two structures currently fall under the MEFPPPI, the two processes are done separately. The consolidation of the portfolios of Economy, Finance, and Planning should encourage in principle the unification of the preparation of the State budget process, but this goal is not yet fully achieved. The State budget is unified in its presentation, but the process of preparation is not yet fully unified.

Ministries usually present projects to program and budget on the basis of sector PAP/MTEF envelopes. The initial budget proposals for capital expenditures are then corrected and/or completed on the basis of the guidelines in the "mission statements" made by the President of the Republic to ministers. These directives of the President of the Republic sometimes bring ministers to substantially change their investment expenditure forecasts and sometimes may cover projects that are not provided for in the sector PAP/MTEF.

Capital expenditure proposals, developed from the sector PAP/MTEF and letters of mission of the President of the Republic, are subsequently reviewed and discussed during budget meetings, and finalized and incorporated in the proposed budget of the State that is subject to the approval of the Cabinet. After the examination and approval of the State budget draft by the Council of Ministers, the final amount of the budget for each department and agency is retained in both recurrent and capital budgets, and the minister for each sector shall be notified of the amount of resources (strategic shares) allocated to his department. Based on these strategic shares provided to ministers following budget approval by the Council of Ministers, each Ministry readjusts its budget (recurrent and capital), finalizes and passes it to the DGB for inclusion in the State budget draft to pass Parliament.

In general, the differences between the amount of the initial estimate of capital spending by sector ministries and communicated strategic allocations are very important. Strategic shares are later shared with sector ministries and their inclusion leads to profound changes in initial estimates of capital expenditure. Amendments to the initial capital expenditure forecast to readjust strategic envelopes amounts can only be relevant if sector ministries have enough time to rework the budget. But according to DEP and DAF of sector ministries, very little time (usually about three or four days) are often granted to make the necessary adjustments to take into account the strategic allocations ceilings. Table 5.1 illustrates the differences observed for the

TABLE 5.1: **Differences between the Amounts of the Projects, the Annual Installment of the MTEF and Strategic Shares of the Ministry of Health and Population in 2014**

	Value, billion of XAF
Annual installment MTEF for capital expenditure	124
Effect of directives of the President of the Republic contained in the mission statement	496
Amount projects presented	620
Final estimates for the 2014 capital expenditures	85
Deviation from the annual installment of the MTEF	–31.45%
Deviation from the projects presented	–86.29%

Source: Direction des Études et de la Planification du Ministère de la Santé et de la Population.

2014 budget of the Ministry of Health and Population in the amounts of the estimates, the annual installment of the sector MTEF and PAP-strategic shares.

Due to numerous shortcomings, the budget allocations of public investments do not correspond to the overall cost of the estimated investment transaction. In fact, the late disclosure of strategic participation, insufficient time given to sector for the readjustment of their budget proposals, the considerable differences between the budget proposals of sector ministries, and the requirement to take into account guidelines of the President of the Republic all significantly reduce the quality of resource allocations. Moreover, the lack of feasibility studies of projects proposed for inclusion does not allow for reliable estimates of project costs, which weakens the realism of budget allocations. As a result, the budget line opened for the appropriation of a given capital expenditure may be overestimated or underestimated. This has a negative impact on the effectiveness of the strategic allocation of resources. The overspending noted in the execution of capital expenditures could result from the underestimation of budget allocations. Furthermore, the fact that project files to be included in the capital budget are not accompanied by the implementation schedule, means that the program and payment of credit authorization mechanism (under the 2000 Law on the financial system of the State or that of commitment authorization and payment appropriations required by the new Organic Law of 2012 relating to the financial system of the State) cannot be implemented.

To improve the budgeting process of public investment, the government could i) arrange for approval and communication of strategic departments share early in the budget process; and ii) improve the presentation of the budget allocations for capital expenditures by the implementation of the program authorization mechanism or commitment authorization and payment of credit.

5.1.4 Adoption of the Budget by Parliament

The role of the Parliament is to control the fiscal and financial policies of the executive, to vote the budget bill and the regulation law, as stated in the Constitution of January 20, 2002. According to the law, this bill should be submitted no later than one week before the opening of the budget session on October 15. Given that each house of Parliament has an Economic and Finance Commission, finance bills, regulations laws as well as the report of the Court of Auditors and Fiscal Discipline are examined in these commissions before the plenary. In accordance with the law,[48] the Ministry in charge of Finance sends for declaration of conformity, the finance settlement bill of year n-1 to the Court of Auditors before the review of the budget bill for the year n+1 by the parliament.

In addition to the documentary exploitation, the control of public finances by parliament is done through hearings of Ministers on their budget lines. The parliament also exercises its authorities through committees of inquiry that help more deeply understand specific topics. During discussions in the parliament, the budget bill sometime changes substantially in levels both on the resources and the uses side, without breaking the macroeconomic balance.

5.1.5. Overall Budget

Efforts to improve the budget

Currently, the Government is reforming the chain of public revenue to guarantee to the State greater oversight over its financial resources. This will alter how revenue management is tied to daily inputs. This reform will streamline the chain of receipt (revenue) by interconnecting data systems (SYSTAF) of the tax administration, ASYCUDA of the customs administration, SIBEC of the budget administration, and SIDERE of budget and treasury administration. Additionally, the implementation of a reform of the tax collection procedure (by the Treasury through the bank), which is currently insufficient, will become more important with the information, training, and participation of trader groups. Finally, another reform would be to implement the collection of customs

[48] Article 128 of the Constitution, Articles 7 and 30 of the Act of n°19-99 August 15, 1999.

duties and taxes by the Treasury through the clearance of imported goods. These last two reforms would gain in importance by being combined.

Between 2002–2007 and 2008–2013 period, Congolese public financial management has changed both in its form and its substance, but much remains to be done. The Organic Act of 2000 was replaced in 2012; the adoption in 2009 of the procurement code has profoundly impacted the chain of public expenditures from 2010 with new actors and procedures, the implementation of the functional budget classification was given up after 2009, and the introduction of the MTEF approach allowed a strong alignment of development strategies to the budget allocations between 2009–2012. In addition, the decree of 2008 strengthened the budgetary nomenclature.

5.2 Budget Execution

The execution of the budget includes several actors, steps, and procedures. There are four type of actors: officers, directors, fiscal or financial controllers, and public accountants. There are also four steps: commitment, scheduling, liquidation, and payment. Finally, there are three types of procedures: normal, simplified, and without prior scheduling.

In the normal procedure of the expenditure chain, prior to the phase of the engagement, there is a phase relating to pre-procurement. Laws governing this procedure are the LORFE, the General Rules of Public Accounts,[49] the Procurement code,[50] instructions on procedures for implementation and control of the state budget,[51] and annual circular application of the law of finance.

Due to codification procedure, the budget is hardly enforceable with normal procedure on January 1 of each year. Following the enactment of the Finance Act by the President of the Republic, the computer services of the Directorate General of Budget (DGB) are responsible for the codification of the budget in an integrated system of income and expenditure of the State (SIDERE) in accordance to the budgetary nomenclature. This rather heavy work often begins early in the year and can continue until the end of March. Hence, the budget is hardly enforceable with normal procedure on January 1 of each year. Budget execution may differ slightly depending whether it is revenue or expenditure.

Budget revenue collection is centralized and managed by the Treasury

The Minister in charge of finance is the main organizer of the revenues of the State. He is entitled to delegate organizers which are: (i) the Director General of Budget for revenue from services; (ii) the Director General of Taxes and Areas for direct and indirect taxes, assimilated taxes, and receipts field; and (iii) the Director General of Customs and Excise for customs duties and excise duties. In addition, public officials and officials of the legislative or administrative bodies of local government management institutions are also the main revenue organizers of their respective institutions.

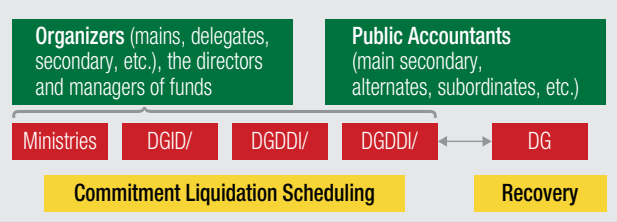
Any main organizer of revenue may delegate its powers or can be supplemented in case of absence or impediment. For special Treasury accounts, the authorizing organizer is responsible for special accounts in accordance with the responsibilities of his department. In addition, an agreement between the State and the national oil company (SNPC) obliges the latter to repay to the treasury the product of sales of shipments as well as any revenues collected on behalf of the State.

The revenue of the State or any other public body include taxes, charges and fees, grants and loans, donations and bequests, and regulation by a court or by conventions.[52]

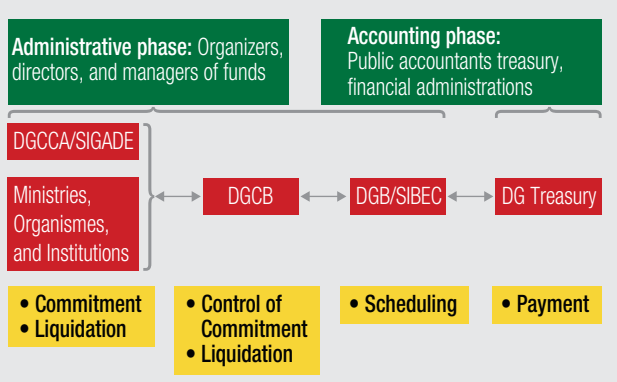
All the State resources are supported, collected, centralized, and managed by the Treasury. They are detected, liquidated, and issued by the main revenue organizer or his representatives.[53] The execution of the public revenue is as follows: the organizer makes the recognition of rights, liquidates revenue by issuing orders

[49] Decree no 2000-187 of August 10, 2000.
[50] Decree no 2011-843 of December 31, 2011 amending and supplementing certain provisions of Decree no 2009-162 May 20, 2009.
[51] Decree no 2009-230 July 30, 2009.
[52] See article 65 of decree No. 2000- 187 of August 10, 2000.
[53] See Article 25 of the LORFE 2012.

Box 5.2: Revenue collection process



Box 5.3: Spending execution process



of receipt to ensure revenue collection of State debts. They shall notify public accountants responsible for the collection of these orders of receipt. However, even if the law addresses the issue of external resources (loans up to medium and long term), the management is up to the CCA. In practice, the Treasury does not control all payments to the Congolese State. For example, external resources to finance projects by Congo's partners are often directly passed into the accounts of commercial banks; Box 5.2 provides a chart of this process.

Budget expenditure execution is scheduled by the DGB and settled by the Treasury

The Minister in charge of Finance is the main organizer for the State expenditure budget. Officials of public enterprises as well as officials of the legislative or administrative bodies of local government management institutions are also main organizers of spending for their institutions and bodies respectively. All main organizers of expenditures may delegate their powers or can be supplemented in case of absence or impediment. Therefore, the Finance Minister delegates authority to the DGB regarding the expenditure of the State budget. For special Treasury accounts and related budgets, the delegated organizer is responsible for special accounts corresponding to the attribution of his institution.

State expenditures are provided in the finance law and must comply with laws and regulations. They are incurred, liquidated, and sequenced before being paid (sections 124, 125 of Decree No. 2000-187 of 10 August 2000). The expenditure execution of the State budget is done in four steps: (i) commitment; (ii) liquidation; (iii) scheduling; and (iv) payment, as described in Box 5.3.

The commitment of an expenditure is the act by which a public body enters into or establishes an obligation against itself, which results in a charge. It must be accompanied by a commitment on accounting books in order to keep corresponding assets. It is materialized by an order, a market (procurement), a contract, or a commitment expenditure decision.

After receiving notification of the commitment authority authorizing the credit, administrators (ministers, heads of institutions, public enterprises, and local collectivities) or their delegates, managers of credits offer commitments spending. After recording the commitment in the computer, the administrator of credits publishes a commitment package with the right commitment and the order that he signs. Once these files are accepted by the comptroller and returned to the administrator of credit, the expenditure is incurred. The legal term of commitment is five (5) business days maximum.

The administrator of credits gives the order approved by the financial comptroller to the trader to execute the command. In the case of a public procurement, this phase goes up to at least 30 days, which is the time required for the approval by the DGCMP of the procurement file before and after tenders for contracts on works and/or supplies or for expressions of interest for the procurement of consultants. Administratively, in the upstream phase of procurement, at the time of the preparation of the tender, the administrator of credit makes a booking credit of the estimated procurement to block appropriations on the budget line. After signing the contract, the administrator

of funds made a commitment using the normal procedure for the exact amount of the market (procurement) that comes to replace the original booking.

In the case of contracts over XAF 1 billion, under the current procurement Code, the General Delegation to the Great Work (DGGT) sends the following to appropriate administrators of credits: (i) the application for reservation of credits before the bidding; (ii) the application for advance payment; and (iii) the individual responsible for payment.

The liquidation is used to verify the reality of the debt and make the expenditure at the specified time. It can only be made after full delivery of the order on the basis of the documentary evidence of the rights acquired by the creditor.

The Financial Controller is responsible for ensuring compliance with the regulations for spending implementation. It exerts a priori control over all expenditures of the State budget for commitment and payout phases. Three delegates of the Comptroller are assigned to the treatment of ministries and institutions files in order to improve the efficiency of commitment and liquidation of expenses. Each of the 12 administrative divisions (départements) has a division director of budgetary control that monitors State and decentralized services. The legal duration of the liquidation is a maximum of 5 working days. For works contracts, the demand for any advance startup and various counts are partial fulfillment of the initial commitment. It is the same for any contract made in several tranches.

The scheduling of expenditure is the act whereby, according to results of the liquidation, the order is given to the accountant to pay the expense. The scheduling is done by a main organizer, a secondary, and delegates. The Director General of the Budget provides scheduling of expenditures on the State budget done at the central level by the issuance of payment orders. At the local level, the departmental budget officers (secondary organizer) issue payment orders. The legal duration of the liquidation is 5 business days maximum (Decree No. 7333 of 4 September 2009).

The paymaster general treasurer is the principal accountant general of the State budget. He is the accounting officer for all expenses of the general budget of the state at central level. This officer can, under certain conditions prescribed by regulation, delegate some of his powers to other public accountants: accountants subordinate or secondary (payers in embassies, regional treasurer-payers, and recipients and collectors, etc.). The accountant carries the dual role of payer and cashier. It monitors and supports acts of scheduling, shall stamp "Given good at Checkout" and proceed to the settlement of expense. It is worth mentioning that the payment is the act by which the public body releases debt and that payment is made exclusively by the assigned agency. The duration of the control and the management is a maximum of three (3) working days and the settlement of the expenditure is a maximum of 90 working days.

Finally, the issue of payment orders in regularization of interim payment (prepayment order (OPPA), payment order (OP), and early settlement order (ORPA) by the delegate organizer takes two days maximum.

Budget expenditure is executed using three main types of procedures

Expenditure execution of the State budget can be done in three separate proceedings, namely: the normal procedure, the simplified procedure, and the procedure without authorization.

The normal procedure. This procedure should be used for all expenses related to the acquisition of goods and services. The implementation of expenditure from public procurement in the normal way consists of two phases: (i) engagement and (ii) ordering liquidation payment.

The simplified procedure. The simplified procedure differs from the normal procedure because it has a single phase. In fact, the commitment and liquidation steps are done together. This procedure is used for accrual (rent, water bills, electricity, and telephone, contributions to international organizations, student scholarships, and others), transportation costs, costs of assignments, and transfers.

The procedure without authorization. This procedure applies in relation to the repayment of certain

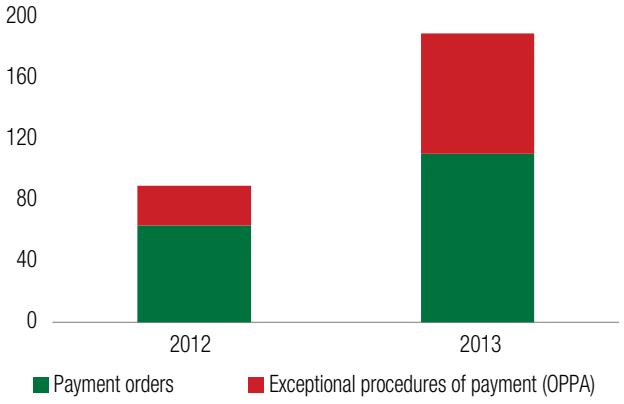
urgent expenses that can be paid without prior issuance of payment orders, such as medical evacuations and payment in XAF of foreign currency with flexible exchange rate. It also covers the payment of advances, menus, recipes, and credits delegations. As a normal procedure, this procedure consists of two phases: (i) payment commitment and (ii) regularization.

The execution of spending using discretionary accounts is a challenge that should be addressed

In Congo, the execution of spending has used both normal procedures and exceptional or emergency procedures, so-called "Ordre de Paiement par Anticipation" (OPPA). The pervasive use of OPPA, which came about as a result of an attempt to circumvent the normal expenditure execution process, has resulted in a lack of transparency in public resource management. The use of OPPA has been highly discretionary and circumvents the normally complex ex-post control procedures of the budget. Authorities should be committed to reducing the recourse of OPPA as part of their efforts to improve transparency and accountability in the use of public resources. However, it is important to note that normal expenditure execution is plagued with complicated procedures between the requisition and disbursement stages; this is one of the justifications for using OPPA. In fact, the public expenditure chain is lengthy and heavy, and does not allow line ministries to properly execute their budget. DEPs claim that they are unable to complete any given goods budgetary operation using the normal procedure in a fiscal year. At least three main constraints explain this fact: i) commitments are stopped by a circular note of the Finance Minister three months (90 days) before the end of the fiscal year (in accordance with the legislation in force); ii) the long delay by the Ministry of Finance to approve any goods contracts; and iii) the non-respect of delay by the Treasury of the payment of mandates or orders.

Although, the use of OPPA is growing and becoming too big, the government does not present direct statistics on it. Given that no governmental statistics on OPPA have been published or shared during the creation of this PEMFAR, the team uses the ratio of OPPA in the remaining payment orders by CCDB reports as a proxy of the importance of OPPA in Congo. According to data available on the remaining payment orders in CCDB reports as shown in Figure 5.6, about 41.1 percent in 2012 and 71.2 percent in 2013 of these remaining payments are OPPA. These figures are very likely to be the actual figure of the use of OPPA in non-automatic budget spending such the payment of wages and of debt services on external debt.

FIGURE 5.6: **Amounts Remaining to be Paid in 2012 and 2013 (in billions of XAF)**



Sources: Reports of the CCDB, 2012 and 2013.

Additionally, after the closing date of the budget, the treasury unilaterally cancels mandates of transfers and interventions as well as other mandates of public procurement and returns to the DGB for re-registration and payment of the OPPA "remained to be paid" to the following budget. This practice currently constitutes an infraction of the public financial management standards. In addition, DGB postponing expenses from year n to year n+1 renders the effectiveness of budget surpluses questionable.

Capital expenditures financed with external resources suffered from lack of coordination

From 2008 to 2013, mobilized external resources (medium- and long-term loans and grants) are weak and have averaged 7.8 percent of total government revenue. Because of weak organizational and technical

capacity skills of authorized services, management and monitoring of project implementation donations still rely heavily on late information from technical and financial partners. The CCA managed medium- and long-term loans while the Directorate General of Partnership and Development (DGPG) and the DGPD have the management and monitoring of project grants. The coordination of donors is not systematic and Treasury accounting is not yet capable of producing the accounting statements that would enable PTF to use the country's financial management system.

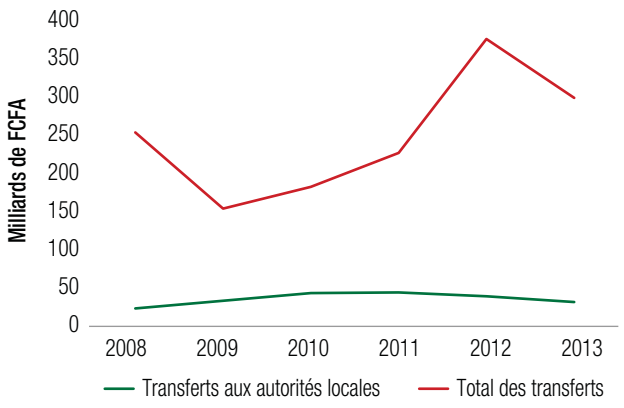
Local government budget is very small, less than 5 percent of total budget and has different execution procedures

From 2008 to 2013, transfers of local authorities in the State budget represented a tiny share of public expenditure in the Congo. They did not even reach XAF 50 billion, representing an average of 14.4 percent of total public transfers, or 3.8 percent of current expenditure for the period. These resources supplement the local authorities' own revenues (licensing, municipal taxes, etc.) and are also used to finance development through local councils.

The organization of public expenditure devolved and decentralized levels are guided by Law No. 2000-187 of August 10, 2000. According to this law, the main organizer of expenditure: (i) for an administrative division (Département) is the Préfet; (ii) for the departmental Council is the President of the Council; and (iii) for the City council is the council president or the Mayor. They may delegate their powers on spending to delegated organizers. For loans of decentralized services of the State installed in local communities, centers of sub-scheduling are established to ensure the liquidation and scheduling of the State budget in the division. These centers of sub-scheduling are services of the DGB and are led by a secondary organizer.

Regional paymasters, recipients, and collectors are direct accountants of the Treasury and the assistant accountant Paymaster General (IPG). At the local level, municipal recipients are secondary accountants. Collectors are recipients of significant accounting budgets of local authorities.

FIGURE 5.7: **Evolution of Public Transfers to Local Governments**



Sources: Settlement bills and GFSs 2008- 2013.

At the regional level of public finance management, between the decree 2000-187 of February 1st 2000 and decree 2009-230 of July 30th 2009, there was a slight change in the budget processes, with the introduction of the regional controller from the General directorate in charge of budgetary control, the clarification of professional relations between regional accountants with the treasury in collecting revenues and spending, and the use of new technical tools and reports.

5.3 Disbursement System

5.3.1 Public Accounts

Although the country adopted a new legal framework in 2012, it still used law related to the previous framework. In September 2012, Congo adopted a new legal framework for public accounting with Law No. 20-2012 of September 3, 2012 on LORFE in transposition of CEMAC 2011 Directives 2011. However, the country is applying temporarily previous texts related to LORFE No. 1-2000 of February 2, 2000; which are: (i) the General Public Accounting Regulations of Decree No. 187-2000 of August 10, 2000, in which Article 1 states that it regulates "the management of money, securities, and property belonging or entrusted to the State, local authorities, public institutions and public bodies that the law subject to the law of public accounting;" (ii) the

Fiscal Nomenclature of the State, under the Decree No. 92- 783 of August 29, 1992 and supplemented by Decree No. 2008-59 of March 31, 2008 on the functional classification of expenditures—this Nomenclature adopted a differentiation in the classifications depending whether it is the operating budget or capital budget; and (iii) the Accounts of the State, which derives from the chart of accounts Union Douanière et Economique de l'Afrique Centrale (UDEAC)[54] 1974 (see, the classification by economic type), whereas, according to Article 6 of the Directive 3/11-CAEU-195-CN-22 CEMAC, the accounts of the State is an accrual accounting based on the principle of recognition of rights and obligations in accordance with the organization system for the Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA).[55]

This is currently a partial alignment with CEMAC standards of the legal system of public financial management that will be soon corrected with a new Règlement Général sur la Comptabilité Publique (RGCP), a new budget nomenclature, a new accounting plan, and a code of transparency and good governance in the management of public finances.

The West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC) each adopted a number of new Directives for PFM reform. Transposition of these Directives into national law in member countries is mandatory. Regarding the decentralization process, these directives contain some rules or provisions for managing the local government budget. But, considering both the serious delays in implementing and completing the decentralization process in each country and the slow rate at which the Directives are being transposed into national law, it would be difficult to see a success in short term implementation at the sub national level. Indeed, only Senegal has implemented all of the WAEMU PFM Directives. The Malian government has implemented two of them, and Burkina Faso one. From the CEMAC side, Cameroon and Gabon has implemented at least four of the six CEMAC PFM Directives. Congo and Chad have transposed one directive. This shows that the majority of member countries are not complying with the law. These directives should help the CEMAC countries in promoting transparency and disciplined management of public finances. Indeed, according to the findings from IBP's Open Budget Survey 2012, the three CEMAC countries surveyed (Cameroon, Chad, and Equatorial Guinea) have been ranked among the ten worst performances.

The Congo needs a new OHADA accounting system (SYSCOHADA) because it could bring important innovations to the current OCAM system on accounting and financial information. For example, it could bring innovation in monitoring cash flow and statistics, and national accounts through a structured list annexed. It forms a coherent legal framework including the accounting system, the plan and operation of accounts, technical deepening, and the cash basis accounting. With SYSCOHADA, the State still maintains its important place in information requests, but other categories of stakeholders are also covered, unlike the OCAM system that targeted only the State. The SYSCOHADA brings more financial statements than the OCAM, in terms of detail of information in the content of these financial statements in order to improve the judgment and decision of the principal users of financial statements. It is flexible, versatile and general, contrary to the accounting OCAM that featured some rigidity, complexity, and difficulty of use.[56]

Thanks to the current legal framework, the Direction Générale des Comptes Publics (DGCP) has always produced the year-end accounts, specifically the Settlement Law. Since 2012, the project of the year n-1 resolution is tabled at the same time as the draft budget for the year (n + 1) and the two are adopted by December 31 of year n; in accordance with good practice. However, technical difficulties persist in the production and publication of related documents of the finance bills by officers and accounting of the State. In addition, for

[54] Previous denomination of CEMAC.

[55] Organization for the Harmonization of Business Law in Africa.

[56] For example, with the OCAM plan, the detail of expenditure by economic classification is not available. In fact, this accounting plan provides class 9 "cost accounting," but the handling of this class is not easy at the end of year.

the statements of outstanding receivables and payables at the end of the year, and for the accounts of public administrative institutions and those of local governments, accounting balances are not often available when depositing settlement legislation.

The country budget execution is not fully monitored by relevant institutions. In fact, La Cours des Comptes et de Discipline Budgétaire (CCDB)[57] has limited capacity to perform its mission of judicial review of public accountants and its audit. In addition Parliament suffers from inadequate resources to exercise its powers of control and audit. Hence, monitoring of budget execution is likely ineffective. The disconnect between the Parliament and other institutions that are monitoring the Direction Générale du Controle Budgétaire (DGCB), Inspection Générale des Finances (IGF), and Inspection Générale des Finances de l'Etat (IGE) further complicates the situation. Reports from those institutions should have provided additional data to parliamentarians involved in budget preparation and implementation analysis.

Institutionally, the duplication between the Treasury and Public Accounting is legally abolished. However, Decree No. 2013-807 of December 30, 2013 on the powers and organization of the General Directorate of the Treasury and Public Accounting (DGTCP), which indicates adherence by the country to the CEMAC requirements by merging the former Directorate General Accounting public (PPB) and Direction Générale du Trésor (DGT) is not yet fully implemented.

The completion of the transposition of the 2011 CEMAC Directives by adopting texts covering RGCP, budget nomenclature, accounts, and transparency code would help the country to standardize its legal basis in terms of public finances. This could be an opportunity to correct the significant shortcomings identified in the first transposition on LORFE.

Empowering administrative or ministerial structures to drive all the structural and multi-sector reforms requires proper implementation of directives from 2011, knowing that they will affect some departments of the Ministry of in charge of Finance (mainly the DGB and DGTCP), CCDB and Parliament, and if possible institutions of the fight against corruption in their organization and in in their operations.

Strengthening the capacity of structures of public finance functions would help to establish the legal basis or norms and also to build proper tools to develop working methods and procedures. These instruments together with a relevant form of organization would support the efficiency and transparency of these structures.

5.3.2 Preparation of Treasury Accounts and Laws of Settlements Reports

Many documents and reports are used in the monitoring of budget execution. These documents include: i) reports of the budget execution and administrative accounts by the DGB; ii) financial statements and management accounts by the DGT; iii) the accounting balance and overall balance of the Treasury accounts; iv) annual CCDB reports on the implementation of the budget, which include the general statement of conformity between the administrative account and the account management as well as other related goods deemed necessary. As such, the CCDB clearly indicates in its 2013 report that "*the analysis is done on the basis of the administrative account information, account management, the general balance of Treasury accounts, various ancillary development budget operations accounting and project execution law of the Finance Act of 2013, as well as the National Centre of information Statistics and Economic Studies, the monthly report of the Directorate General of the Economy (DGE), and documents produced by various ministries.*" However, the last 2013 report of the CCDB clearly highlights the lack of supporting documentation that may lead them to verify some transactions made correctly with State resources.[58] See Box A5.2 for recorded examples of missing documentation highlighted by various CCDB reports. Yet, the law states under the provisions of Law No. 19–99 of August 15, 1999 on the organization of the judiciary

[57] The Court of Auditors and Budgetary Discipline.
[58] Pages 69, 78, and 79 (see also Box 5.4 of this document).

in the Republic of Congo that "the CCDB is the competent court for control financial and accounting management of State funds. It judges the accounts of officers and accountants as well as of those found responsible of fact. It certifies by statement of compliance, the general consistency of writings of the officers and accountants."

The unavailability of supporting documents of the law of settlement could be the direct consequence of the weakness of the current accounting system. The current system ensures that most of the data are presented in large mass, in aggregate form. Indeed, the SIDERE still has not finalized its budget and accounting modules, which would assist in the extensive editing needed of administrative and management accounts. In addition, DGCP does not produce the general account of the financial administration (CGAF), which is a document summarizing the state accounts for one year of data. The recent Public Expenditure Financial Assessment (PEFA) also reports this issue. The lack of detailed data leads to less reliable budget data. The reports on budget execution are produced on a regular basis. GFS are produced on a quarterly basis, but on a non-accounting basis according to the PEFA. These documents are not widely distributed especially given that the ministry does not have a website. Within the financial administration, permits are often required to obtain data and accounting documents on public record, which sometimes may have different expectations from those of the Finance Act promulgated by the President of the Republic.

As a consequence, the quality of public finance data suffers from some significant gaps. Cancellation of unpaid orders at year-end creates differences between the accounts of the authorizing officer and those of the accounting of the treasure. Between CCDB reports and the laws of settlement, significant differences are recorded. For example, in 2011, the report of the CCDB posted on page 40, XAF 431.3 billion for capital expenditures,[59] while the correct amount is XAF 1030.9 billion, as specified on page 8. In addition, in 2012, the realization of loans and advances is fixed at XAF 69 billion, while in the regulation law the realization is XAF 139 billion (see details in Box A5.2 in appendix).

5.3.3 Treasury System

The general paymaster (who is also the Director General of the Treasury) is the principal accountant of the State budget. He is assisted in by a set of secondary and assistant accountants (Treasurer, Payer, Recipient, and Collector). Hence, he is at the center of the treasury system whose architecture covers financial authorities, BEAC, DGT, and its branches in public schools and local communities.

Financial authorities such as Customs, Taxes, and the Treasury experience difficulties operating their information systems and thus cash, so that they easily resort to manual operations, which are sources of error. At the DGT, cash management is often done manually with all possible risks.

The risk of the system of cash remains fairly substantial according to the 2013 report of the World Bank on the country's financial management.[60] Major weaknesses are noticeable in the accounting system, the production capacity of comprehensive reports, lack of availability of regular reports, and control of treasury operations. The upstream control of the delivery of ordered goods and services (the validation phase of the spending circuit) is often inadequate, creating downstream payment tensions and permissive conditions for disbursement without services or goods delivery. In addition, the frequent unavailability of the general account and other control panels for the accounting balance poses questions about the quality of analysis of the Court of Auditors and Budgetary Discipline.

The realization of budget surpluses over many years is a sign of good performance of the Congolese treasury system, but could hide systemic deficiencies. Indeed, the upstream strengthening of expenditure control at different stages of the chain of public expenditure (commitment, validation, authorization, and payment) reduces the accumulation of domestic arrears and also major delays in disbursement. Moreover,

[59] For consistency between the administrative and management accounts.
[60] World Bank 2013.

despite significant efforts, which have been made to ensure the regularity and the reduction of transfer times on the CUT revenue collected by the services of tax and customs, it would be appropriate to put in place strict internal control mechanisms, which by periodic statements of reconciliation, will eliminate the risk of accumulation of revenue arrears.

5.3.4 Cash Management

The treasury account is comprised of cash, short-term bank loans as well as short-term financial assets, centralized in a single treasury account. This cash is managed according to the principle of double-entry accounting engagements, however with tools that are not always effective. The underdevelopment of the financial sector in Congo could explain the current composition of this account.

Strength of the cash management

Since 2008, the Treasury improved many aspects of its management. These improvements include: i) the situation of both domestic and external debt has been cleaned up; ii) the collection and transfer of oil revenues by SNPC has significantly improved according to EITI reports;[61] and iii) the centralization of the treasury of tax revenue and customs has further increased. In addition, the establishment of a new chain of public expenditure in 2010 allowed the treasurers to have an instrument to improve predictability of the expenditure. All these good results are due to public finance reforms undertaken by the government in order to reach the completion point of the HIPC as well as to the Action Plan for Improving Public Investment Management (PAAGIP) and the Governmental Action Program for the Management Public Finance (PAGGFP).

Weaknesses of the cash management

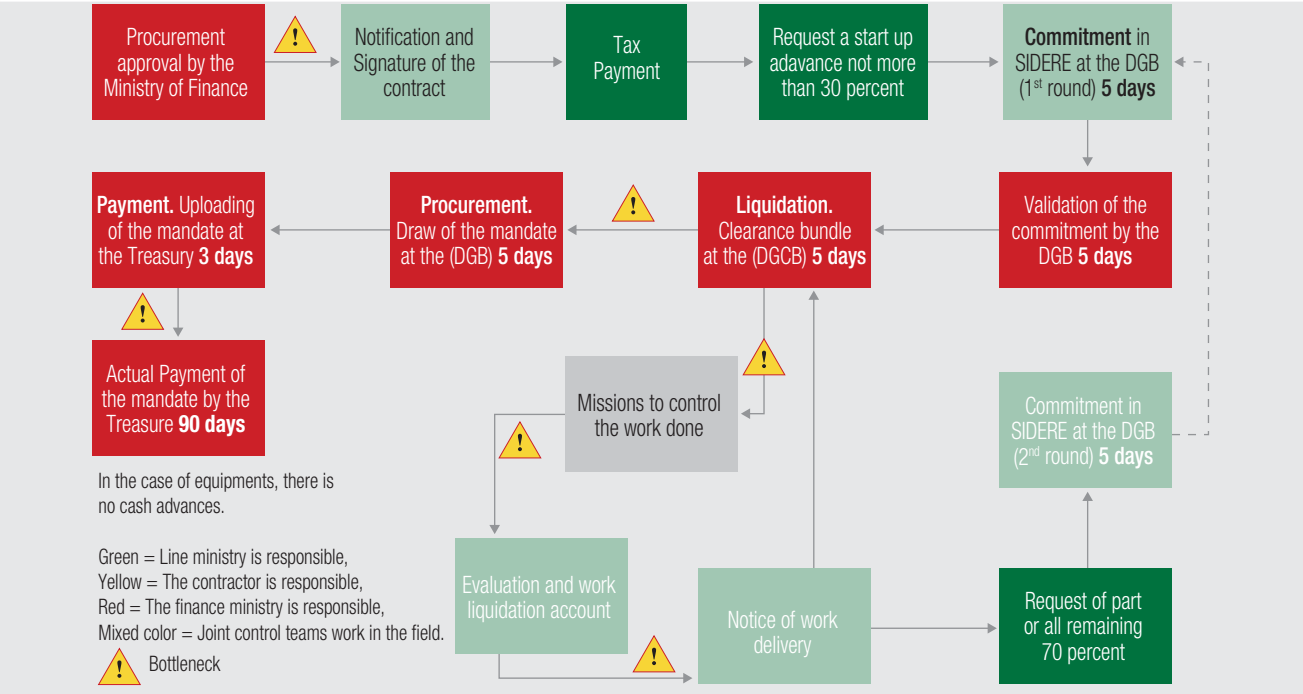
Low cash management capacity hinders the quality of data, limits its overview, and creates stresses in the system. In Congo, cash administration is characterized by: i) lack of a reliable tool for management planning, which affects the ability to regulate and control budget execution and leads directly to a lack of mastery of cash flow that could increase the risk of arrears accumulation; ii) unorthodox practices of cancellation of liquidated and scheduled expenditure commitments by the DGB and their recommitment to the following year by the line ministry; iii) "obsolescence" and malfunctions of SIDERE; iv) lack of automatic locking mechanisms to stop overspending of new authorizations in relation to available revenues; and v) current use of procedures without prior commitment or without advance scheduling.

There is an accumulation of weaknesses in comparison with the situation prevailing between 2002 and 2007. All reforms made after 2007 including the implementation of the PAAGIP and the PAGGFP, aimed to solve the first constraints identified in the implementation of the decree of 2000-187 of February 1st 2000. Some of those constraints were: (i) low consideration of the macroeconomic framework as a whole; (ii) weak linkages between programmatic documents, the fiscal stance, and lines ministries budgets; (iii) lack of sector strategies in most lines ministries; (iv) a weak relationship between investment and current budgets; (v) ineffective control a priori; (vi) low or limited involvement of Parliament in the budget process; and (vii) fiscal performance limited only to the financial level without implications to social wellbeing. Most of those constraints remained nearly unchanged due to the fact that all reforms implemented were slowed, stopped, cancelled, or forgotten, such as the MTEF tool and process, the budgetary functional classification.

Weaknesses in cash management remain a big issue at the CEMAC regional level, even if Government cash holdings are largely centralized at the BEAC. All countries of this region are facing many weaknesses in this matter and need to enhance the coordination between fiscal and monetary policies. As governments start using the regional government securities market, the BEAC should have better data on their fiscal positions to help improve coordination between fiscal and monetary policies. The establishment of cash management committees

[61] Initiative pour la Transparence des Industries Extractives, https://eiti.org/fr/rep-du-congo.

Box 5.4: Chain of public expenditure for Works contract



Sources: Congolese Authorities and World Bank Staff compilations.

and public debt committees, with the effective participation of the BEAC national directorates, should be very interesting. Indeed, inadequate cash management practices by government could negatively impact the monetary policy implementation framework and limit the ability of the BEAC to effectively tackle the current excess liquidity.

Overall the execution and disbursement of public expenditure is marked by important bottlenecks.

Box 5.4 provides an overview of the chain of public expenditure. It focuses mostly on work contracts. It shows that the execution of the budget using procurement has many steps (at least 13). The majority of these steps are marked by significant bottlenecks that were previously discussed. Specifically there are three areas of important bottlenecks: i) the approval by the Minister of Finance of contracts from line ministries, after DGCMP examination; ii) the liquidation of decision—this is due to technical issues on the part of businessmen to prove that the work was actually done in the field; and iii) the payment of the mandate scheduled at the DGB by the Treasury.

5.3.5 Recommendations

Based on the findings of this chapter there are some general recommendations that could improve the PFM system. Broadly, many recommendations are related to the effective implementation of the already adopted reforms.

General recommendations are actions that could improve the entire system. These actions are: i) accelerate the reform of the legal (RGCP, NB, GFS, PC) and regulatory framework of public accounting (effectiveness of Decree No. 2013-807 of December 30, 2013); ii) complete the modernization of SIDERE, with a complete payment compartment (Treasury), integrating other systems of financial authorities for budgetary control authorizations and payments, and automatic editing of the accounts and the overall balance of the State; iii) it

is imperative to strengthen the capacity of Parliament so that it can exercise its powers in control of fiscal sustainability—all the more necessary as parliamentarians, members of the Finance and Economics Committee do not have all the information required on public finances to carry out parliamentary control; and iv) design and implement an all-actors budget implementation training program including cash planning and implementation of fiscal regulation and public procurement—development and use of MPAP, preparation of bidding documents, bid analysis, and so forth.

Specific measures to improve budget planning are: i) rigorously apply the budget schedule in terms of respect of time, deadlines, and milestones of activities; ii) adopt a budget schedule in accordance with different laws—a budget calendar that will become endogenous over the medium term by all those involved in the budget process; iii) in the context of the transposition of CEMAC directives in 2011, resolve the issue of the uniqueness of the head of the budget preparation (the preparation of the budget is under the supervision of the minister in charge of finance, but in practice the DGPD and the DGB still keep their responsibility of each segment of the budget, recurrent budget for DGB and investment budget for DGPD); iv) strengthen the current MTEF mechanism rather than creating a new one from scratch.[62]

Based on the above findings, in order to improve budget execution the government should: i) do the work of fiscal consolidation in parallel with the Parliamentary approval work so that budget execution is effective on January 1st—pending the final codification, budgetary expenditure would use exceptional procedures prepayments (PPP); ii) train DEP and procurement cells (CPM) in the preparation of investment projects of their respective ministry, given there are too many steps in this preparation and hence a need for capacity building; iii) strengthen technical specifications of SIDERE to make it more operational and effective in line with the new guidelines of the CEMAC; SIDERE could then cover the three classifications of the budget nomenclature: administrative, economic, and functional in order to produce detailed accounting records; iv) establish an integrated and interactive platform to monitor public aid for development; v) strengthen financial management tools from the public treasury in order to ensure reliability; vi) train managers and credit managers to first develop the MPAP and the tender documents upon transmission of the Finance Bill in Parliament and finalize after his vote; vii) make relevant provisions based on recent experience to organize again the devolution of budgetary control function by deploying at all departments and agencies of the delegates previously trained budget controller; viii) in the context of the implementation of the LORFE 2012 and fiscal management focused on results, render effective the decentralization of the authorizing officer for government spending in favor of increasing the empowerment of sector ministers and heads of institutions in the implementation of their programs; and ix) undertake the decentralization of contract approval authority to ministers and heads of institutions, such that these officers can approve their spending within defined limits defined; the thresholds of their approval jurisdiction markets could be aligned to DGGT competence thresholds.

In order to improve the Treasury management, the government should: i) strengthen the statistical capacity in general and public finance statistics in particular by a) setting performance targets for the treasury based on the percentage of actual payment of mandates within the three month timeframe prescribed by the current regulations;[63] b) improving the current accounting system through the development of technical (production tables, balance sheets, accounting balances, etc.) and functional (mastery of transparency standards related to the dissemination of data) capacities and c) modernizing IT tools by introducing an integrated accounting information system that would compensate for the current shortcomings of SIDERE in the automation

[62] These new instruments pose some risks of duplicating instruments, usages and do not induce the desired knowledge acquisition that could result from a permanent use of the same instruments.

[63] This would avoid the current procedures of partial cancellation of unpaid orders at year end and reprogramming the rest to be paid the following year.

of administrative accounts and management accounts; ii) improve the quality of the consolidated balance of the treasury by producing all balances accounts of Class 1 to 7 and 9 to input balances at January 1, and by observing the deadline of 15 days of publication after the end of the month; iii) strengthen the process of the production of State accounts by including commitment accounting and investment operations in the administrative accounts and treasury operations in bills settlement via the management accounts; and iv) implement strict internal control mechanisms which by periodic statements of reconciliation will eliminate the risk of accumulation of arrears of revenue collection.

In order to improve the cash management, given the current state of affairs, the Government should take rigorous measures to correct the shortcomings that were identified. A first step would be to develop a procedural manual for DGTCP, then ensure the effective application of the rules, tools, and procedures in place for cash management. This strengthening must be accompanied by the systematization of internal controls to ensure a proper application of current accounting policies and by the modernization of SIDERE at the standards of 2011 guidelines of CEMAC, with operating cash modules, editing accounting tables, and blockages of new payment commitment in the event of reduced liquidity. Moreover, the government could i) establish effective cash management; ii) develop and implement a technical and an institutional framework of cash management; prepare and update the cash plan according to a monthly budget used for control purposes frequency; and iii) rigorously apply relevant procedures of the accounting instructions of 2001 on a cash basis (accounts of advances, account balances 38 and 41, etc.) before the adoption of new general regulations on public accounting.

Review of Public Financial Management

6

The legal framework governing the management of public finances is being renovated. In recent years, the government adopted or updated new legislation toward this goal. As a part of this effort, the organic law on the financial system of the State was adopted in September 2012, and the general regulations on public accounting and several regulatory texts were also adopted. However, some critical regulations of these laws are not yet implemented.

Compared to 2006, the PFM system has seen some progress in the areas of the medium-term predictability and quality of budget preparation, however the programming and budgeting process for investments are still not well coordinated. Efforts have been made in the organization of the preparation of the budget, notably through the formalization of the process of preparation, improved capacity forecasts and macroeconomic and fiscal framework, a better match between policies and proposed budget of ministries through the establishment of sector MTEF for all ministries. But, significant differences were found between annual tranches of sector MTEF and budget allocations investments contained in the State budget. Spending limits are not communicated to line ministries early in the budget preparation process, but only after the adoption of the draft budget in Cabinet.

There is a huge delay in the completion of tasks before the execution of the budget, including the preparation of annual procurement plans. Due to the cumbersome process of procurement, execution of investment operations starts not earlier than the late third quarter. In addition, the weak capacity of the actors in the execution of capital expenditure at the sector level and lack of anticipation do not help.

Payment deadlines are not met, therefore undermining the budget credibility. Due to the lack of cash planning together with the lack of a budget control mechanism, the 90-day payment deadline set by the current regulations to the General paymaster for the settlement of expenses is not always respected. In addition, capital spending is not running smoothly and arrears have accumulated at the end of the budget year. Budget credibility is undermined by this lack of mastery of cash flow, leading to accumulation of arrears despite budget surpluses. The Public Expenditure and Financial Accountability (PEFA) 2014, found that, in practice, budget arrears do exist, even if they do not appear in the accounts due to the cancellation of liquidated expenditure commitments that are then sequenced and recommitted to the following year.

The government has created many institutions to control public expenditure; however for capital expenditure the system is weak since only a tiny number of investment operations are controlled. Control and monitoring are done at two levels, internal and external. The internal control is done in two phases: i) a-priori and ii) post-spending. The a priori control of nonwage debt has struggled following the devolution of financial control functions and assignment of auditors to credit managers. Regarding post-spending control, control bodies exist, but their response capabilities is very limited; although they have made significant progress in their organization, they are not yet fully operational and interventions by these control bodies cover only a tiny number of investment operations. External control also has two layers, the CCDB and the Parliament. The CCDB has developed the capacity to control the execution of the State budget, but has yet to strengthen its capacity to perform its other tasks. Additionally, the parliamentary control has been improved by the progress made in the preparation of budgets, particularly for improving the predictability of medium-term financial stability and translation of NDP priorities in the budgetary targets, and by the organization and establishment of good procedures by the two parliamentary chambers for the examination of finance bills.

The information system for accounting and monitoring is dysfunctional and is there is significant delay in its upgrading. Accounting, recording information, and the financial reports computer system is dysfunctional. Moreover, it is not able to meet the updated requirements of keeping accounts as well as the need of quality data for budget management. In addition, financial monitoring of the implementation of investment spending is faltering because of the inadequacies of the budget accounts and the inability of the computer system (SIDERE) to produce budget execution statements and complete accounts. Finally, there are significant delays in upgrading the computerization program of the Ministry of Finance which aims at rehabilitating and integrating of all current systems including ASYCUDA SYSTAF, DMFAS, and SIDERE.

Based on these findings the government should consider in the short term and in the medium term actions to improve: i) the legal and institutional framework; ii) budget credibility, comprehensiveness and transparency; iii) budget accounting, recording, and reporting; and iv) predictability and budget execution control.

In the short-term, the government should focus on getting the basics right: First, put in place the new Treasury structure in order to fully implement the current legal and institutional framework. Second, in order to improve budget credibility, comprehensiveness, and transparency: reduce the gap between adopted and actual domestic revenues to less than five percent; reorganize the awarding of public contracts circuit so as to ensure budgetary control of procurement contracts by the DGCB before approval; include the stock of domestic payment arrears in public documentation; and make an inventory of revenues received by ministries and not paid into the Treasury account. Third, undertake (at least on a monthly basis) the reconciliation of accounting entries and bank statements and systematically clear the outstanding accounts and regularize them in the general accounting of the government in order to improve budget accounting, recording, and reporting. Fourth, undertake a comprehensive monthly reconciliation of the operations of revenue administrations (DGI and DGD) and the treasury; make budget credits available effective on January 1st by adopting the budget earlier and by completing the codification of the budget in December, limit the use of simplified expenditure procedures, and end non-contractualized debts so that the resulting arrears on spending is transferred to the CCA in order to improve predictability and budget execution control.

In the medium-term: First, provide to line ministries the status of payment authorization bodies to empower them to improve expenditure quality, thereby improving the current legal and institutional framework. Second, in order to improve budget credibility, comprehensiveness and transparency: strengthen human resources in DGCB, DGD, and DGI in revenue collection and compliance with tax and customs

rules; develop a program-based allocation mechanism for government transfers to territorial communities; strengthen the supervision of autonomous public agencies and public enterprises; and extend the timeline of line ministries to prepare their budget proposals, involving them in the process of simultaneous preparation of current and investment budget estimates. Third, in order to improve budget accounting, recording, and reporting: issue revenue collection orders corresponding to government revenues whose amounts are known in advance; ensure centralization of accounting operations of decentralized Treasury offices; establish the general account of the financial administration; and for public investment projects realized by DGPD produce budget execution statements on a semi-annual basis from the point of execution. Fourth, in order to improve predictability and budget execution control: build the human capacities of the DGI and the DGD to increase the level of revenues collected and the quality of control institutions; coordinate accounting in order to avoid frequently observed differences between the reporting of tax and customs administrations and those of the Treasury; increase the number of financial controllers to reduce their workload; ensure a follow-up by the Parliament of its recommendations to the government by establishing an all-supervisory-bodies consultation framework to coordinate intervention programs.

6.1 Context and Overview

6.1.1 State of Recent PFM Reforms

The government launched a comprehensive program of structural reforms and strengthening of governance in the early 2000s with a goal to consolidate peace and boost the economic and social development of the country. In this context, it developed the Poverty Reduction Strategy Paper (PRSP) for 2008–2010. This strategy was developed in the context of preparation for the HIPC Initiative completion, which allowed the Congo to benefit from the cancellation of a significant share of its external debt. The PRSP, translated the vision of the "New Hope" social project proposed by the President of the Republic for 2002–2009, which aimed to rebuild the country after years of conflict, pursue peace-building and put the Congo on the path of development.

From the perspective of financial management of public resources, several studies have been conducted in the country and important public financial management reforms have been implemented. In 2006, the following were carried out: (i) an integrated assessment of public financial management and procurement and (ii) an assessment of the performance of the public financial management system with the PEFA methodology. The 2006 PEFA assessment led to the preparation and the simultaneous execution of the action plan for improving the management of public investment (PAAGIP) and the governmental actions plan for PFM (PAGGFP). These two programs have not only helped the country to reach the HIPC completion point in January 2010, but also have helped it to achieve major results such as: i) a revised chain of public spending; ii) the public procurement code adopted in 2009; iii) the central and sector MTEF; iv) the system of computerized revenue; and v) the centralization of revenue and expenditure by the Treasury.

Critical PFM reforms have been adopted and many other are under preparation or revision. In order to comply with the 2011 guidelines of the CEMAC on the management of public finances, the government adopted the organic law on the financial system of the State in September 2012. However, with the revision of the general regulations of public accounting, the nomenclature budget of the State and of the accounting plan of the State is still an ongoing process. In addition, for the first time the government is implementing a fiscal rule coupled to the integrated computerization of financial administrations (customs, taxes, etc.) in a context of drafting the law on financial responsibility as part of the transparency initiative on extractive industries. All institutions relevant for PFM control are in place with the institutionalization of the CCDB, the IGE, the IGF and the DGCB. In 2014, a second evaluation of the performance of the public finance management system according to the PEFA methodology was carried out to

measure the progress made since the 2006 evaluation on various reform programs.

With these important achievements, the government decided to expand and strengthen its strategic reform framework through the NDP, which is part of a strategic planning and enhanced results-based management method. The NDP for 2012–2016, which was developed, is "a common roadmap" that should help the country to achieve high-middle income status in coming years. This is a multi-year integrated, multi-sector strategic planning framework that operationalizes the President's vision, articulated in the "Future Path." Its main objective is to accelerate the modernization of the society and the industrialization of the country with a goal to generate greater and shared prosperity.

6.1.2 Main Institutional Challenges Blocking Effective Implementation of PFM Reforms

In 2014, jointly with the government, the European Union conducted the PEFA review and the World Bank the Public Investment Management Review (PIMR).[64] The PEFA and PIMR review results are mixed given that the scores for some indicators are good, but those for others indicate the need for significant improvement in the coming years through actions that will enhance budget formulation, adoption, execution, and reporting as well as internal and external controls. Weaknesses identified by the 2014 PEFA are major challenges which, to be addressed, will require greater efforts and sustained political will by the government. Table 6.1 provides a summary of scores assigned to the 31 indicators of the PEFA assessment system.

Despite the fact that Congo has made progress in recent years, its public financial management system is still fraught with weaknesses. In this regard, the detailed analysis presented in the next sections of this chapter illustrates the importance of five key challenges: i) to eliminate the excessive use of exceptional spending procedures, which poses serious issues of governance and hinders effectiveness of public expenditure; ii) to ensure timely, comprehensive, and accurate fiscal accounting and reporting; iii) to improve budget comprehensiveness and transparency; iv) to operationalize the new treasury structures and improve cash management; and v) to strengthen internal control and increase external oversight of budget outcomes.

Congo's public financial management performance is lagging behind compared to some peer countries. In a sample comprising Cameroon (CEMAC countries); Nigeria, Kenya, and Ghana (SSA countries); and India, Brazil, and Indonesia (emerging economies), Congo's performance (8 scores of C+ or more) is lagging when compared to Cameroon (score of 10), Nigeria (score of 10), Kenya (20), Ghana (20), India (20), Brazil (27) and Indonesia (20). A more detailed analysis by performance indicator shows some areas that account for this situation: Brazil had the highest score (comprehensiveness of information included in the budget documentation; accounting, recording and management of Treasury balances, the debt and guarantees; quality and timeliness of in-year budget reporting; quality and timeliness of annual financial statements); Congo had the lowest (budget cycle, policy-based budgeting). The scoring is summarized in Table 6.2.

The review noted significant training needs and high expectations in this area in all of the various administrations. Managers as well as executive staff and workers expressed these needs. With the exception of the General Directorate of Financial Inspectorate (DGIF), the General Directorate of Financial Control (DGCF), and the Chamber of Accounts, the lack of training is aggravated by a lack of procedure manuals. Moreover, there is a lack of computer equipment and half of the staff in various ministries has never used such tools. Meeting these training needs should be backed by a recruitment policy based on the CEMAC zone provisions on the harmonized wage bill, and should bear in mind that the age profile of the current workforce is high, which will pose serious problems of renewal in the coming years.

[64] These reviews not only identified progress made in reforming the public financial management system, but also presented recommendations to further strengthen it, based on a priority action program (PAP).

TABLE 6.1: Summary of PEFA Scores

Public Financial Management Performance Indicators		Scoring Method	Component Scores i	ii	iii	iv	Aggregate Score
A. Public Financial Management System Out-Turns: Credibility of the Budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C				C
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	D	B			D+
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	A				A
PI-4	Stock and monitoring of expenditure payment arrears	M1	D	D			D
B. Cross-Cutting Features (Comprehensiveness and Transparency)							
PI-5	Classification of the budget	M1	D				D
PI-6	Comprehensiveness of information included in budget documentation	M1	C				C
PI-7	Extent of unreported Central Government operations	M1	C	B			C+
PI-8	Transparency of inter-governmental fiscal relations	M2	B	D	D		D+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	D	D			D
PI-10	Public access to key fiscal information	M1	D				D
C. Budget Cycle							
C(i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	D	D	A		C
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	A	C	D	C+
C(ii) Predictability and Control in Budget Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	C	B	B		B
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	D	C		D+
PI-15	Effectiveness in collection of tax payment	M1	NN	NN	D		NN
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	D	D	D		D
PI-17	Recording and management of cash balances, debts and guarantees	M2	A	D	A		B
PI-18	Effectiveness of payroll controls	M1	D	D	D	C	D+
PI-19	Competition, value for money and controls in procurement	M2	B	D	D	D	D+
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	D	C	D		D+
PI-21	Effectiveness of internal audit	M1	D	D	D		D
C(iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regulation of accounts reconciliation	M2	D	C			D+
PI-23	Availability of information on resources received by service delivery unit	M1	D				D
PI-24	Quality and timeliness of in-year budget reports	M1	C	D	C		D+
PI-25	Quality and timeliness of annual financial statements	M1	D	B	D		D+
C(iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	D	C	A		D+
PI-27	Legislative scrutiny of the annual budget law	M1	A	A	A	D	D+
PI-28	Legislative scrutiny of external audit reports	M1	A	D	C		D+
D. Donor Practices							
D-1	Predictability of direct budget support	M1	NN	NN			NN
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1	A	B			B+
D-3	Proportion of aid that is managed by use of national procedures	M1	D				D

Source: Assessment of Public Finances according to the PEFA methodology, Final Report, June 2014.
Notes: NN: no source; M1–The grade is determined based on the lowest grade of all sub-components. M2–The grade is determined based on the average of the grades of the subcomponents. Grade A indicates the highest while grade D indicates the lowest performance. On a scale from 1to 20, the grade A corresponds to 16 to 20, the grade B to 11 to 15, the grade C to 6 to 10, and the grade D to 1 to 5.

TABLE 6.2: **Selected Countries – Summary of PEFA Scores**

	Number of Indicators	Congo Juin-14	Cameroon Nov-12	Nigeria Juin-08	Kenya Aug-12	Ghana jan-10	India Mars-10	Brazil Dec-09	Indonesia Dec-12
A. PUBLIC FINANCIAL MANAGEMENT OUT-TURNS: Credibility of budget	4	1A 1C 1D+, 1D	3D, 1D+	1C 1D 2NR	1B 2C+	1B 2C 1NR	1A 2C 1NR	3A 1B	1A 1B+ 1C 1D
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	6	1C, 1C+ 3D, 1D+	2B 2C 1D, 1D+	1B 1C 1D, 2D+ 1NR	2B 2C 1D	2A 1B 1C 2D+	4A 1B+ 1C	4A 1B+ 1C+	3A 1B 2C+
C. BUDGET CYCLE C (i) Policy-based budgeting	2	1C 1C+	1C 1D	2D	1B 1C+	1A 1C+	1C+ 1D	1A 1B	1A 1C+
C (ii) Predictability and control of budget execution	9	2B 2D, 4D+ 1NR	1B 2C+ 2D, 4D+	2B, 1B+ 1C 2D, 3D+	3B, 2B+ 1C, 2C+ 1D+	1B+ 1C, 4C+ 3D+	1A 1B+ 3C+ 3D+ 1NR	4A 4B+ 1C+	1B, 1B+ 5C+, 1C 1D+
C (iii) Accounting, recording and reporting	4	1D, 3D+	1C, 1C+ D+ 1NR	1B+ 1C, 1C+ 1D	1C+ 2D, 1D+	1B 1C, 2C+	1A 1B 2C+	3A 1C+	1B, 1B+ 1C+ 1D
C (iv) External scrutiny & audit	3	3D+	2D, 1D+	1D, 2D+	2C+ 1D+	1C+ 2D+	1A 2D+	1A 1C+ 1D	2B+ 1C+
TOTAL	28	1A 2B 3C, 2C+ 7D,12D+	3B 4C, 3C+ 9D, 8D+	3B, 2B+ 4C, 1C+ 8D, 7D+	7B, 2B+ 3C, 8C+ 3D, 3D+	3A 3B, 1B+ 4C, 8C+ 7D+	8A 1B, 2B+ 3C, 6C+ 1D, 5D+	16A 2B, 5B+ 4C+ 1D	5A 3B, 5B+ 2C, 5C+ 2D, 1D+
Number of scores at C+ or above		8	10	10	20	20	20	27	20
D. Donor Practices	3	1B+ 1D 1NR	2D 1NR	3NR	3D	1A 1C+ 1D	3NR	3NR	1B+ 1C 1D+

Source: Reports published on the website www.pefa.org.
Note: NR = Not Rated.

6.2 Legal and Institutional Framework

6.2.1 Legal Framework

The legal framework for public finance management in Congo mainly includes the Constitution, the LORFE, and the RGCP. The constitution of January 20, 2002 specifies the role of Parliament in terms of public finances (control of budget and financial policies of the executive, vote finance laws, etc.) and sets deadlines for submission to Parliament of Finance law and regulations. LORFE, the organic law No. 20-2012 of September 3, 2012 was adopted to comply with the 2011 CEMAC guidelines for the harmonization of budgetary and accounting procedures in the CEMAC zone. However, the law is recent; its implementing texts have not yet been put into effect; so that public finance management continues to be governed mainly by the former organic Law of February 2000 that was (nevertheless) expressly repealed. The 2012 LORFE fixes fundamental rules of the public finance management. In particular it addresses: broad budget principles; the presentation of the general budget; the nature of resources and budget

of State expenditure; the main stages of budget process; and key actors of budget execution. The general regulations on public accounting (RGCP) made by Order No. 2000-187 of August 10, 2000, sets rules for budget implementation. It deals in particular with authorizing officers, public accountants, revenue operations, expenditures operations, accounting, imprest, and revenue records. The RGCP is currently being revised in order to adapt to the 2012 LORFE.

6.2.2 Institutional Framework with Focus on Public Investment

The main players in the management of public spending in the Republic of Congo are; (i) the Ministry of Economy, Finance, Planning, Public Portfolio and integration; (ii) the sector ministries; (iii) the Ministry of territory planning and general delegation of major works; (iv) the General Inspectorate of State; (v) the Court of Auditors and budgetary discipline; and (vi) the Parliament.

The Ministry of the Economy, Finance, Planning, Public Portfolio, and Integration (MEFPPPI). The MEFPPPI is the main actor of programming, budgeting, execution, control, and monitoring the execution of public spending in the Republic of Congo. Under the provisions of Decree No. 2012-154 of November 9, 2012, the MEFPPPI duties include: i) develop project data for inclusion in the State's budget; ii) identify and determine the location of public investment; iii) negotiate development programs with bilateral and multilateral partners and ensure their implementation and monitoring; iv) monitor the implementation of public investment programs and projects and ensure physical and financial control; v) ensure the programming of the investment budget disbursements based on available resources; vi) prepare and engage the State budget capital expenditures; and vii) seek additional resources to finance the investment budget. Note that functions related to the plan are delegated to the Deputy Minister in charge of planning and integration.

Within MEFPPPI several branches and agencies are involved in the management of public investment:

- **The General Directorate of Planning and Development (DGPD).** Under the authority of the Deputy Minister in charge of planning and integration, DGPD provides all programming operations of public investment. The Director General of Planning and Development chairs the Identification Commission and selecting public investment projects (CISPIP).
- **The Commission d'identification et de sélection des projets d'investissement public (CISPIP).**[65] Created as part of the implementation of the PAAGIP, the CISPIP has the mission to select previously identified projects at sector level within the DEP, and to ensure the financing of feasibility studies that will help for their inclusion in the public investment program, the MTEF, and the budget for the year n+1.
- **The Centre d'étude et d'évaluation des projets d'investissement (CEPI).**[66] Created by Law No. 025-90 of September 18, 1990, CEPI is a public industrial and commercial entity under the supervision of MEFPPPI. CEPI provides technical assistance to the DGPD in connection with the exercise of its duties. Thus, it ensures the CISPIP technical secretariat.
- **The Directorate General of Budget (DGB)** is responsible for the budgeting of public investments. As the authorizing officer of the State budget, the General Director of Budget ensures the scheduling of investment spending.
- **The General Directorate of Public Procurement Control (DGCMP).** Under the authority of MEFPPPI, the DGCMP exercises a priori control over the procurement procedure of public procurement and follows the implementation of the terms of their execution.
- **The Directorate General of Budget Control (DGCB)** exercises a priori control over expenditure commitments and a control of service delivery prior to the liquidation of the expense.

[65] Commission for the Identification and Selection of Public Investment Projects.
[66] Centre for Study and Evaluation of Investment Projects.

- **The General Directorate of the Treasury and Public Accounting (DGTCP).** The DGTCP, through the general Treasurers paymaster, ensures the payment of all public spending.
- **The General Inspectorate of Finance (IGF)** carries an internal ex-post control of the execution of the State budget.

Sector ministries, through the DEP, the directions of Financial Affairs (DAF), and procurement management offices, are involved in the planning, budgeting, implementation, control, and monitoring of the implementation of public investment. Sector ministers are credit and budget administrators of their respective ministry.

The Ministry of territory planning and general delegation of major works (MATDGGT). This department is a key player in the execution of investment spending through the General delegation of major works (DGGT). In Congo, the DGGT is a major player in the implementation of public investment. Founded in 2002 by Decree No. 2002-371 of December 3, 2002, the DGGT was reorganized in 2014 by Decree No. 2014-35 of February 17, 2014. The DGGT is responsible for the procurement and execution of public contracts as well as public service delegation contracts of the State and other legal moral persons of public and private law, based on thresholds. These thresholds are defined in Article 13 of Decree 2011-843 of December 31, 2011 amending and supplementing certain provisions of Decree No. 2009-162 of May 20, 2009 fixing the award, control, and approval thresholds of public procurement.

The General Inspectorate of State (IGE). Under the authority of the President of the Republic, the IGE carries an internal ex-post control of the execution of the State budget.

The Cour des Comptes et de Discipline Budgétaire (CCDB)[67] is established by the Constitution and it is the higher institute of control (ISC). It exercises judicial control over public accountants, assists Parliament in monitoring the implementation of finance laws, and conducts audits and auditing.

[67] Court of Auditors.

Parliament constituted by the National Assembly and the Senate. It controls government action through the examination of and voting on draft finance laws and settlement laws. Parliament can exercise control over public finances through auditing and inquiry commissions.

The Minister in charge of Finance and the President of the Republic are the approval authorities of public contracts in the Republic of Congo. Under the provisions of Decree No. 2011-843 of December 31, 2011, the procurement contract is approved by the President of the Republic when the amount is greater than or equal to XAF 2 billion, and the Minister in charge of Finance if its amount is less than XAF 2 billion.

6.2.3 Financial Risks

The delay in implementing the Treasury reform as well as revenue and spending chain reforms could prevent the Treasury from fully playing its role within the government financial system, namely keeping the accounts and managing the government's finances. This institutional weakness seriously contributes to maintaining a high financial risk related to the management of government funds. This has resulted in poor performances, namely D+, D, D+, and D+ that have been assigned to the PEFA PI-22, PI-23, PI-24 indicators respectively, and to a lesser extent PI-25. In addition, it impacts negatively on government financial management (score D for PI-17/component ii).

The inadequate staffing and insufficient independence of CCDB results in the persistence of a high level detection risk. The PEFA score D+ of PI-26 is a reflection of this. The risks relate to financial and accounting information and the use of government resources.

The level of financial risk, which is a fiscal risk attributable to public enterprises, is substantial given that the score for the PEFA PI-9/component (i) is D. This risk could be reduced if the Public Portfolio Directorate is adequately supervised.

6.2.4 Recommendations

In the short term, the Government's implementation of the technical and institutional framework for the

treasury, coupled with the preparation of the treasury forecast on a monthly basis could help to monitor and regulate budget execution. The managers of credit lines should also be instructed to already start using the DAO (Dossiers d'Appel d'Offre) as soon as the budget law is submitted to the National assembly for approval.

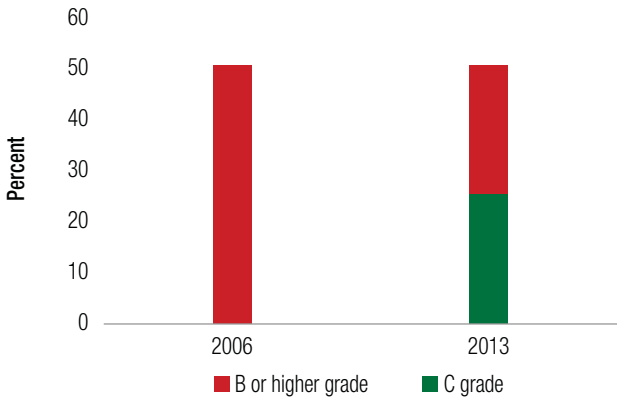
In the medium term, the government should: i) give line ministries and other spending entities the status of payment authorization bodies to empower them to improve the quality of expenditure; and ii) adopt an action plan to integrate the provisions of the 2011 CEMAC guidelines into the country's regulations on public finance.

6.3 Budget Credibility, Comprehensiveness and Transparency, and Policy-Based Budgeting

6.3.1 Budget Credibility

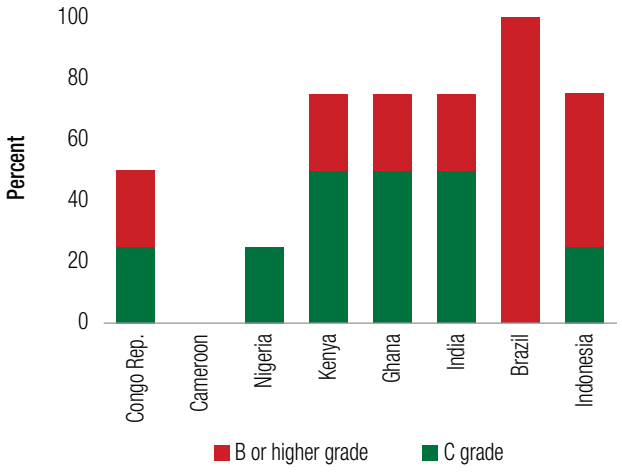
During the three last years, budget credibility did not improve compared to 2006. There are four indicators of credibility: i) the change in percentage of approved budget to executed budget; ii) the decomposition of this change; iii) the difference in percentage of approved revenue to collected revenues; and iv) stock and monitoring of arrears on spending. The country regressed on one of these indicators and remained significantly unchanged on others. Overall, the percentage of budget credibility indicators higher than C stayed stable at 50 percent. However the percentage of indicators with grade B or higher decrease from 50 percent in 2006 to 25 percent in 2014, see Figure 6.1. However, Congo's budget seems more credible than in Cameroon and in Nigeria—these countries recorded lower percentages of C grades and above in their recent PEFA assessment. But Congo is lagging far behind other African peers such as Kenya and Ghana; both countries have 75 percent of their credibility indicator score at C grade or above, which is higher than the 50 percent of Congo. Congo is also far behind "Emerging Economies" such as India, Brazil and Indonesia (see Figure 6.2).

FIGURE 6.1: **Budget Credibility, PEFA Score**



Sources: PEFA, 2006 and 2010 of Republic of Congo.

FIGURE 6.2: **Selected Countries – Budget Credibility, PEFA Score**



Sources: PEFA of selected countries, published on the website www.pefa.org.

From 2010 to 2012, the change in percentage of approved to executed budget was more significant than from 2003 to 2005. From 2003 to 2005, the budget aggregate expenditure compared to original approved budget three-year gaps was 6 percent, 1 percent, and 7 percent. In the 2014 PEFA, the total actual expenditure against budget estimates (initial budget acts) recorded deviations of 0.2 percent, 4.6 percent, and 29.0 respectively for the years 2010, 2011, and 2012. It should be noted that 2012 was an exceptional situation because of the disaster in March (explosion of a munitions depot in Brazzaville). The government had

to approve a supplementary budget law in May 2012 that significantly amended the original budget law. The credits for purchases of goods and services and current transfers were increased by nearly 20.4 percent; investments from internal resources appropriations were increased by about 41 percent.

Capital spending execution reveals more of the lack of budget credibility. The implementing capital expenditure levels recorded between 2008 and 2013 has an irregular trend. From 97.5 percent in 2008, the execution rate of investment dropped to 77.1 percent in 2012 after having peaked at 102.0 percent in 2011, and was established in 2013 at 88.2 percent. However, these high overall rates mask disparities in ministries and institutions. In 2010 for example, some departments and agencies have registered overspending, others could only partially run their public investment spending, and finally others could not consume their allocation of public investment expenditures. The following discussion illustrates disparities that hide the overall implementation rate of capital expenditure of 88.2 percent in 2013.

Over-execution was identified in the five following ministries: i) Health and Population—XAF 355.7 billion against a forecast of XAF 80.4 billion, or 442.5 percent; ii) Sport and Physical Education—XAF 125.7 billion against a forecast of XAF 40.0 billion, or 314.2 percent; iii) Higher education—XAF 29.9 billion against a forecast of XAF 11.8 billion, or 254.5 percent; iv) Construction, Planning, and Housing—XAF 177.3 billion against a forecast of XAF 159.4 billion, or 111.2 percent, v) Industrial Development and Promotion of the Private Sector—XAF 17.1 billion against a forecast of XAF 16.8 billion, or 102.0 percent.

In addition, during the same year, 24 ministries and institutions of the 37 that make up the Congolese cabinet were unable to execute spending in excess of 50 percent of the forecast. Seventeen experienced implementation rates below 25 percent and nine had implementation rates below 10 percent. The Ministry of Civil Service and State Reform could not execute its investment operations.

The execution of capital expenditure in excess of allocations results from the underestimation of costs. This is due to weaknesses (identified previously in this document) in the process of programming and budgeting (including the lack of feasibility studies) and/or execution of projects that were initially unforeseen. Furthermore, it is important to note that since capital expenditures are provided with capped allocations, there should be no budget allocations where spending exceeds forecast. The execution of capital expenditure beyond the allocation is indicative of the ineffectiveness of an a priori system of control of spending in general and investment in particular.

There are two primary explanations for the low performance or non-performance of capital expenditure: i) the cumbersome process of procurement and chain of expense, and ii) the weak capacity of the actors in charge of the execution of this spending in ministries and institutions. Also noteworthy are budgeting-related deficiencies related to over-estimation of project costs.

Compositions of expenditure out-turn compared to original approved budget did not improve significantly from 2003 to 2013. In the two years prior to 2006, the change in the composition of expenditure was higher by 21 percent and 29 percent compared to the overall deviation in primary expenditure. In 2013, annual budgets included a line of common charges representing between 3 percent and 5 percent of expenditures excluding debt and excluding foreign-financed projects (between 5 and 10 percent of expenditures excluding debt and excluding investments). These common charges usually consist mainly of expenditures on goods and services (financial expenses, electricity and water consumption, telephone, and office supplies). More importantly, the decomposition of variation was 18.6 percent, respectively, 21.6 percent, and 28.2 percent.

From 2010 to 2012, the accuracy of revenue prediction was good even if it deteriorated compared to 2003–2005. Actual domestic revenue was, as a share of anticipated revenue, 102 percent in 2003, 125 percent in 2004, and 99 percent in 2005, thanks to increasing oil prices. The data shows that for the last three fiscal years revenue realization rate compared to the initial budget laws are 84.2 percent, 102.1 percent, and 97 percent, respectively. This rather good recovery rate is volatile

TABLE 6.3: **Transfers and Subsidies from the State Budget to Independent Organizations Outside the Devolved Administrations, (in billions of CFA francs)**

	2012 (For.)	2012 (Real.)
1 Current expenditure excluding interest on debt	838.2	1035.8
Including transfers and interventions	330	387
2 Investments financed out. Ext.	915	1226
3 Total expenditure excluding debt and finance Ext.	1753.2	2261.7
4 Transfers to independent organizations outside decentralized administrations	141.3	126.8
5 Percent of transfers to autonomous entities reported expenditures (4 ÷ 3)	8.2	5.6

Source: DGB and CCDB.

due to the fact that oil represented about three-fourths of government revenue during that period.

Due to reorganization and new way of presenting data in the GFS and by CCA, it is now very difficult to have the exact figure of the level of spending arrears. There is no internal annual monitoring of arrears on spending for the current year. They do not appear in the monthly GFS. The DGB and DGTCP do not establish periodic situations in which all payment instances are traced, distinguishing those sequenced for over 90 days. In addition, the practice of cancellation of obligations and their carryover to the following year makes it even more difficult to monitor arrears. Furthermore, this leads to authorities claiming an absence of arrears while many PME/SMEs are complaining about arrears accumulation.

Overall debt management and monitoring did not improve significantly from the 2006. The CCA manages a stock of arrears resulting from spending years prior to 2004. This should have been consolidated into debt, but has not. This stock has continued to rise due to the transfer to the CCA of warrants pending payment at the end of fiscal years subsequent to 2004. The PEFA team has not been able to verify if this practice persists or, if not, what date it was suspended. In addition, a ministerial circular specifying that "expenses are paid according to the order of arrival of orders to the Treasury, pursuant to the principle "first come, first paid" is yet to be implemented due to lack of organization and monitoring means.[68] Furthermore, the circular does not specify the priority to be given to arrears managed by CCA.

6.3.2 Budget Comprehensiveness and Transparency

From 2006 to 2014, budget classification deteriorated. The government stopped presenting the functional classification of the budget in 2010. The government also failed to provide the PEFA team with detailed data. In fact, the tables received from the DGB and related administrative accounts present detailed expenditures according to the administrative and economic classifications, but only for debt, goods and services, wages, and transfers. Capital expenditures are not included. Moreover, these tables do not always show forecast budget laws.

Extra-budgetary expenditures from independent bodies outside communities represent between 5 and 10 percent of government spending (see Table 6.3). The current situation is characterized by the fact that supervisory authorities for the jurisdictions of these budgets and accounts provide inadequate supervision, and their accounts are generally not centralized by the Ministry in charge of Finance and the CCDB. There is no consolidated data on revenues and expenditures. A fortiori this information does not appear in the documents accompanying the draft budget or the draft settlement bill tabled in Parliament.

The transparency and objectivity in the horizontal distribution of assignments between the devolved

[68] This principle would limit or eliminate the risk of accumulation of arrears, but its effective implementation would require organization and monitoring means that are not yet available.

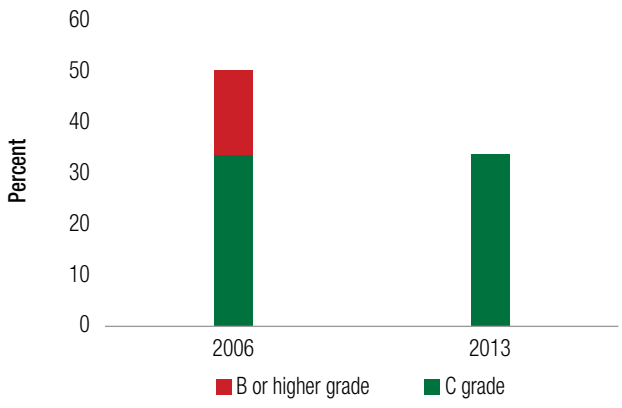
administrations has improved significantly since 2006. Although complex, rules for the allocation of fiscal resources to devolved administrations are well defined by the Tax Code. Practices for the allocation of fixed portions of grants of State do not change and are known by the devolved administrations. Amounts additional to the fixed portion are granted to municipalities and division without well-established distribution rules. These additional amounts, however, represent less than 50 percent of assignments (see Table A3.1 in appendix). However, there is no formal communication procedure on forecasts of resources to be allocated to local authorities. Before the beginning of the budget year, such authorities have neither reliable data transfers to be granted to them, nor tax revenue collection estimates to be made on their behalf by the tax authorities. In addition, budget data for the local authorities are subject to either centralization or consolidation by central governments.

There is still substantial fiscal risk in terms of oversight of other public sector entities. The scope of oversight by the central government for autonomous public agencies and public enterprises is weak; in fact, there is no centralized method of consolidating public institutions accounts (EPIC and EPA). The Ministry of Finance does not produce an annual report analyzing financial situations of public institutions. Moreover, the extent of control of the central government on the fiscal situation of devolved administrations is poor. As for public enterprises, there is no centralization and consolidation of the financial accounts of local governments. Neither the Ministry of in charge of Finance nor the Ministry in charge of reports produced by local authorities on the financial status of the decentralized administrations.

Public access to key fiscal information in Congo is very limited. None of the six criteria for public access to information is achieved. This situation has been the case since 2006. The government has failed to take appropriate action to improve on this front.

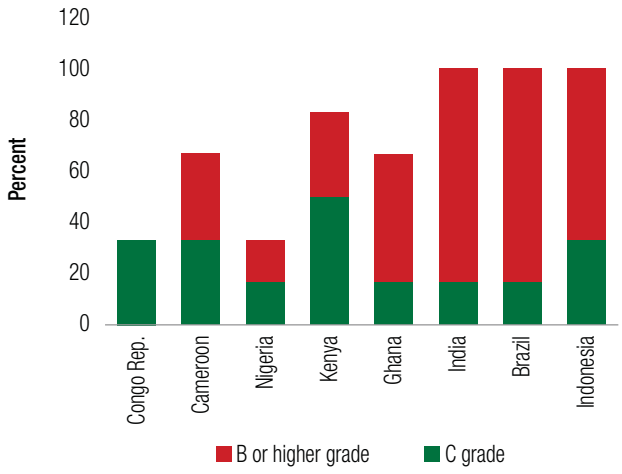
Overall the budget comprehensiveness and transparency in Congo deteriorated from 2006 to 2014 rendering the country's performance weak compare to its peers. Within this period the percentage of budget comprehensiveness and transparency indicators with a grade of C or more decrease from 50 percent to 33.3 percent. Moreover, the number of indicators of grade B or more decreased from 16.7 percent to 0 percent (see Figure 6.3). With the recent PEFA indicators, it is clear that Congo is a low performer on this dimension within developing countries. In fact, the country's percentage of indicators with grade C or more (33.3 percent) is below that of neighboring and oil producing countries such as Cameroon (66.7 percent) and Nigeria

FIGURE 6.3: **Budget Comprehensiveness and Transparency, PEFA Score**



Sources: PEFA, 2006 and 2010 of Republic of Congo.

FIGURE 6.4: **Selected Countries – Budget Comprehensiveness and Transparency, PEFA Score**



Sources: PEFA of selected countries, published on the website www.pefa.org.

(33.3 percent, but with grade B and more) and other SSA countries such as Kenya (83.3 percent) and Ghana (66.7 percent). Moreover Congo scores far behind "Emerging economies" such as India, Brazil, and Indonesia which all score 100 percent on this dimension. This is an indication that the country has much room for improvement, given that its aim is to become an "Emerging Economy" by 2025 (see Figure 6.4).

6.3.3 Policy-Based Budgeting

The budget preparation process has improved some aspects of it organization and its participative characteristics. There is a budget calendar set each year by the Minister in charge of Finance, but this calendar is not followed rigorously. The clarity and comprehensiveness guidelines and participation of responsible policies in the process of preparing budget proposals (budget circular or other document) have deteriorated. In fact the CPCMB prepares the macroeconomic and fiscal framework and determines strategic ceilings, but too often this framework is not approved by the cabinet prior to final budget allocation by the government. In contrast, the Finance Acts the last three years were passed before the start of the financial year.

In recent years, multi-year perspective in fiscal planning and the expenditure policy have started to gain ground, albeit slowly. Nowadays, budget proposals are part of multi-year perspectives. They are prepared from three-year macroeconomic and fiscal framing. But budgets do not provide estimates according for classifications. However, the CCA prepares an annual report on debt sustainability and a report on the debt strategy. Sector strategies exist with multi-year cost of operating and capital expenditures. All ministries provide an annual update of their sector strategy papers and three-year rolling MTEF. However, currently prepared budgets do not fit these MTEF because of shortcomings in setting medium-term fiscal frameworks and sector expenditure ceilings, as well as the harmonization of the MTEF preparation process with that of the Public Investment Program. Finally, the budget preparation process based on the MTEF includes capital expenditure and operating costs.

6.3.4 Financial Risks

Overall the low credibility and the lack of transparency of the budgeting process render as substantial the financial risk of the Congolese government.

First, accumulation of new payment arrears affects the credibility of the system and delays Congo's return to a sound public financial situation. Hence, the level of financial risk is high. The score D for the PEFA PI-4 component (i) is a reflection of this.

Second, the lack of oversight by the central government on autonomous public agencies and public enterprises create a financial risk to the government. Hence, the level of the financial risk is substantial as the score C of PEFA PI-7/component (i) indicates.

Third, the allocation mechanism for Government transfers to territorial communities is not driven by any economic or programmatic document. This represents a source of risk for their development. Hence, the level of the financial risk is moderate and is reflected by the B score of PEFA PI-8/component (i).

Fourth, the lack of supervision of autonomous public agencies and public enterprises could make this sector vulnerable to embezzlement and misappropriation. Therefore, the level of financial risk is high. This accounts for the D score of PEFA PI-9/component (i).

Fifth, low public access to fiscal information does not enable the citizenry to monitor the use of public resources. Hence, the level of financial risk of insufficient citizen control is modest. This can be seen with the D score of PI-10.

6.3.5 Recommendations

In the short term, the government should i) reduce the gap between adopted and actual domestic revenues to less than five percent and improve the ratio of non-oil tax revenues to non-oil GDP by implementing reforms to make progress towards meeting the CEMAC criteria; ii) reorganize the awarding of public contracts circuit so as to ensure (in accordance with Decree No. 2009-230 of July 30, 2009 regulating the execution of government expenditure terms) budgetary control of procurement

contracts by the DGCB before approval to limit capital expenditure commitments to budget allocations; iii) include the stock of domestic payment arrears in public documentation as well as in GFS; iv) improve the presentation of the budget document as per PEFA guidelines; v) create an inventory of revenues received by ministries and not paid into the Treasury account, include them in the budget, and take steps to ensure their payment into public accounts; and vi) improve public access to fiscal information, as per PEFA guidelines, namely by posting it in the planned MEFPPPI website.

In the medium term, the government should i) strengthen human resources in DGCG, DGD, and DGI in order to improve revenue collection and compliance with tax and customs rules; ii) develop a program-based allocation mechanism for government transfers to territorial communities; iii) improve the centralization of information on the execution of territorial communities' budgets and ensure its consolidation into an annual report to be publicly disclosed within 18 months after the end of the fiscal year; iv) strengthen the supervision of autonomous public agencies and public enterprises by conducting an audit of EPAs and EPICs regarding collection and use of fees and adopting financial reporting norms to government as condition to grant them public subsidies; v) facilitate budget preparation by ministries by extending the timeline (to at least four (4) weeks after budget ceilings are defined) for preparation of their proposals and involving them in the process of simultaneous preparation of current and investment budget estimates; and vi) strengthen the capacity of all actors in charge of the execution of expenditure in the ministries including the budget execution process in general and in particular, procurement.

6.4 Accounting, Recording, and Reporting

6.4.1 Quality of Budget Accounting, Recording, and Reporting

Congo is still struggling to produce its public financial account in a timely manner and to reconcile its various accounts. From 2006 to 2013, the regularity of treasury banking accounts reconciliation deteriorated further. In fact, Treasury balances are not available; hence the accounting reconciliation with the Treasury accounts opened at the Central Bank is done on a day-to-day basis. Moreover, there are accounts held by some government agencies (e.g. DGID) in commercial banks that are unknown to the Treasury. In addition, the capacity of the Treasury does not allow it to ensure reconciliation with bank statements for all accounts in its network. In contrast, the regularity of reconciliation and clearance of suspense accounts and advances has slightly improved. All provisional allocation accounts are cleared after the end of the year, just after the end of the additional period for the preparation of the settlement bill. However, the significant amounts and frequency of expenditure procedures without commitment or without prior scheduling lead to significant balances at the provisional allocation accounts.

Availability of information on resources received by primary service delivery units remained very weak. For example, there is no centralized data of resources currently allocated to basic services units for the sectors of Education and Health. Over the last three years (2010–2012) there has been no specific studies such as PETS (Public Expenditure Tracking Survey) or something similar on these two sectors.

In Congo, the quality and timeliness of budget reports during the year is weak and the situation has deteriorated since 2006. First, the scope of reports in terms of coverage and compatibility with budget forecasts deteriorated. The information systems (SIDERE and others) do not produce complete and reliable information on budget implementation. The DGB produced quarterly statistics on budget execution on an irregular basis, developed from accounting and non-accounting sources. The data are not disclosed according to forecasts by the Finance Act. Comparisons can only be made at an aggregate level by ministry across all economic categories. In addition, data is not available at the commitment stage. Second, the quality of information also deteriorated due to: i) shortcomings in accounting; ii) the fact that the data are compiled from accounting and non-accounting sources; and iii) the fact that inconsistencies can occur between various tables. However, this information is still

useful, and is used for internal reporting and for reports to Parliament. Third, timeliness and distribution of reports is also weak and deteriorating. Statistics produced during the year by the DGB (budget execution), CCA (monthly statistics on debt service), and Directorate of Studies and Forecasting (monthly GFS) are not produced on time and are not subject to any distribution.

The quality and timeliness of annual financial statements in Congo remained very weak. The Country recorded a grade of D+ in the PEFA PI-25 in 2006 and 2014. More precisely, the completeness of the financial statements deteriorated from 2006 to 2014; because the draft settlement law is accompanied by statistics on revenues and expenses, assimilated to administrative accounts, but the financial statements (consolidated accounting balances) did not accompany the draft settlement law of 2012. In addition, accounting standards have deteriorated substantially. The charter of accounts used is adapted from the UDEAC 1974 plan and is too old to comply with updated International Public Sector Accounting Standards (IPSAS). Moreover, the summary financial statements in the annual reports of the CCDB and the appendix of settlement laws vary from year to year. In contrast, the government substantially improved the timeliness of submission of financial statements. For instance, the financial statements that were used in preparing the annual report on the implementation of the 2012 budget and the General Declaration of conformity between the administrative account and management account were sent to the CCDB in July 9, 2013, or just over six months after the end of the year.

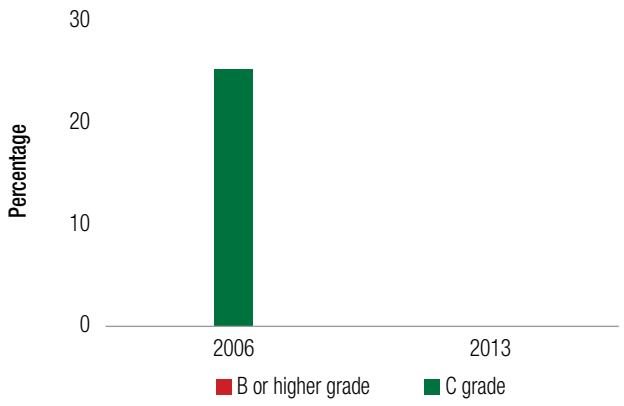
The fact that the implementation update of public investment spending by DGPD is produced on an annual basis renders it useless as a budgetary management tool. Rather, it is a document presenting the results of the management of public investment, not a management tool. It cannot be used effectively for financial monitoring of the implementation of capital and to help with management decisions during the year. Furthermore, its scope should be expanded to commitments and payments, which will help everyone to be aware of and follow both overall and actual project costs. In addition, the operationalization of the program authorizations mechanism or commitment authorizations and payment appropriations will help to properly implement multi-year projects and to monitor cost changes.

Computer systems for administrative and financial accounting are dysfunctional and are not able to meet maintenance needs of accounting and information requirements for budget management. The computerization program of the Ministry of in charge of Finance aimed to rehabilitate and to integrate all systems (SYDONIA, SYSTAF, SYGADE, SIDERE.) is experiencing many delays. Specifically, to computerize the execution, control, and monitoring of the State budget implementation, and the production of Audits, the MEFPPPI has implemented an integrated system of expenditure and revenue (SIDERE). However, for various reasons, this system is not yet fully functional.

There are many reasons why SIDERE is not yet fully functional. According to the PEFA these include the fact that: i) the integration of budget and accounting modules is not finalized; ii) application checks with each phase of the execution of expenditure are not developed; iii) the system is not deployed in all ministries—hence, credit managers do not have working station in their ministry and so have to move to the Ministry in charge of Finance to do this job; iv) the support of visas granted to each budget phase is not yet edited by the system—hence, some expenses may not be recorded in the SIDERE system. According to the CCDB, these include: i) a weakness in the security of the information system; ii) the lack of completeness in the records of financial information; iii) the lack of comprehensive inventory of accounts; and iv) the lack of interface and interconnection between different software applications from the entities in the Ministry in charge of Finance.

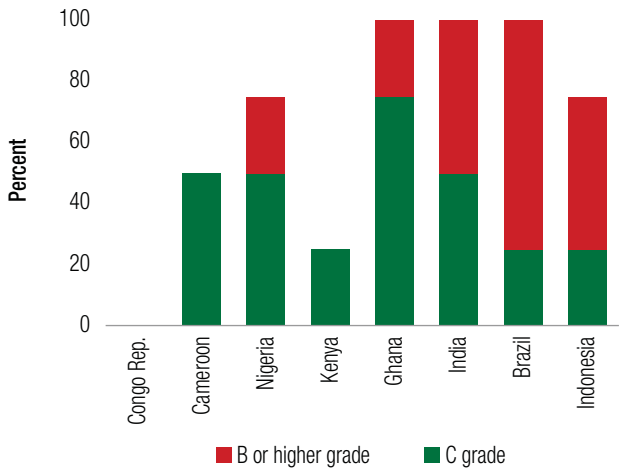
Overall, the quality of budget accounting, recording, and reporting in Congo deteriorated from 2006 to 2014 and the country underperformed compared to its peers. In 2006, 25 percent of the grade of indicators on this dimension was grade C or more, in 2014 it is 0 percent (see Figure 6.5). In fact the country has 3 D+ and 1 D, which is very weak. Compared to its neighbors, net-oil exporters Cameroon (50 percent) and Nigeria (75 percent), Congo is very far behind. This

FIGURE 6.5: **Budget Accounting, Recording, and Reporting, PEFA Score**



Sources: PEFA, 2006 and 2010 of Republic of Congo.

FIGURE 6.6: **Selected Countries – Budget Accounting, Recording, and Reporting, PEFA Score**



Sources: PEFA of selected countries, published on the website www.pefa.org.

observation holds true with "Emerging Economies" as well, for example India (100 percent), Brazil (100 percent), and Indonesia (75 percent) (see Figure 6.6).

6.4.2 Financial Risks

The absence of opening balances from previous years in the Treasury's current balance, and the slowness in the centralization of accounting entries could prolong the weak situation of the Treasury, by not enabling it to present complete accounts. The level of financial risk of incomplete information is therefore high as it can be seen in score of D for the PEFA PI-25/component (i).

The lack of monthly reconciliation between the accounting entries and bank statements could seriously hamper or even prevent end-year reconciliation. Hence, the fiduciary risk is substantial and this accounts for the D+ for PEFA PI-22.

The lack of regular monitoring of suspense accounts and regularization of the government's general accounting risks leading to accumulated amounts that would be difficult to regularize, skewing results of the budget execution and cover dubious operations. The fiduciary risk is substantial.

The lack of precision in the budget amounts allocated to the credits delegated by some ministries and the lack of control in the release of resources to primary service delivery units is source of major financial risk. The level of financial risk is high, accounting for a score of D on PEFA PI-23.

The fact that in-year reports on budget execution are not systematically prepared and therefore not used as decision-making and budget execution management tools could adversely affect the efficient allocation of resources. The lack of information on the monitoring of budget execution could also lead to unjustified modifications in expenditure allocations. The level of financial risk is high and this is reflected in the D score of PEFA PI-24/component (ii).

The practice of a long supplementary period for the entry of new operations related to the period about to be concluded could delay the closure of the period and preparation of the draft budget execution review law. Hence, the level of financial risk is moderate as reflected by the B score of PEFA PI-25/component (ii).

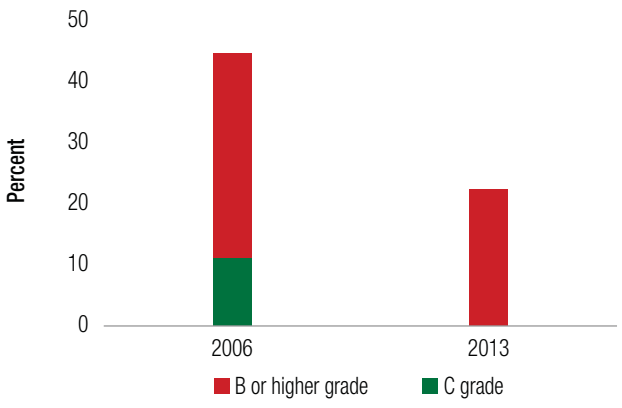
6.4.3 Recommendations

In the short term the government should i) undertake, at least on a monthly basis, within four weeks after the end of the month, the reconciliation of accounting entries and bank statements; ii) systematically clear the suspense accounts and regularize them in the general

accounting of the government; iii) publish, within a month after the end of each quarter, on a quarterly basis, a full budget execution update; and iv) update the financial management information system master plan.

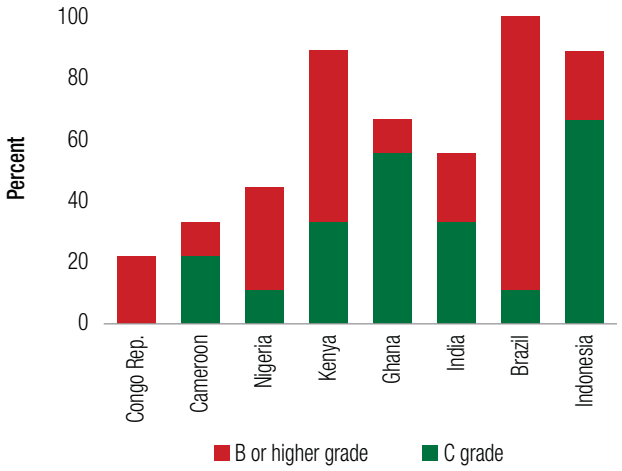
In the medium term the government should: i) systematically issue revenue collection orders corresponding to government revenues whose amount are known in advance; ii) extend to all ministries the inclusion of delegated credits in specific budget lines and ensure sufficient control over the release of resources to primary service delivery units; iii) ensure that centralization of accounting operations of decentralized Treasury offices takes place every 15 days; iv) at end-of-year, establish the General Account of the Financial Administration; v) define and implement all actions necessary for the improvement of information so that it provides effective and transparent management-system spending and government revenues in accordance with the regulations and budgetary principles and accounting in force and ensure the reliability of accounts of the State and budget execution statements; vi) make regular (recommended quarterly) production budget execution statements produced by the DGB and improve the scope, quality, and format so that they enable monitoring of the financial implementation of each project at key stages of expenditure: commitment, authorization, and payment; and vii) for public investment projects realized by DGPD produce budget execution statements on a semi-annual basis from the point of execution.

FIGURE 6.7: **PFM Predictability, PEFA Score**



Sources: PEFA, 2006 and 2010 of Republic of Congo.

FIGURE 6.8: **Selected Countries – PFM Predictability, PEFA Score**



Sources: PEFA of selected countries, published on the website www.pefa.org.

6.5 Predictability and Internal as well as External Control of Budget Execution

Overall, the predictability of PFM in Congo deteriorated from 2006 to 2014 and the country is underperforming compared to its peers. In 2006, 44.4 percent of indicators on this dimension recorded grade C or higher, specifically 33.3 percent got grade B or higher. In 2014, it decreased to 22.2 percent (see Figure 6.7); in fact the country performance deteriorated on two of the nine indicators. Compared to its neighbors, net-oil exporters Cameroon (33.3 percent) and Nigeria (44.4 percent), Congo is far behind. This observation also holds true with "Emerging Economies" for example India (55.6 percent), Brazil (100 percent), and Indonesia (88.9 percent) (see Figure 6.8). In contrast external control of budget execution improved slightly within this period.

6.5.1 Relations between Revenue Administrations and Taxpayers

The General Directorate of Taxes and Domains (DGID) and Directorate General of Customs and Excise

(DGDDI) have improved access to information on the rights and obligations of taxpayers, despite the inadequacy of their dissemination capabilities. For example there is no website for the DGID. Regulations still contain insufficiently clear and practical provisions, leading to challenges for petroleum taxes, exemptions tax, and others. Tax and customs administrations do not have the means to satisfactorily cover all the territory. Their activities are focused on two geographic poles (Brazzaville and Pointe-Noire), which, probably account for over 90 percent of recoveries. This deficiency is compounded by delays in the generalization of the system of identification (NIU) of taxpayers established since 2004.

The Congolese government has rendered the liability and obligations of taxpayers more transparent. The government has done this in part by improving i) the clarity and the comprehensiveness of tax and customs duties; ii) the access to information by taxpayers on tax and customs duties; and iii) the functioning of appeal mechanisms against decisions of the tax and customs administrations.

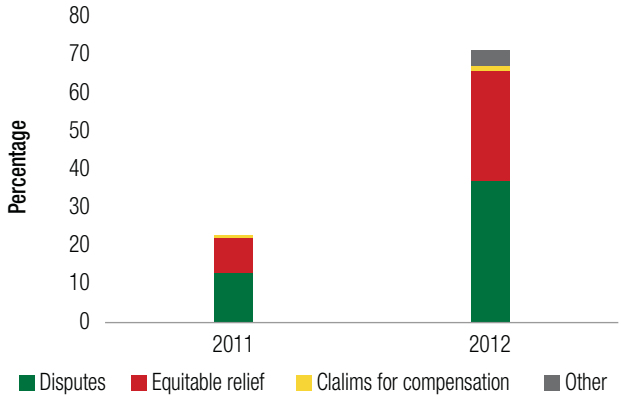
The government has improved the clarity and the comprehensiveness of tax and customs duties. The General Customs Code is clear enough, however, its application is, in some cases, constrained by the conventions or provisions of certain laws, which gives the administration the discretionary powers, including tax exemptions. In addition, the Tax Code has many insufficiently clear provisions or whose application is very complicated (even for major tax categories).

Access to information by taxpayers on tax and custom duties and administrative procedures involved is good, with no significant improvement recorded since 2006. Although, the Tax Office has no web site to disseminate information on tax obligations; it continues to organize information from taxpayers through release notes or holding regular meetings with their organizations. The office is also working with an organization that launches the updated legislation and regulations and published a collection containing the updated Tax code and various other texts. The General Directorate of Customs has a functional website containing updated information on the obligations of taxpayers.

The government possesses a functioning appeal mechanism against decisions of the tax and customs administrations. These redress mechanisms are provided for by the texts, are known for taxpayers, and are currently in place. From 2011 to 2012, the number of taxpayers that used this mechanism increased (see Figure 6.9), however, their effectiveness has not yet been evaluated.

In Congo, measures for taxpayer registration and evaluation of taxes and customs duties are not yet effective. The control system for registration of taxpayers is weak. The registration number of taxpayers (NIU) was established in 2004 but its widespread use by all DGs of the Ministry in charge of Finance is recent. Information-sharing protocols between services are being developed. NIU management requires improvements to expand its reach at least in headquarters of divisions to avoid multiplicity of duplicates. In addition, no penalty for non-compliance with registration requirements and tax reporting is set. The evaluation of the effectiveness of sanctions for non-compliance with the obligations NIU use is premature, since the system implementation is recent. Systems of sanctions planned for non-compliance with reporting require significant revision to improve efficiency and to effectively deter fraud. Finally, the planning and monitoring tax control program is also weak. In fact, annual monitoring programs are prepared (at least for the DGID) based on pre-established risk assessment criteria. They do not cover the entire territory

FIGURE 6.9: **Claims Against Tax Administrations**



Source: PEFA of the Republic of Congo, 2014.

and/or taxpayers. The reports on the implementation of audit programs are not available.

6.5.2 Cash Management and Expenditure Regulation

The Congolese government is still struggling to improve the effectiveness of its collection of tax payments as indicated by its incapacity to produce any important documentation related to this. The effectiveness of transfer to the treasury account of tax amounts, taxes, and customs duties collected by the tax and customs administrations is uncertain. According to MEFPPPI services, tax and customs revenue collections are transferred daily to the Treasury Single Account (TSA) at the BEAC. Hence, revenues from oil tax are paid into the same account within a period that should have been reduced from 45 to 30 days. These deadlines are those that were committed to in 2012 vis-à-vis the IMF authorities. An IMF mission in 2013 found that these deadlines are met, but without obtaining formal proof (accounting balances in particular), the PEFA requested, but did not receive, documentation certifying compliance. In addition, difficulties resulting from inadequate accounting organizations and shortcomings of computer systems cause delays in establishing differences between the statements of the officers and accountants. Reconciliation statements, including year-end, are not facts.

The predictability of the availability of funds for commitment of expenditures is very weak. The degree of predictability and monitoring of cash flows is weak, since the Ministry in charge of Finance does not yet have an organization (framework and procedures) for forward-looking management. Hence, the monitoring of cash flows is not done in an organized manner. In addition, the reliability and frequency of periodic information provided during the year to ministries and government agencies (MGA) on spending commitment ceilings is poor, since the budgetary control devices are rudimentary and lines ministries are not sufficiently informed in advance of the amounts allocated. Finally, the frequency and transparency of adjustments of budget allocations, whose decision is taken at a higher hierarchical level of management of MGA is also very poor. In fact, decisions to authorize overruns expenditures (i.e. in excess of allocation) are too frequently made by the authorities. These decisions are not formalized by any regulation; hence they constitute budgetary adjustments, given that they are binding to financial control, which signs these commitments knowingly.

The government is recording and managing cash balances, debt, and guarantees in a fairly good manner. The quality of recording data on debt and related reports is great since the monitoring of internal and external debts is provided in a comprehensive, reliable, and transparent manner by the CCA. In addition, the mechanisms for contracting loans and granting guarantees are also great. The Finance Act fixed the borrowing ceilings in the section related to financial stability. The loans are contracted for projects in accordance with the prediction of the Finance Act, and under the conditions laid down by it. Only the Minister in charge of Finance is authorized to make commitments in the conditions provided by the Finance Act and in compliance with international commitments of the government. This rule is respected. The State does not grant approval or warranty for several years. However, the state of consolidation of cash balances of the central government needs strong improvement, since the Treasury does not yet have the capacity to know and consolidate the cash balances held by all administrations and public entity's administrative nature.

Payroll controls are not yet effective. The degree of integration and reconciliation of data on the payroll and personnel records is weak. In fact, the computer system of the Public Service and Salaries is old; its replacement, planned for 2005, is not yet done. There is no direct links between personnel files (Public Service) and that of the balance (payroll). There is no formal and established procedure to check periodically (at least every six months) the consistency between the contents of the two files. In addition, changes to personnel records and to the payroll is not timely or effective, since changes are done with long delays due to the age of the computer systems. The systems' age led to the exchange of information or

manuals by mail and resulted failure to comply with submission rules. Delays between the new staff recruitment decisions and their effective registration in the balance file varies from four to eight months. Processing times of status changes for agents in place (statutory promotions, retirement, etc.) may exceed three months. The age of information systems limits the possibilities for speeding up the process. Moreover, internal controls of changes to personnel records and to payroll are weak, since the old information systems also limits automatic control capabilities. Existing controls are ineffective. The migration of systems to the HR Payroll application that would provide efficient control systems has been delayed.

In Congo, the setting of competition, value for money, and controls in procurement are weak. Although five of six conditions for evidence of transparency, completeness, and competition in the legal and regulatory framework are met, the country is still lagging behind on many dimensions of procurement. The use of procurement methods involving competition is not effective since information on all contracts awarded is not accessible. In addition, public access to information on the award of complete, reliable, and timely procurement contracts is weak. The opening of tenders is published, but not tenders themselves. There are not yet any statistical publications on public procurement. Finally, the existence of an independent administrative body responsible for investigating complaints related to public procurement is still weak.

6.5.3 Internal Controls of Non-Salary Expenditures

The a priori control of nonwage debt has struggled following the devolution of financial control functions. The devolution consisted of the allocation of financial controllers to credit managers units. This control framework was reorganized and strengthened by better supervision and by making procedures manuals available to financial controllers. However, there was no progress in limiting the use of exceptional procedures that allow the execution of expenditure commitments without prerequisites, including capital expenditures.

The country system of internal controls for nonsalary expenditures is not yet effective. The effectiveness of measures to control expenditure commitments is weak, given that much of the budget expenditure is done beyond the control a priori of commitment due to the excessive use of exceptional procedures. In addition, the degree of compliance with rules for processing and recording transactions is weak, given that the rules are not always observed; authorized expenditure allocations are significant. In contrast, the comprehensiveness, relevance, and understanding of other internal control rules/procedures are improving. In fact, other rules are clearly defined, although some of them are inapplicable or insufficiently documented.

The Congolese internal audit system is inefficient. The coverage and quality of internal audit is weak. In fact, there is no coordination between the internal control institutions (IGE and IGF) nor between those institutions and the CCDB. There are some concerns about the organizational and systemic aspects. In addition, the frequency and distribution of reports is weak since audit reports, when they exist, are not distributed for verification and information-sharing between audit institutions. Moreover, measurement of the response by authorities to the findings of the internal audit is almost inexistent. There is no organization or established procedures for monitoring recommendations.

Overall, it appears that DGCMP, IGF, and IGE are all competent to perform testing on the physical and financial execution of public investment projects, but these controls include only a very small number of investment operations. Indeed, these institutions all face challenges primarily related to insufficient quantity and quality of human resources, which limits their ability to respond. In addition, this report notes a lack of coordination between internal audit institutions and the CCDB. There is no framework for dialogue between different control institutions to coordinate their annual intervention programs.

6.5.4 Internal and External Audit

Regarding internal audits (ex-post control), the controls organs exist, but their response capabilities are

very limited. A priority was granted to these organs in the PAAGFP framework. Although they are not yet fully operational, they have made significant progress in becoming organized. The IGE has worked with the support of technical partners to develop an Ethics Code as well as various manuals at international standards in order to help inspectors and auditors to carry their job. However, these institutions are not applying International Audit Standards and guidelines as described by INTOSAI[69] and CREFIAF.[70]

The scope, nature, and follow-up of external audits are still weak. The scope of audits performed including adherence to auditing standards is weak since few checks are made by the CCDB (less than 50 percent of total spending). This is because the CCDB does not have sufficient capacity and because public bodies (autonomous communities and public institutions) are not adequately supervised. In addition, there is no timely submission of audit reports to Parliament although there has been some improvement on this dimension recently. For example, the report of the CCDB on the 2012 budget implementation was presented to Parliament in October 2013. In contrast, there is a good follow-up of recommendations made by auditors. The recommendations made by the CCDB to the Ministry in charge of Finance are subject to formal responses and the minister generally implements measures to correct observed shortcomings.

The review of the annual budget law by the Legislature is good in three dimensions but has strong shortcomings on a key dimension. The scope of review by Parliament is good given that reports produced by each of the committees of the two parliamentary chambers show that issues related to multi-year economic and fiscal outlook, financial balances, and fiscal policies are processed during the consideration of the Finance Bill. Additionally, Parliament's procedures are well established and respected, since the rules for finance bills examination are defined by the rules of each chamber and they are followed. Moreover, the allotted time in Parliament to consider the draft budget regarding detailed estimates is adequate. For example, the government has met the deadline imposed by the Constitution in presenting the 2014 budget to the Parliament. Hence the parliament has had over two months to review the proposed budget. However, while rules for amending allocations approved by the finance law are well established, they are not respected. Finally, expenditures implemented in excess of allowed credits are relatively large.

The review of external audit reports by the legislature has significant shortcomings. Hearings conducted by the Parliament have almost no impact on the main conclusions. In fact, Parliamentary committees are essentially based on the report of the CCDB and the hearing of representatives of the ministries for review of settlement legislation. These committees do not yet have the experience to conduct extensive hearings. Moreover, Parliamentary committees make recommendations, but there is no evidence of their implementation. In contrast, the review of audit reports by Parliament (for reports received over the last three years) **c**omplied with deadlines. In fact, the Settlement laws of 2009, 2010, and 2011 were passed in December 2012, within a period not exceeding three months after filing. The regulation bill of 2012 was filed in October 2013 and approved in December 2013.

Overall the quality of external scrutiny audit in Congo improved from 2006 to 2014, and the country outperformed some net-oil-exporter neighbors, but is still trailing "Emerging Economies." In 2006, 0 percent of indicators on this dimension was grade C or higher. However, in 2014 it increases to 33.3 percent (see Figure 6.10). Compared to its neighbors, net-oil exporters Cameroon (0 percent) and Nigeria (0 percent), Congo is slightly better. In contrast, the Congo compared poorly with Kenya (66.7 percent), India (33.3 percent, grade B or higher), Brazil (66.7 percent) and Indonesia (100 percent) (see Figure 6.11).

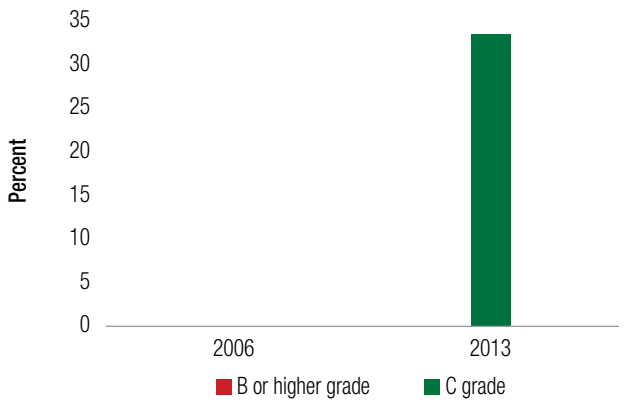
6.5.5 Financial Risks

The overall very weak quality of predictability and internal and external control of budget execution in

[69] International Organization of Supreme Audit Institutions.

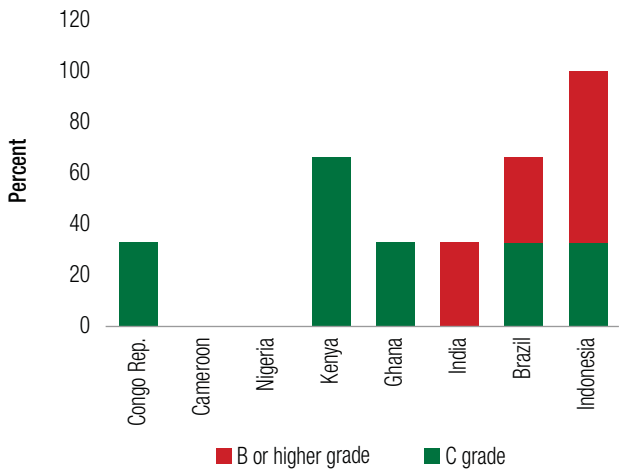
[70] Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l'Afrique Francophone Subsaharienne.

FIGURE 6.10: **PFM External Scrutinizing Audit, PEFA Score**



Sources: PEFA, 2006 and 2010 of Republic of Congo.

FIGURE 6.11: **Selected Countries – PFM External Scrutinizing Audit, PEFA Score**



Sources: PEFA of selected countries, published on the website www.pefa.org.

Congo increases financial risk for the Congolese government. The absence of a comprehensive and periodic reconciliation of the operations of revenue entities and the Treasury during the year hampers the smooth operation of the tax collection system and drives financial risk at a high level, which is reflected by the D score of PEFA PI-15/component (iii). The lack of timely information on the availability of credits hampers the quality of expenditure, and can foster the emergence of irregular practices among the managers, for fear of a risk of a credit freeze. This is a high financial risk for the government, which accounts for the D score of PEFA PI-16/component (ii). The existence of redundant expenditure controls could extend the duration of expenditure procedure and could cause government suppliers to raise their prices. Hence, the financial risk is substantial, which accounts for the C score of PEFA PI-20/component (ii). In addition, the weak external control can prolong the situation characterized by the lack of sanctions and can contribute to the inadequate detection of public financial management weaknesses. Hence, the financial risk is high and accounts for the D+ score of PEFA PI-26.

6.5.6 Recommendations

In the short term the government should: i) disseminate the Tax Code; ii) provide taxpayers with better information on possible avenues for administrative and judicial appeal; iii) undertake a comprehensive monthly reconciliation of the operations of revenue administrations (DGI and DGD) and the Treasury; iv) make budget credits available effective on January 1st by completing the codification of the budget in December; v) improve the quality of control of service provided, notably by involving the beneficiary populations in the process, where the nature of the expenditure allows it; vi) put in place accounting of non-financial assets in the credit managers services; vii) organize oil revenues collection by the Treasury in a transparent manner; viii) strengthen the financial resources of the IGE and the IGF; ix) disseminate the IGE and IGF reports within six months after completion; x) limit the use of simplified expenditure procedures; xi) enforce the maximum deadline for the expenditure procedure; and xii) put an end to non-contractualized debt so that the resulting arrears on spending is transferred to the CCA.

In the medium term the government should: i) strengthen human capacities of the DGI and the DGD to improve the level of revenues collected and develop tax control measures; ii) make sure that each control institution develops, adopts, and implements a training program for staff dedicated to controls and audits; iii) organize the accounting in order to avoid frequently observed differences between the status of tax

and customs administrations with those of the Treasury; iv) regularly produce reconciliation statements and eliminate the risk of accumulation of arrears recovery; v) increase the number of financial controllers to reduce their workload; vi) issue, at least annually, a report on domestic debt; vii) ensure a follow-up by the Parliament of its recommendations to the government; viii) develop and implement a staffing plan for the benefit of the supervisory institutions (IGE, IGF, CCDB), in conjunction with the Ministries in charge of Finance and in charge of public service; and ix) establish an all-supervisory-bodies consultation framework to coordinate their intervention programs and thus cover a larger number of projects In addition, put in place a system of oversight functions that is consistent in its entirety by eliminating overlaps that lead to a dilution of responsibility.

6.6 Donor Practices

The Republic of Congo receives only project support, which is listed in the State budget, regardless of the mode of financing (loans or grants). The monitoring of project loans disbursements is ensured satisfactory, in terms of reliability and time, by the CCA and services of the ministry of in charge of planning. In contrast, the monitoring of projects financed from grants continues to be unsatisfactory. Finally, donors do not yet apply national procedures (circuit expenditure, procurement, controls, and so on) for their project support.

The quality of financial information provided by donors for budgeting project aid and assistance programs is good although it deteriorated recently. The number of technical and financial partners who finance investment projects (grants or loans) has been reduced. These projects are monitored comprehensively by the ministry in charge of planning and included in full in the draft budget, according to the nomenclature used for projects financed from own resources. In addition, the frequency and coverage of reporting by donors on actual flows in support of projects is good. In fact, the CCA has the information on disbursements of projects financed from loans in a relatively short time (less than one month). Loans represent the largest share of external resources for project finance (over 76 percent in 2013).

7 Public Procurement Issues

Congo's Public Procurement System has undergone a reform process that was started by an interim assessment (Country Procurement Issue Paper – CPIP) carried out in June 2006 by the World Bank in close collaboration with the Government. The CPIP assessment found the Congolese national procurement system is very weak and was deemed non-compliant with the OECD/DAC standard. Since then, Congo has made significant progress through the implementation of the CPIP Action Plan, which has already achieved some results.

Currently, the quality of the public procurement system of Congo is evaluated at 51.3 percent satisfactory, slightly above average of the OECD/DAC rating scale, which is a substantial improvement compared to 2006. The country introduced a new procurement code through Decree No. 2009–156 of May 20, 2009 and its implementing regulations. The Code is modern and state-of-the-art. Its main provisions include: i) broad coverage of ministries, organs of the State and public enterprises, local government authorities, and use of public funds (also defined in a comprehensive manner) by these procuring organizations; ii) decentralization of procurement responsibilities to the procuring organizations which comprise Procurement Units (CGMP); iii) the creation of a Public Procurement Regulatory Authority (ARMP) with responsibilities over drafting of regulations, monitoring and evaluation including post reviews, capacity building, review and adjudication of complaints filed by bidders; and iv) the creation of a Public Procurement Directorate for Controls (DGCMP) which is given oversight responsibilities over procurement transactions carried out by the procuring organizations, including ex ante approvals.

The results are noteworthy. The Congolese legislative and regulatory framework is strong (76.3 percent substantially achieved) and is in accordance with international standards. Moreover, regulations and their documentations including Standard Bidding documents for different types of contracts are in place and are of excellent quality and made accessible to contracting entities and suppliers. The institutional framework has improved substantially. The procurement system in place promotes the separation of execution, regulation, and control responsibilities, which are well identified in the procurement code and allocated to specific institutions. This reform also includes institutions helping to further transparency and integrity.

Meanwhile, this improvement is not yet enough to bring the Congolese system to the level of many SSA countries. In fact, significant shortcomings remain. The legislative and regulatory framework is still incomplete. Widespread weak management capacity at contracting

authorities and private sector levels negatively affects the quality of procurement operations and market practices. The Congolese public procurement system is poorly integrated and incorporated into the public sector governance system. In addition, procurement plans remain seriously compromised by delays in budget preparation, launching of tenders and evaluation, issuing no-objection by the DGCMP, approval and signing of contracts. Moreover, there are burdens in the circuit of the expenditures and delays in settling holders.

Based on these findings the government should: i) adopt all implementing provisions currently missing in the public procurement code; ii) extend the scope of the legal framework for public procurement to (Public-Private Partnership) PPPs and to defense and national security procurements; iii) develop a specific conduct and ethics code in public procurement; iv) take measures to avoid participation of ARMP in bid opening sessions; v) provide sustainable financial and technical support to ARMP in order to enable it to carry out regular annual audits of public procurement and to facilitate the implementation of the strategic plan for capacity building.; vi) improve access to and dissemination of information on public procurement; and vii) adopt legislation imposing specific requirements to ensure the availability of budget before the launch tendering process.

7.1 Context and Overview

Prior to 2009, the Congolese national procurement system was very weak, as it was deemed non-compliant with the OECD/DAC standard. In fact, in 2006, the World Bank conducted an analytical review of Congolese Procurement System based on the legislative and regulatory framework of the period dating back to 1982. The resulting Country Procurement Issues Paper (CPIP) dated June 2006 helped highlight significant risks to the execution of public investment programs in particular: i) insufficient quality of procurement operations at all stages of the procurement cycle, ii) lack of transparency of decisions relating to public procurement; and iii) lack of accountability of contractors and awarding of decisions independent of the control system. Consequently, the national system was deemed non-compliant with a completion rate of 16 percent for the four pillars of the OECD/DAC methodology.

The review helped to develop a series of recommendations for each of the four pillars of a procurement system: i) legislative and regulatory framework; ii) institutional and management capacity; iii) procurement operations and market practices; and iv) integrity and transparency of public procurement system. A summary of key recommendations for each these pillars is provided below.

For legislative and regulatory framework (Pillar I), the review recommended the following actions: i) develop a new procurement code; ii) draft new regulations; iii) draft key template documents and manuals that correspond to generally accepted good practices; and iv) provide a standard format procurement plan.

For institutional and management capacity (Pillar II), the following recommendations were formulated: i) put in place a system to be able to ensure the procurement planning with a five-year investment plan; ii) implement computerized procurement programming tools; iii) set up a regulatory agency for public procurement to ensure the implementation of government policy development in the sector; iv) develop a national strategy for capacity building in the field of procurement for both public and private sectors; and v) ensure separation of decision-making positions in procurement from those of regulation, supervision, and handling of complaints.

For procurement operations and market practices (Pillar III) the review recommended the following actions: i) establish the internal and external control mechanisms to ensure compliance with procedures including the application of a code of conduct, the separation of responsibilities as a balance mechanism, and control authority; ii) train procurement staff on bid evaluation and contract management; iii) ensure that bidders have the experience and technical, financial, and human resources to enforce contracts; iv) devote open bidding as the default procurement method; v) make publication of procurement plans, advertisements, and contract award decisions compulsory; and vi) provide for arbitration mechanisms and conflict resolution.

For integrity and transparency of public procurement system (Pillar IV) the following recommendations were formulated: i) require the publication of all steps of the procurement process, transmission, and archiving of procurement documentation; ii) create an effective and independent complaints mechanism; iii) establish ex-ante and ex-post controls based on thresholds set in the Code, and conduct external audits; and iv) establish and enforce sanctions in the code, the responsibilities and penalties to better fight against fraud and corruption, including the publication of decisions in respect of infringements and the list of sanctioned companies.

7.2 Government's 2009-Reform

Since 2009, by and large, most of the recommendations included in the 2006 CPIP action plan have been implemented or are under consideration. Accordingly significant progress has been made through the implementation of the procurement reform.

7.2.1 Status of the Legislative and Regulatory Framework

Congo has introduced a new procurement code through Decree No. 2009-156 of May 20, 2009 and its implementing regulations. The new regulatory framework resulting from the reform covers the different types of procurements including concession agreements for works and services. In general, it incorporates the requirements of generally accepted good practices internationally. Standard bidding documents for different types of procurement and a procurement plan template have been developed.

However, the legislative and regulatory framework does not yet cover public-private partnership (PPP) contracts nor defense and national security contracts. In addition, all the implementing regulations of the Code have not yet been developed in particular those relating to the full functioning of procurement management units (Cellule de Gestion des Marchés Publics (CGMP))[71] including top-up allowances of its members.

7.2.2 Status of the Institutional Framework and Capacity Management

Institutionally, the current procurement code has established separation of executive functions of procurement operations and of control and regulation. The ARMP[72] has the the responsibility of regulating the system whereas DGCMP is responsible for monitoring procurement operations implemented by the CGMP within contracting authorities. The DGGT was reorganized and is currently acting as a delegated contract management partner of the contracting authorities above a certain threshold established by the Code.

Moreover, specific obligations are set by the current code to contracting authorities regarding the preparation of procurement plans. Article 23 of the Code also requires the ARMP to ensure their publication. Besides, a strategic capacity development plan has been developed and on a regular basis implemented for contracting authorities, the private sector, and other stakeholders.

However, some shortcomings remain. For instance no electronic tools for data collection of procurement transactions has been developed to improve procurement planning reviews and to ensure the traceability of operations throughout the procurement cycle. In addition, although the ARMP has taken initiatives to create a unique identification card for each contract, there is still a very low level of procurement registration, which is mainly due to a misinterpretation of the texts by companies about the authority between ARMP and DGCMP to assume this responsibility. Thus, in 2012, of a total of 1,071 contracts awarded, only 436 (43.6 percent) were registered to the ARMP.

7.2.3 Status of the Procurement Operations and Market Practices

The 2009 procurement code helps to account for some key recommendations related to procurement

[71] Public Procurement Management Unit.
[72] Regulation of the Public Procurement Agency.

operations and market practices. It establishes the open tender as the procurement procedure by default. It also provides for specific rules and thresholds for the a priori controls. The code also requires contracting authorities to ensure that procurement plans, procurement notices, and contract awards are published in local newspapers and on ARMP's website. On the recommendation of the 2006 CPIP to develop alternative dispute resolution mechanisms, the code provides for the possibility of resolving complaints amicably, including through arbitration (Articles 144 and 145).

However, the procurement operations and market practices remain far from being efficient. For example: i) the procurement actors have poorly mastered procedures and are not very familiar with the standard bidding documents; ii) the publication of all essential procurement information is not routinely provided, including contract award decisions; and iii) the list of sanctioned bidders and statistics on the number of awarded contracts with their respective amounts is still missing. Overall, information on performance reviews of the system is irregular.

7.2.4 Status of Integrity and Transparency of the System

Procurement reform, including the new procurement code, helped to improve the integrity and transparency of the procurement system in a number of dimensions. The code includes provisions to: i) ensure the publication of information of the procurement transactions; ii) set up an independent administrative appeals mechanism which is consistent with international best practice and which includes a tripartite and equal representation of civil society, private sector, and pubic administration; and iii) establish an a priori monitoring system. Finally, the new code has fulfilled many requirements for integrity such as the new offense provisions, conflict of interest requirements, and penalties applicable to bidders and public authorities. These are supplemented by Law No. 31-2012 of October 11, 2012 establishing the offenses and penalties relating to contracts award and management.

However, it is to be noted that the lack of resources, capacity constraint, and inefficient coordination between actors of the system—combined with low commitment and resistance for reform—heavily affect data collection and management of market practices. As a result, the obligation to conduct regular independent audits is not met. In fact, since the adoption of the procurement code in 2009, the only audit of the procurement system that was done concerns financial years 2011 and 2012 and it is not yet released to a broader audience (neither publicly disseminated nor published on ARMP's website) and did not include high value contracts (above XAF1,000 billion (about US$2 million)). In addition, the effectiveness of anti-corruption system remains affected by several factors, in particular: i) lack of prosecution of and sanctions against the perpetrators; ii) lack of anonymous reporting mechanisms; iii) the non-publication of decisions relating to fraud and corruption; and iv) lack of sufficient resources to enable the institutions responsible for the fight against corruption to properly carry out their missions.

7.3 Assessment of the Public Procurement System

The quality of the public procurement system of Congo is evaluated slightly above average of the OECD/DAC rating scale, which is a substantial improvement compared to 2006. Overall, the 2014 MAPS[73] rating of Congolese procurement process scores 1.54/3 and an overall completion rate of the core indicators OECD/DAC is 51.3 percent (see Table 7.1 and Figure 7.1). This score is a sharp improvement from 2006, where the overall score was 0.48/3 and a completion rate of 16 percent.

Although all pillars experienced important improvement compared to 2006, this improvement has been unequal, the most beneficiary pillar been Legislative and regulatory framework. As illustrated in Figure 7.1, which shows the aggregate rating of the

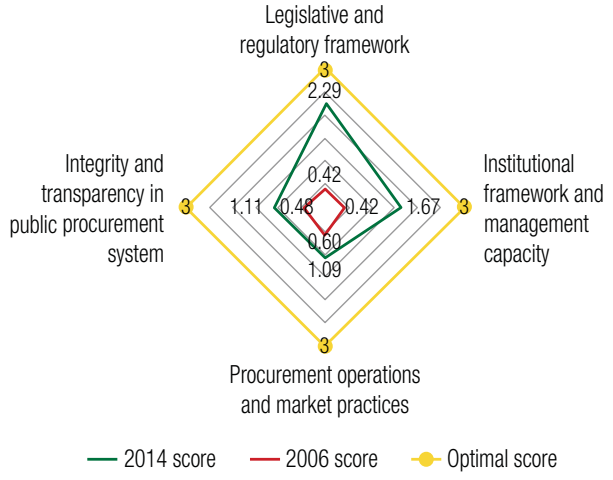
[73] MAPS (Methodology of Assessment of Procurement Systems).

TABLE 7.1: **State of Completion of the Pillars of the Public Procurement System**

	2006	2014
Legislative and regulatory framework	14.0	76.3
Institutional framework and management capacity	14.0	55.7
Procurement operations and market practices	20.0	36.3
Integrity and transparency in public procurement system	16.0	37.0
Overall completion rate of the core indicators OECD/DAC	16.0	51.3

Source: CPIP 2006 and 2014.

FIGURE 7.1: **Republic of Congo – Public Procurement Aggregated Score by OECD/DAC Pillars**

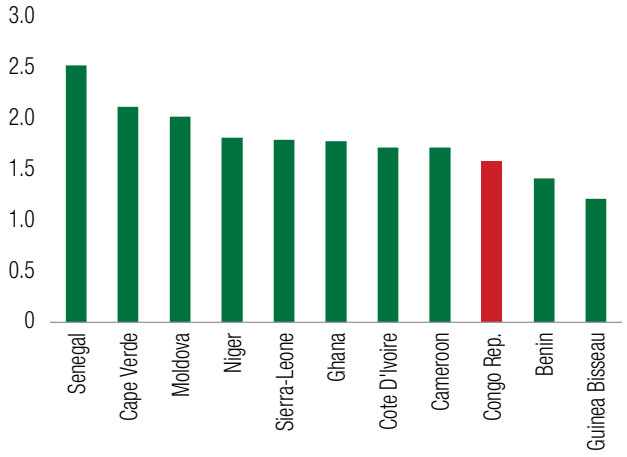


Sources: CPIP 2006 and 2014 MAPS.

four pillars, the legislative and regulatory framework represents the largest component of the system with the average score of 2.29/3, which is above the average (1.5/3) of the OECD/DAC rating scale. The institutional framework gets a score of 1.67/3 just above average. The operational management capabilities and the integrity and transparency of the procurement system represent the weakest parts of the system, each with scores of 1.09/3 and 1.11/3 respectively, which are below average.

Meanwhile, this improvement is not yet enough to bring the Congolese system up to the level of many SSA countries. In comparison with some African

FIGURE 7.2: **Selected Countries – Public Procurement Aggregated Score**



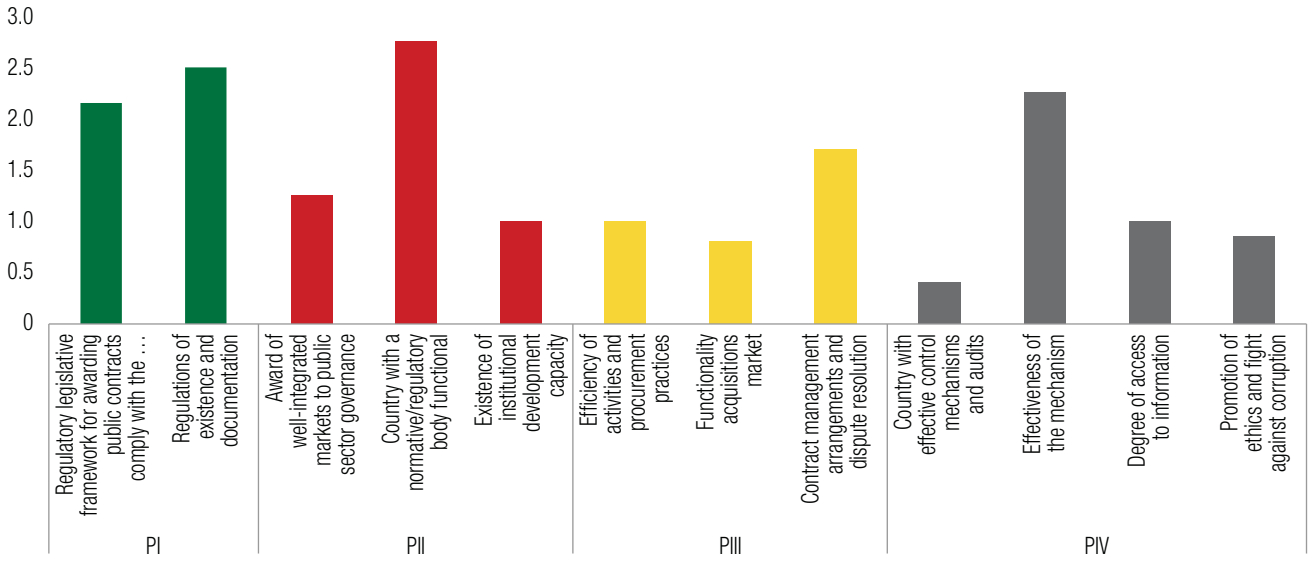
Sources: Niger PEMFAR 2008 and Republic Congo MAPS 2014.

countries that have assessed their procurement system on the basis of the OECD methodology/CAD, Congo with an average score of 1.54/3, ranks slightly above the Guinea Bissau (1.2/3) and Benin (1.4/3) but slightly below Cameroon (1.68/3) and Cote d'Ivoire (1.7/3). However, Senegal, and Cape Verde with a score of 2.5 and 2.1 respectively, show that Congo is still far behind some regional peers (see Figure 7.2).

At the institutional level, the separation of executive functions of procurement operations, monitoring, and control system is an important step forward. ARMP is entrusted the mission of supervision and regulation of the system while the DGCMP ensures an ex-ante reviews of procedures implemented by the CGMP of Contracting Authorities. Although the operationalization of many institutions of public procurement has undergone significant difficulties and delays, the institutional framework of the code has been widely implemented. Upon entry into force of the Code in 2009, ARMP quickly seized its missions by i) ensuring the full dissemination of the new texts, and ii) coaching and training key players including the private sector and civil society, which are also represented in the regulatory Board and the complaints review board (CRD).

Significant progress has been made on the three other pillars (1, 3, and 4).

FIGURE 7.3: **2014 MAPS**



Source: Congo Rep. 2014 MAPS.

For the legislative and regulatory framework, significant progress has been made, such as the adoption of: i) modern new procurement code and implementing regulations; ii) national standard bidding documents that comply with international standards; iii) a procurement plans template; and iv) publication of information including the creation of the ARMP website and the review of public procurement. The procurement system is supplemented by a dispute settlement mechanism during the procurement process and execution of contracts similar to the one in place in WAEMU countries.

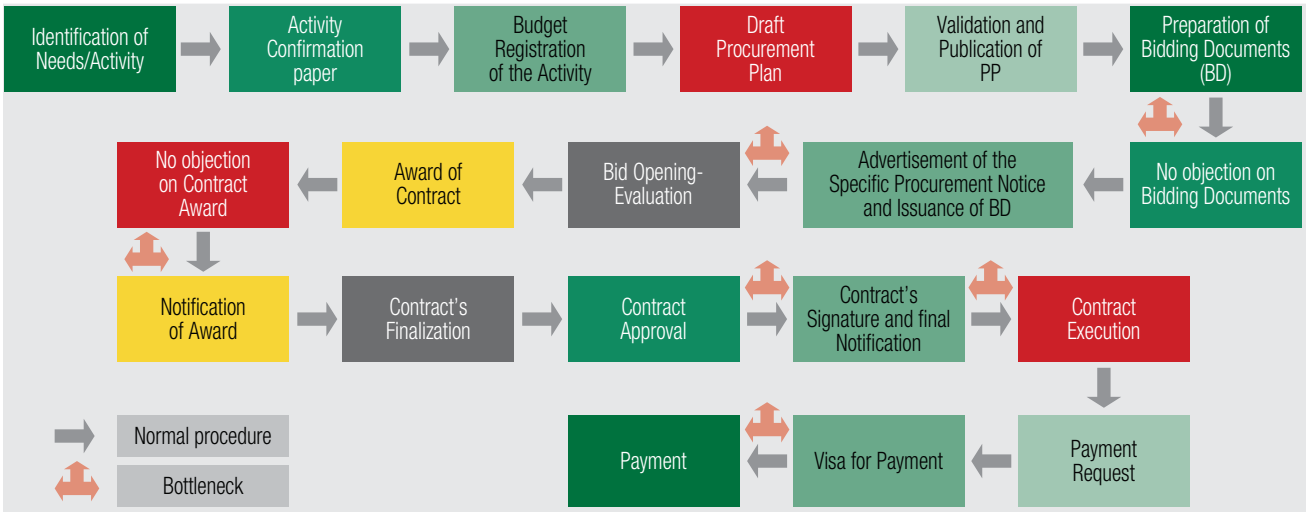
However, there are still many challenges as evidenced by results of the evaluation of the national procurement system shown in Figure 7.3. The following paragraphs describe the main shortcomings and weaknesses identified by the evaluation in each of the four pillars of the OECD/DAC methodology.

The legislative and regulatory framework still has weaknesses, in particular: i) the absence of specific regulations on public-private partnership (PPP) contracts, on defense and national security contracts (special considerations); ii) the lack of further implementing regulations, specifically those concerning powers and procedures of the CGMP, allowances for their staff, and the specific ethics' code; iii) the exclusion of foreign bidders, except for CEMAC bidders, to participate in bidding process for contracts financed under the national budget; and iv) insufficient guarantees of confidentiality of information and security documents during the process of bids evaluation.

On the institutional framework and management capacity many gaps remain. Gaps include insufficient integration of procurement into the public financial management system and inefficient procurement planning. Moreover, the rules on advertising are not fully respected due to the non-systematic publication of procurement notices and procurement plans. Similarly, the implementation of procurement plans are generally not respected because of existing delays and bottlenecks in the various phases of the procurement process.
Specifically, the institutional framework presents six crucial bottlenecks as shown in Box 7.1.

i. **Preparation of bidding:** the CGMPs are experiencing many difficulties in preparing good quality of bidding documents (BD), because prior studies of projects are not always prepared well in advance and are sometimes immature. In addition, project managers and technical experts are not always

Box 7.1: Procurement Process



Sources: Congolese Authorities and World Bank Staff.

associated with the preparation of procurements documents. As a result, a large number of cases were dismissed by the DGCMP, thus affecting the level of implementation of the budget. According to data provided, from the 3316 contracts registered in the 2012 procurement plans, only 1,071 BD were validated by DGCMP, equivalent to 30 percent of all planned contracts.

ii. **Publication, receipt, and processing of tenders:** According to the 2012 ARMP annual report, very few procurement notices were published by official channels of communication. This is due to the lack of publication of BOAMP and irregular updates of the website. Moreover, cases of retention of Bidding Documents by contracting authorities and late distribution were reported by the ARMP. This has led ARMP to organize specific training and monitoring missions for bid opening sessions.

iii. **A priori control procedures:** Contracting authorities frequently submit non-objection requests to DGCMP for post reviews contracts. Thus has been found to slow and unnecessarily extend the procurement process.

iv. **Approval of contracts:** Major delays were reported in contract approval, which seriously affects the efficiency of the procurement system and the competitiveness of the private sector. According to statistics provided by the ARMP, in 2012 only 20 percent of contracts were approved within the statutory period of 30 days.

v. **Notification and publication of contract award decision:** Several contracts awarded in 2012 were not notified or when they were, the publication of the award decisions was not conducted in accordance with appropriate rules. Similarly, the unsuccessful bidders are not systematically informed of the rejection of their bids.

vi. **The procurement payment system:** The payment system is affected by a range of factors such as: i) additional checks by the DGCB; ii) insufficient control of the financial management process by the contracting authorities in particular because of job mobility observed at the CGMPs; and iii) the absence of an electronic system to ensure the link between procurement process and financial management.

Widespread weak management capacity at the contracting authorities and at the private sector negatively affects the quality of procurement

operations and market practices. The level of knowledge of the code remains low despite the training undertaken by ARMP.[74] In addition, ARMP lacks sufficient resources to ensure continuous implementation of the strategic plan for capacity building. The data collection system and archiving of procurement files data are also very weak, therefore not allowing for effective performance assessment of the system. In addition, the CGMP lacks enough resources to ensure data collection on supervision of public works contracts. Moreover, there are significant delays in the payment of contracts that affect the credibility of the state vis-à-vis the private sector and involve risks of integrity due to the direct intervention of entrepreneurs with Treasury.

The monitoring system does not provide effective integrity and transparency of the procurement system. There is no effective internal control system of procurement activities within the contracting authorities. The external control system of procurement is inefficient and independent procurement audits are not regularly conducted (the first audit of 2011–2012 budget has not been exhaustive, only contracts below XAF 1 billion have been audited). The audit by the IGF is very limited and almost inoperative due to lack of technical capacity and resources. The CCDB, the IGE, and the parliament do not exercise specific controls in the field of public procurement. In addition, proceedings against offenders are not consistently implemented and sanctions are not applied, which severely affects the effectiveness of policies against corruption.

7.3.1 Legislative and Regulatory Framework (L&RF)

The Congolese legislative and regulatory framework is strong and consistent with international standards. Thanks to the 2009 procurement code and related regulations, Congo had undergone a strong reshaping of its procurement legislative regulatory framework. Using the OECD/DAC MAPS,[75] the legislative and regulatory framework has been granted an overall score of 2.3/3. This score compares favorably to best performing developing countries peers (see Table 7.2 and Figure 7.4). In fact, Congo's L&RF is as good as Senegal, Cote d'Ivoire, Ghana, and Moldova.

The Congolese legislative and regulatory framework for public procurement is in accordance with agreed standards and it fulfills the obligations in force.

The procurement legislative and regulatory framework is well structured and codified, it promotes fairness and competition with the open tendering established as the default procurement method, it has a wide scope, and it applies to all public entities. In 2009, Congo adopted a new procurement code as well as modern application texts by the Decree

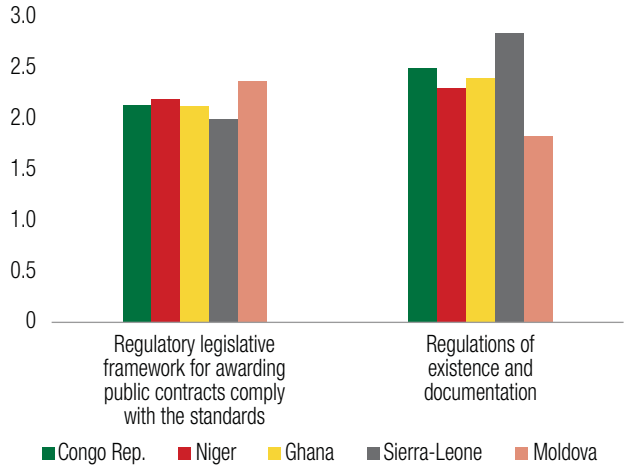
[74] Findings from the Survey of governance in Congo FTHM conducted by International Agency & Capsule in 2011, only 22.1 percent of civil servants and 9 percent of respondents believe they have sufficient knowledge on the new procurement code public. In addition, 78 percent of companies believe that the code is not applied.
[75] Methodology of Assessment of Procurement Systems.

TABLE 7.2: **Selected Countries – Procurement System Assessment**

	Niger	Cote d'Ivoire	Senegal	Benin	Congo Rep.	Ghana	Sierra-Leone	Moldova
Legislative and regulatory framework	2.3	2.2	2.5	1.1	2.3	2.3	2.4	2.1
Institutional framework and management capacity	1.7	1.7	2.6	1.5	1.7	1.4	1.7	2.0
Procurement operations and market practices	1.5	1.8	2.4	1.2	1.2	1.8	1.3	1.9
Integrity and transparency in public procurement system	1.6	1	2.4	1.6	1.1	1.6	1.8	2.0
Overall	1.8	1.7	2.5	1.4	1.6	1.8	1.8	2.0

Sources: Latest CPAR of selected countries and 2014 MAPS of the Republic of Congo.

FIGURE 7.4: **Selected Countries – Legislative and Regulatory Framework**



Sources: Selected countries CPAR and Congo Rep. 2014 MAPS.

No 156-2009 of May 20, 2009, which was revised in 2011. The Code enshrines the fundamental principles of public procurement and implements control instruments, remedies, and a regulator of the procurement system. The other major innovation concerns the separation of procurement operations, controls, and regulation. The open tendering is the default mode of procurement and negotiation is generally prohibited except as expressly permitted by the Code. In addition, unethical behaviors are clearly described and punished. In general, the legislative and regulatory framework is coherent, structured, and is consistent with international best practices. It applies to all contracts for goods, works, and services, including consultancy services. It also covers works and services' concession contracts. Finally, the Code well defines the different procurement methods and uses the prequalification process for complex works or important equipment although this is optional.

Nevertheless this procurement code and its implementing regulations contain some weaknesses. For instance it does not provide specific rules for public-private partnership (PPP) contracts and contracts for defense and national security (special contracts). Additionally, it is established by a decree, contrary to international standards that recommend that public procurement legal frameworks be established by law. In addition, not all of the implementing regulations have been adopted yet.

Moreover, it contains gaps, which prevent it from being fully aligned to the international standards, in particular: i) restrictive eligibility requirements regarding foreign suppliers[76] participation in national competitive bidding processes when the contracts are financed under the national budget; ii) insufficient provisions regarding the use of international competitive bidding procedures (minimum time frames, advertising, etc.); iii) lack of specific requirements with respect to the security of bids and the confidentially of bidding information and; iv) inappropriate use of the pre-qualification procedure. In addition, the publication of information on public procurement is not effectively ensured, in particular because the ARMP website is not regularly updated.

Many of the regulations and their documentations are in place and are of excellent quality

In Congo, modern standard bidding documents for different types of contracts have been developed and made accessible to contracting entities and suppliers. In general, there are statutory instruments that complement the provisions of the Decree on public procurement. For this dimension Congo is doing as well as other countries that undertook a CPAR recently (see Figure 7.4).

However, all regulations have not yet been adopted and some important requirements are still optional: i) the decree fixing the allowances of CGMPs' members and the decree fixing their composition, responsibilities, and operating procedures, ii) the use of pre-qualification in works' contracts or complex equipment is optional, and iii) the application of pass/fail type of criteria is not specified in the Code. In addition, the general conditions for different types of contracts contain restrictions for foreign bidders (except CEMAC member countries) to access contracts financed by the national budget.

[76] Except for CEMAC member countries.

Regulatory risk is high for the Congolese procurement system

Regulatory risk is mainly the result of weaknesses in the procurement Code as well as implementing regulations. Specifically, the limited scope of the legal framework for public procurement, which does not yet cover PPP and defense as well as national security procurement contracts. In addition, all the implementing regulations of the Code have not yet been adopted, in particular those relating to the composition, responsibilities, and procedures including allowances of the CGMP members, and the code of conduct and ethics in public procurement. Certain provisions of the Code have deficiencies or inaccuracies regarding prequalification of bidders and the implementation modalities of the appeal procedure for international bids. There are also restrictions for foreign bidders to participate in national competitive bids financed from the national budget, which is contrary to international standards. Finally, the Code does not provide for adequate safeguards for confidentiality of bid evaluation processes.

Recommendations

In the short term, the government should consider to take measures to: i) extend the scope of the legal framework for public procurement of PPPs and defense as well as national security procurements; ii) adopt all the missing implementing regulations of the Code of public procurement in particular those relating to allowances of CGMP members and their composition, responsibilities, and operating procedures; iii) develop specific conduct and ethics codes in public procurement; and iv) carry out a cleaning up of the procurement code including provision for the mandatory use of pre-qualification procedures for works or complex equipment contracts.

In the medium term, the government should take measures to: i) remove discriminatory requirements based on the nationality of bidders for national competitive bidding under the national budget financing; ii) provide a minimum period for bid preparation of international competitive bidding; iii) strengthen confidentiality requirements during the bid valuation process; and iv) adopt legislation to ensure prior availability of the budget before the launch of any tender or before contract signing.

7.3.2 Institutional Framework and Management Capacity

The procurement system in place promotes the separation of execution, regulation, and control responsibilities, which are well identified in the procurement code and allocated to specific institutions. Procurement units within the contracting authorities manage procurement activities, while the DGCMP and ARMP respectively ensure the ex-ante control of the procurement activities and ex-post control including regulation and supervision of the overall system. There is an independent complaint and review mechanism within ARMP, which is also responsible for developing and implementing the capacity building strategy across the procurement sector.

However, the planning of procurement activities is not efficient. The procurement system is not well integrated into the public financial management system. Compliance with annual procurement plans is compromised by the frequent delays encountered in the initiation of different stages of the procurement process. In addition, there are several bottlenecks in the public expenditure process that considerably delay the payment of contracts and affect negatively, among other factors, the level of implementation of the public investment projects. Furthermore, there are no specific digital management tools in place to ensure the proper linkage between procurement operations and the financial management processes.

The Congolese public procurement system is poorly integrated and incorporated into the public sector governance system

Progress has been made in procurement planning. Article 23 of the Code requires systematic preparation by the contracting authorities of procurement plans consistent with the available budget allocations. According to figures provided by the ARMP, 78 percent of contracting

authorities have prepared compliant procurement plans in 2012.

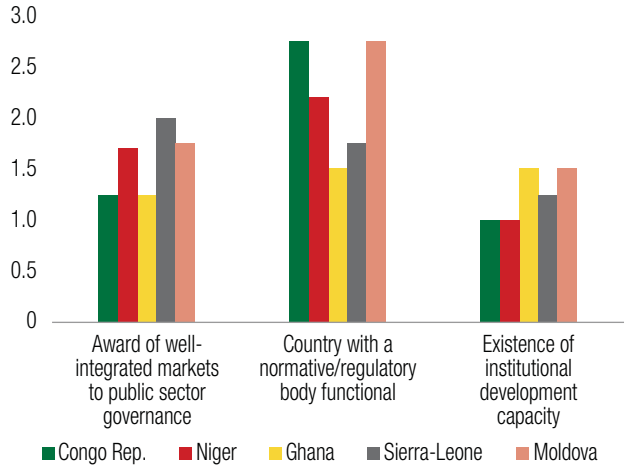
However, procurement planning remains seriously compromised by delays in budget preparation and approval and therefore affects the subsequent steps in the procurement process. As a result, many timeouts are recorded in all phases of the procurement process and during the contract execution.[77] In addition, huge delays were reported at the contract approval process. According to figures provided by the ARMP, only 20 percent of contracts were approved within the statutory period of 30 days in 2012. Interviews with contracting authorities have also reported some cases where approval visas have been issued one or two years late. Overall, according to data provided by the ARMP, the level of implementation of procurement plans in 2012 is estimated at 30 percent. The factors behind the low level of contract execution include: i) insufficient control by the contracting authorities of regulations and procedures for the expenditure circuit; ii) additional checks by the DGCB beyond the authorities that are formally assigned by the regulations; and iii) low level of projects' maturation which always results in uncontrolled contract amendments.

Moreover, there are burdens in the expenditure circuit. This pushes entrepreneurs to intervene directly with the Treasury in order to obtain payment, creating significant risks for corruption. In addition, in 2012 in order to obtain payment of their bills, contractors submitted many requests for arbitration to ARMP. In fact, there is the lack of regulations demanding certification of availability of funds prior to the launch of a procurement contract or contract signature; this is a potential source of low disbursement.

Finally, in this dimension, Congo performed poorly compared to other countries that recently undertook a CPAR. In fact, Congo underperformed compared to Niger, Sierra-Leone, and Moldova. Among the selected peer countries, only Ghana has the same performance as Congo (see Figure 7.5).

[77] However, the mission could not obtain data and statistics to estimate the extent of delays.

FIGURE 7.5: **Selected Countries – Institutional Framework and Management Capacity**



Sources: Selected countries CPAR and Congo Rep. 2014 MAPS.

Congo has a functional regulatory body, which is among the best in SSA

The ARMP was created by a 2009 decree on public procurement and in a very short period of time stated the dissemination of the reform agenda. ARMP's main tasks are the regulation and supervision of procurement operations, including the procurement disputes resolution. To perform its role and responsibilities it is expected that ARMP be independent. Currently it receives an annual allocation from the State budget and has other sources of financing provided by the Code.

The regulatory body in Congo compares favorably to developing country standards. In fact, with an overall grade of 2.75/3 the country is doing better than any country that recently undertook a CPAR. For instance, it is doing better than Ghana (1.5/3), Niger (2.2/3), Sierra-Leone, (1.75/3), and Moldova (2.7/3) (see Figure 7.5).

However, in 2012 the delayed disbursement of the allocated budgets did not allow ARMP to implement all the activities that were planned for the annual action plan. Specific measures are needed to quickly remedy this problem, which could affect its independence and effectiveness. In addition, a potential conflict of interest could arise from the participation of the ARMP "as an observer" to the bid opening sessions to prevent

irregularities observed at the level of some contracting authorities.

The institutional development capacity in the regulatory body of the procurement system is very weak

Although, the system for data collection and information dissemination on public procurement is gradually improving since 2013, its capacity development remains too weak. Indeed, most CGMP visited during the evaluation mission do not have adequate IT tools or office equipment. In addition, the obligations for the systematic transmission of procurement information to ARMP and DGCMP, including the preparation of progress reports, are not followed. This greatly complicates tracking and sharing of procurement information with other relevant authorities and the implementation of audits and procurement performance reviews. As a result data collection and monitoring statistics are currently quite difficult. The audit report of procurement contract for years 2011 and 2012 also identifies this widespread lack of statistics and data archiving by CGMP as one of the main weaknesses of the procurement system.

So far the ARMP has been unable to evaluate staff performance and its training plan is not fully operational. Although the Code entrusts the ARMP to periodically evaluate staff performance and establish quality standards, neither of these activities have taken place. Although there is a strategic training plan for public procurement,[78] the audit report found that it is difficult to analyze the effectiveness of this training due to the unavailability of monitoring programs and certificates issued by the CGMP to staff. Moreover, there is still no professional training or diploma for procurement provided by any national institutions or private institutes. The ARMP training should be limited to overseeing the implementation of the strategic training plan for capacity building, since it is critical that ARMP focuses on its main regulatory and supervisory missions of the procurement system. Finally, for capacity development Congo underperformed compared to other developing countries such as Niger, Moldova, Ghana, and Sierra-Leone (see Figure 7.5).

The institutional risk is high for the Congolese procurement system

There is a risk of conflict of interest and expertise due to the intervention of the ARMP as an "observer" in public opening session bids. Its direct involvement in the delivery of regular training may also affect long-term implementation of its main tasks of regulation and supervision of the overall operation of the procurement system. In addition, data collection systems and statistics as well as the dissemination of information are not efficient enough to facilitate traceability, analysis, and control of procurement activities. It would be useful to set up electronic tools of information management as Système Intégré de Gestion des Marchés Publics (SIGMAP)[79] and ensure its interconnection with the public financial management system.

The payment system is another source of risk. The contractors' payment system is failing particularly because of numerous delays and bottlenecks existing in the spending circuit. All these factors combined with the lack of capacity of contracting authorities and cumbersome controls significantly affect the achievement of public investment projects.

Recommendations

In the short term: i) ARMP should regularly update the procurement information in the Website, update the capacity building program, and conduct regular performance reviews of the system—to that end, a value chain analysis of the bottlenecks in the procurement process should be conducted; ii) the government should consider taking measures to anticipate procurement planning earlier in the budget preparation stage; iii) while waiting for the development of electronic tools, ARMP should prepare templates for data collection and disseminate to all contract authorities; iv) the Government should take measures to ensure compliance with rules during the process of bid openings and therefore avoid

[78] ARMP organized (in collaboration with DGCMP) several training sessions on the new regulations for contracting authorities and the private sector.

[79] Public Procurement Management Integrated System.

the intervention of the ARMP at this level, including the appointment of independent observers.

In the medium term, the government should take appropriate measures to: i) develop systems that could help to collect procurement data and statistics and disseminate reliable information, including ensuring that contracting authorities have necessary equipment and software tools for data collection; ii) provide needed support to ARMP to ensure the systematic publication of all relevant procurement information on its website and in the public procurement newsletter; and iii) analyze ways to improve the performance by eliminating existing bottlenecks.

7.3.3 Procurement Operations and Market Practices

Overall procurement operations and market practices in Congo present significant shortcomings and fall below developing country standards. Procurement practices are very inefficient. Moreover, the acquisition market is completely dysfunctional and is among the lowest performing, of countries that have recently undertaken a CPAR. However, provisions on dispute resolution mechanism are better.

Operations and the country's procurement practices are weak and are below SSA standard

There is a wide deficit of competence that hinders proper implementation of procurement procedures. Ad hoc training courses organized by the ARMP and DGCMP do not sustainably improve the situation. These institutions should analyze the ways to implement sustainable training programs and ensure the professionalization of public procurement function through the establishment of a special procurement cadre within the civil service scheme. In addition the high mobility of procurement staff in contracting, authorities are not helping to sustain capacity development.

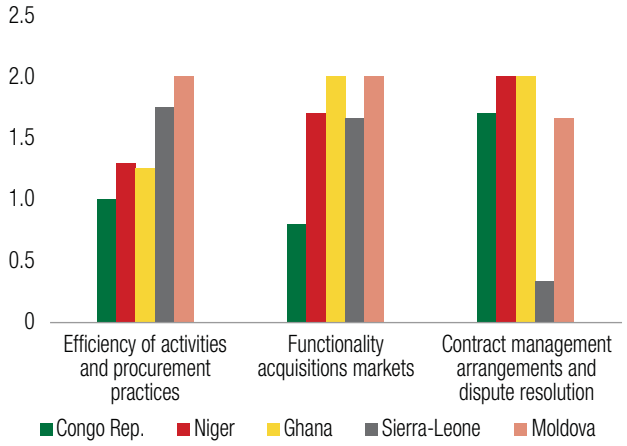
Procurement bodies lack operating resources that are essential to ensure the effectiveness of their activities. Some CGMPs have neither an office nor office equipment needed to properly perform their duties. In addition, the archive system is obsolete. All these factors seriously compromise the confidentiality and security of documents and information. Moreover, apart from the delegation of contract management to DGGT, delegation of authority to lower levels than the central government is not clearly defined in the public procurement regulations. Finally, Congolese procurement practices are one of the least efficient even by developing countries standard. According to Figure 7.6, with a grade of 1.0/3, Congo is far behind Niger (1.3/3), Ghana (1.2/3), Sierra-Leone (1.7/3), and Moldova (2.0/3).

The business environment market is completely dysfunctional

Several factors limit the private sector's participation in public procurement competition. Indeed, there is still no sustainable partnership framework between the government and the private sector to improve the competitiveness of SMEs. In addition, weak capacity, lack of private sector institutions capable of influencing public policy, the regulatory environment and business do not well facilitate SMEs' access to procurement opportunities.

Meanwhile, public procurement regulations do not define in detail the conditions of use for the

FIGURE 7.6: **Selected Countries – Procurement Operations and Market Practices**



Sources: Selected Countries CPAR and 2014 MAPS of the Republic of Congo.

international bidding and restricts foreign bidders' participation in national tenders financed under the budget of the state. Moreover, even for developing countries standard, Congo procurement regulation on acquisitions market is too dysfunctional. Figure 7.6 shows that with 0.7/3 Congo is far behind Niger, Ghana, Sierra-Leone, and Moldova, which all have a grade of greater than 1.7/3.

Congo has an excellent dispute resolution mechanism but a poor contract management

Currently, procurement regulation includes adequate procedures for dispute resolution, which provide rational and fair processes that occur during the procurement process. But the effective implementation is still a challenge.

However, control of the execution of works contracts fails particularly because of the lack of material resources to conduct inspections of construction sites but also lack of professional rigor. In addition, significant payment delays by the Treasury and non-application of penalties for delay adversely affect the performance and competitiveness of the private sector. There are also procedures to facilitate the enforcement of arbitral awards including those provided by the OHADA Treaty, which are directly applicable to the Congo. However, Congo has not ratified the New York Convention on the Enforcement of International Arbitral 1 and there are many deficiencies in the application of provisions relating to contracts management.

Operational risk is very high in the Congolese procurement system

Operational risk is very high. It is mainly related to the competence deficit in contracting authorities and the private sector, and negatively affects the efficiency and quality of procurement procedures. The ARMP has no technical capacity and material resources sufficient to ensure the implementation of the strategic plan for capacity building. The other identified major risk consists of the regulatory and business environment that is not conducive to better SME access to public procurement contract, particularly due to many systemic constraints such as a lack of enabling frameworks for dialogue and partnership between the government and private sector. In addition, the local private sector is sorely lacking in capacity to prepare quality bids, which greatly limits its participation in public procurement.

Recommendations

In the short term, the government should: i) take action to better support the implementation of the capacity development program for contracting authorities, private sector and civil society stakeholders; ii) explore opportunities to join the New York Convention on the Enforcement of Arbitration.

In the medium term, the government should analyze ways and means to: i) develop competency profiles and develop a specific career plan in public procurement; ii) provide material support to contracting authorities to help track and control works contracts and establish an effective coordination mechanism between contracting authorities and DGGT in contract management; and iii) promote partnerships between government and the private sector, reducing barriers to access to business opportunities to improve the competitiveness of local SMEs.

7.3.4 Integrity and Transparency of the Procurement System

The implementation of the accountability mechanism and the fight against corruption policy are not efficient in general, especially in the public procurement sector. This is due to many reasons, specifically the lack of: i) adequate resources for the institutions in charge of fighting corruption (CNLCCF, OAC, etc.); ii) efficient coordination among the major stakeholders; and iii) involvement of the private sector and civil society. The internal and external control systems are not efficient and need to be strengthened. In addition, the annual procurement audits are not regularly carried out. The first audit since the promulgation of the new code in 2009 was conducted recently and the results are not yet publicly disseminated. The information, statistics, and archiving management systems are not efficient,

and negatively affect the diffusion and access to key procurement data and information and the transparency of the system.

However, the procurement Code contains specific provisions to ensure an effective fight against fraud and corruption in public procurement. Furthermore, a law that defines applicable infractions and sanctions for the public procurement sector supplements the code. In addition, there is an institutional framework in place dedicated to the fight against corruption including in the public procurement sector especially the National Commission against Corruption and Fraud (CNLCCF) and the Anti-Corruption Observatory (OAC). Finally, ARMP makes endeavors to improve publication and dissemination of key information through its own website.

The Congolese mechanism for monitoring and auditing is currently not performing well

Congo's procurement monitoring and audit mechanism is not performing well. The prior review of procurement transactions by DGCMP is not always effective because of delays reported in the issuance of non-objection, which slow down the procurement process. Meanwhile, in ARMP the recent audit of the 2011–2012 budget has revealed inefficiencies in controls, internal audit, and anti-corruption mechanisms' enforcement in addition to poor performance of market practices, weak contract management system, and insufficient access to procurement related information and data. The IGF was established in 2012 but its operationalization has experienced many difficulties and delays. It conducts random checks on procurement activities and prescribes recommendations. However, reports are not made public and its effectiveness is very limited due to the lack of capacity and sufficient resources to ensure the monitoring and implementation of its recommendations. The Court of Auditors and the IGE are not involved specifically in the area of procurement.

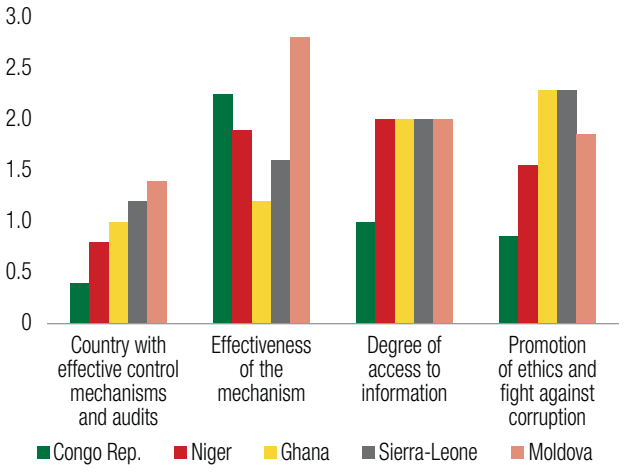
Moreover, the audit mechanism is experiencing substantial difficulties. Since the entry into force of the new Code in 2009, public procurement audits have not been properly implemented. The only audit conducted to date concerns the fiscal years 2011 and 2012 and did not cover high value contracts. There is no internal control mechanism clearly established at the level of contracting authorities. In addition, the findings of the only audit of public procurement in Congo since 2009 reveal the existence of numerous obstacles to the implementation of controls, mainly due to the general lack of data on procurement operations and the absence of procurement activity reports.

The Congolese mechanism for monitoring is weak compared to developing countries standard. Figure 7.7 shows that among developing countries that recently undertook a CPAR, the Congolese mechanism is the one of the most poorly rated. In fact, with a grade of 0.4/3 the Congolese is far behind Niger (0.8/3), Ghana (1.0/3), Sierra-Leone (1.2/3), and Moldova (1.4/3).

The Congolese appeal mechanism conforms to international standard

The complaint mechanism set up by the new procurement code compares favorably to international standards. However, it has not quite proven its effectiveness. In fact, bidders seem reluctant to initiate complaints, probably due to lack of confidence in the system in place or for fear of reprisals from the government.

FIGURE 7.7: **Selected Countries – Integrity and Transparency of the Procurement System**



Sources: Selected countries CPAR and Congo Rep. 2014 MAPS.

Access to public procurement information in very weak in Congo

Although, the publication of information on public procurement is supposed to be ensured through the website of the ARMP and the public procurement newspaper, the electronic portal is not regularly updated. Moreover, some relevant information, including contract award decisions, is not systematically published. In addition, the DGCMP and contracting authorities have no modern means of communication nor IT tools. Finally, the activity reports of procurement bodies and DGCMP are not easily accessible to the public.

The country has insufficient measures to promote ethics and fight against corruption

Congo has adopted ethics promotion measures through public procurement provisions of the procurement Code and a specific law establishing offenses and penalties specific to public contracts. However, these efforts remain largely insufficient to curb the phenomenon of corruption and unethical behavior. The main obstacles identified are the lack of: i) controls and audits, ii) the lack of prosecution and implementation of sanctions by the ARMP; iii) lack of effectiveness of the overall strategy against corruption and sufficient coordination between stakeholders; iv) sufficient involvement of civil society and the private sector in the fight against corruption; and v) enforcement of the existing laws, repression of non-ethical conducts, and the absence of publication of the list of sanctioned firms and of an anonymous denunciation hotline.

The "integrity" risk is very high

Despite the legal and regulatory provisions adopted by the government to strengthen integrity in public procurement, fraud and corruption remains a major concern, as the 2013 Transparency International ranks Congo 154th out of 177 countries. The system of internal and external control of procurement activities is also very flawed and ineffective. Procurement audits are not regularly conducted.

The other major risk concerns the existence of significant deficiencies in the dissemination and access to relevant procurement information for stakeholders as evidenced by the results of the audit report for the years 2011 and 2012.

Recommendations

In the short term, the government should explore opportunities to: i) provide financial and technical support to the ARMP in order to enable it to carry out regular annual audits of public procurement; and ii) improve access to and dissemination of information on public procurement, in particular the provision of electronic communications, and the development and popularization of standard models of progress reports to the ARMP, the DGCMP, and CGMP. In the medium term, the government should take appropriate measures to: i) develop internal control procedures of procurement activities; ii) strengthen the external audit bodies in particular the IGF, the CNLCCF, and OAC by providing technical support to enable them to effectively carry out their missions; iii) promote a policy of zero tolerance against corruption in public procurement in particular through the implementation of mechanisms for prevention and repression; and iv) develop and provide codes of conduct and ethics specific to public procurement.

Matrix of Recommendations

Overall recommendations						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Achieve a consistent budget execution aligned with strategic objectives	Set an entity with the relevant convenient power to oversee budget execution	Greater consistency of budget planning and execution	The government	An entity	Short term	Average
	Establish a monthly meeting of this entity to be informed about the state of budget execution and make decisions relevant to solve issues that arise	Greater consistency of budget planning and execution	The government	Number of meetings	Short term	Low
	Make sure that all procurement contracts (done by Chinese companies, managed by DGTT, etc.) go through normal procurement and disbursement procedures	Greater transparency and consistency of budget planning and execution	The government	Number of procurement contracts out of the normal procedure	Short term	Average
	Establish a framework where relevant stakeholders meet to inquire about the state of PFM reform and make decisions to fix issues that arise	Greater consistency of budget planning and execution	The government	Number of meetings	Short term	Low
	Establish and implement inter-ministerial coordinating entities of budget preparation, execution, and PFM issues in line ministries	Greater consistency of budget planning and execution	The government	An entity	Short term	Average
Improve the strategic management of the State	Move toward an electronic administration		The government		Short term	Average
	Set official emails for government and senior administration official to help speed up the execution process		The government		Short term	Average
	Complete the computerization of all budget and PFM operation at the central level as well as in line ministries		The government		Medium term	Average

Overall recommendations						
Operational objectives	Actions	Expected outcomes	Main responsible authority	Performance indicators	Term	Need of Assistance
Strengthen staff capacity on PFM issues	Conduct a civil servant department reform to ensure that experts of PFM and Budgeting issues are the only staff dealing with PFM issues.		The government	A reform	Medium term	High
	Develop and implement continued trainings and on-the-job training programs for staff already working in the Budgeting and PFM		The government		Short term	Average
	For every ministry, create a permanent civil servant structure headed by a "Secretaire General" to which a Director General of Budgetary and Financial affair will report to.	Improve evidence-based decisions and reduce rent seeking behavior	The government	A decree on a new structure of the ministry	Short term	Low
Move toward program based budgeting	Complete the draft of the new program based budgeting framework currently under development		The Ministry in charge of Finance	A decree	Short term	Average

Fiscal space						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Strengthen the collection of non-oil revenues	Increase the personal income tax (PIT)	A better-functioning personal income	Ministry in charge of Finance	Ratio of PIT to government revenues	Medium term	Low
	Implement the newly introduced property tax	Collection of property tax	Ministry in charge of Finance	Ratio of property tax to government revenues	Medium term	Average
	Build capacity of the tax administration and customs personnel	Strong human capital in tax and customs administration	Ministry in charge of civil servants	Number of well-trained personnel	Medium term	High
	Undertake a study on the type of taxation that the government should adopt and implement	Higher non-oil tax collection	Ministry in charge of Finance	A study	Short term	Average
	Develop a toolkit and a protocol to fight corruption and fraud in the tax and custom administrations	Reduction of corruption and fraud in this administration	DGI and DGD	A toolkit is adopted	Medium term	Average
	Set a single window policy for taxpayers		DGI and DGD	A single window is set	Medium term	Average
Improve the management of oil revenue volatility	Build the capacity of staff in relevant ministries on: i) the management of the oil sector; and ii) the analysis, negotiation, and follow up of oil sector contracts	Reliable forecast of oil production	Ministries in charge of hydrocarbon and of finance	Precision of the oil production forecast	Short term	Average
	Provide staff of relevant ministries the technology to oversee extractive industries operations				Medium term	Average
	Publish accounts of public enterprises on the website of the ministry of oil and energy	Greater transparency of oil sector	Ministries in charge of hydrocarbon and of finance	A website is created and updated	Medium term	Low
	Publish oil contracts on the Société nationale des pétroles du Congo (SNPC) website	Greater transparency of oil sector	SNPC and Ministry in charge of hydrocarbon		Medium term	Low
	Undertake periodic reliable independent audits of financial flows in the oil sector and publish and disseminate audit reports to all stakeholders (public administration, private sector, NGOs, etc.)	Greater transparency of oil sector	Ministry in charge of hydrocarbon		Medium term	Average
	Effectively implement a stabilization fund to smooth international fluctuations of oil prices resources	Ensure steady revenue to the government budget	Ministry in charge of Finance		Medium term	Average
Capture a greater share of forthcoming mining exploitation	Build the capacity of relevant staff ministries on the development of mining sector policy		Ministries in charge of mining and of finance		Medium term	Average
	Undertake periodic reliable independent audits of financial flows in the mining sector	Greater transparency of the mining sector	Ministries in charge of mining and of finance		Medium term	Average
	Publish and disseminate audit reports to all stakeholders	Greater transparency of mining sector	Ministries in charge of mining and of finance		Medium term	Average

Composition of public expenditure and key source of fiscal pressure						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Strengthen the budget planning process and keep a link between planning and budgeting	Plan all investments for a typical time frame; a period of five years or three years could be set	Improve public investment planning	Ministry in charge of Finance	A public investment plan	Short term	Average
	Adopt a public investment plan with many layers	Improve public investment planning	Ministry in charge of Finance	A public investment plan	Short term	Average
	Involve and empower the team working on budget planning in the entire budgeting process	Improve public investment planning	Ministry in charge of Finance	A ministerial decision is taken	Short term	Average
Improve budget presentation	Draft the budget to enable the distinction between directly productive sectors and indirectly productive sectors	Facilitate budget analysis	Ministry in charge of Finance	New spending item regrouping in the budget	Short term	High
	Resume the budget presentation by function classification	Facilitation of spending analysis	Ministry in charge of Finance		Short term	High
Achieve a sustainable budget execution	Build the capacity of staff involved in budget execution by on-the-job training	Strengthen human resource of some line ministries on public finance issues	Ministry in charge of Finance and all line ministries	Number of work training	Short term	Low
	Reorganize the administration such that staff involved in budget execution are those who have the required expertise		Ministries in charge of civil servants and of finance/The government	A decision or a decree	Medium term	Average
	Agree with relevant line ministries on a calendar to regularize the OPPA and ORPA	Low use of special procedure in budget execution	Ministry in charge of Finance	A calendar is adopted and implemented	Short term	Low
	Set a condition to limit the ratio of OPPA and ORPA to total expenditure		Ministry in charge of Finance	Ratio of OPPA and ORPA to total expenditure (excl. salaries)	Short term	Low
Improve the equity and the efficiency of government spending	Increase resources to infrastructure that have a stronger growth and human development impact	Reduce inflation in public investment and a greater efficiency of public investment	Ministry in charge of Finance and planning		Short term	Low
	Take appropriate time to plan and execute an investment		Ministry in charge of Finance	Inflation rate of public investment	Short term	Low
	Provide a geographic coverage of the budget by division or rural vs. urban areas	Better target of the poor divisions to improve spending equity	Ministry in charge of Finance	A detail budget per division	Short term	Low
	Build capacity of staff in local administration on budgetary processes		Ministry in charge of Finance	A training program for staff	Medium term	Average

Public expenditure review in agriculture						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Ensure that limited resources are used as efficiently and effectively as possible	Provide line ministries with staff that is experienced and trained on PFM issues	Strengthen the capacity of sector line ministries on PFM issues.	The government	Ratio of experienced and trained staff to total staff involved in PFM issue	Medium term	Average
	Train staff already dealing with PFM issues in these ministries to improve their skills on PFM related issues		The government		Short term	Average
	Coordinate activities with other ministries and donors	Reduce budget wastage	The government		Short term	Low
	Take measures to make funding available in time, especially given the strong seasonality of agriculture	Greater budget predictability in the sector	The government		Medium term	Average
	Cater to cash flow requirements	Greater budget execution	MAE and MPA		Medium term	Average
Set up programs to increase agricultural productivity	Create a formal land market with land title to allow agricultural activities on larger areas	Greater efficiency in the agriculture sector	The government		Medium term	High
	Facilitate access to finance for farmers by providing a guarantee or collateral	Greater efficiency in the agriculture sector	The government		Medium term	Average
	Develop the agriculture value chain from farm product to industry production	Greater efficiency in the agriculture sector	The government		Medium term	High
	Help traditional farmers to modernize their farming methods	Greater efficiency in the agriculture sector	The government and donors		Medium term	High
	Strengthen the capacity of the farmers in agri-business or modern farming	Greater efficiency in the agriculture sector	The government		Medium term	Average
Monitor and evaluate spending	Create a results and performance based system	A strong base for monitoring and evaluating public expenditures	The government	A results-based system	Medium term	Average
	Ensure that monitoring reports are used inside and outside of MAE and MPA to reward good performance	Greater budget control	The government	Publication	Medium term	Average
Strengthen the agriculture support fund	Build the analytical capacities of the fund	Better selection of program by the fund	The government	A staffing plan and training for project selection	Medium term	Average
	Stop providing access to ready-to-roll cassava plantation plots to new farmers	Better functioning agriculture support fund	The government	Number of ready to-roll cassava plantation	Short term	Low
	Take potential farmers through the selection process of the fund to ensure the sustainability of their project if they are to receive any financial support	Better functioning agriculture support fund	Agriculture support fund	Proportion of potential farmers which went through this selection	Medium term	Average

Public expenditure review in education						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Re-prioritize and improve the allocative and operational efficiency of the education sector budget	Shift funding to secondary education, mainly in capital expenditures	Greater quality of secondary education,	The government	Relative share of budget of this ministry	Short term	Low
	Increase the funding of the post-basic education in order to	Greater equity in access and education attainment	The government	Relative share of budget of this ministry	Short term	Low
	Reconsider the distribution of funds among expenditure categories within MES budget according to the main priorities of the education strategy	Better quality of tertiary education	The government	Relative share of budget of this ministry	Short term	Low
Align budget allocations to strategic education goals	Increase funding to programs dedicated to repetition and drop out reduction	Greater efficiency of the budget in the sector	The government	Reduction of repetition and dropout rates	Medium term	Low
	Remove ghost staff in the sector by carrying out a physical inventory of education staff	Greater efficiency of the budget in the sector	The government	Ratio of ghost staff	Short term	Low
	Realign budget to reduce the high ratio of administrative staff to teaching staff	Greater quality of teaching	The government	Ratio of administrators to teaching staff	Medium term	Low
	Provide budget to recruit already trained teaching staff, with a focus on the rural area	Greater quality of teaching	The ministries in charge of finances, education, and civil servants	Ratio of trained teaching staff	Medium term	Average
Build decision-making tools in the sector for budget information and planning	Produce and update a school map	Greater planning tools to manage budget in the sector	Ministries in charges of the Education sector	A school map	Medium term	Average
	Produce a statistical yearbook		Ministries in charges of the Education sector	A yearbook	Short term	Low

Public expenditure review in health						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Render government health spending pro-poor	Allocate a growing share of public financing to the poorest divisions in the country	Bridge the gaps in health status between the poor and the non-poor	The government	Share of health budget to poor divisions	Medium term	Low
	Compensate public providers for the user-fee income forgone as a result of their adoption of waivers for the poor and vulnerable	Bridge the gaps in health status between the poor and the non-poor	The government	Ratio of user-fee in health spending	Short term	Average
	Increase government financing of health	Bridge the gaps in health status between the poor and the non-poor	The government	Share of budget to health	Medium term	Low
	Expand and rationalize government health spending and moving toward universal health care	Bridge the gaps in health status between the poor and the non-poor	The government	Share of health care covered by government spending	Medium term	High
Render government health spending more efficient	Evaluate the efficiency of national hospitals that currently receive block grants from the government	Better services of hospitals to the population	The government	Ratio of hospital evaluated	Short term	Average
	Adopt a policy to progressively expand the share of public resources going to health dispensaries and health centers	Better services of hospital/dispensaries to the population	The government	A policy	Medium term	Average
	Assess hospital occupancy, the reasons behind low occupancy rates, and the feasibility of closing some beds	Lower unnecessary hospital spending is a research priority	The government	Number of assessment	Short term	Average
Increase access to health services	Make treatment protocols available to health staff and train them in their use	Improve access to health facilities	The government	A protocol	Medium term	Low
	Revise the user-fee policy for government providers	Improve access to facilities	The government	A policy	Medium term	Average
	Hire qualified health staff in all public facilities throughout the country	Improve access to good health care	The government	Ratio of qualified staff	Medium term	Low
Improve the evaluation of the government spending	Systematically support the production of the statistical yearbook	Greater institutional capacities in health management information system	The government	Publication of statistical yearbook	Short term	Low
	Produce data and maintain database on indicators, budget, and spending on health	Better health management information system	The government	Database	Short term	Low
	Train staff involved in data collection and reporting, and supply computers and other equipment required to operate such a system	Greater institutional capacities in health management information system	The government	Training program	Short term	Low

Public expenditure review in energy						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Strengthen the capacity of national and regional planning to formulate a strategy for resolving the energy deficit	Strengthen technical and human resources planning	Strong national energy planning	The government	Ratio of trained staff	Short term	High
	Improve demand estimations for electricity and forecasting	Strong national energy planning	The government		Medium term	Average
	Set a mandatory committee between DGGT and the MEH to plan, program, and implement investment projects in the energy sector	Strong national energy planning and greater efficiency	The government	A committee	Short term	Low
	Commit to a shared vision that takes advantage of regional synergies	Integrated energy plan	The government/ CEMAC	An international energy plan is adopted	Medium term	High
Improve SNE operational performance and restore its financial balance	Develop control activities in order to identify problems of collection rate, technical losses, non-technical losses, and fraud.	Well-functioning SNE	SNE	Number of control activities	Short term	High
	Restructure the recovery department of SNE and render it more efficient in bill payment collection	Healthy financial balance for SNE	The government/SNE	Collection rate	Short term	Average
	Promote and generalize the system of prepaid meters, which allow customers to better manage their consumption	Simplified recovery management cost	SNE	Ratio of prepaid meters to total customer	Short term	High
Implement a DSM program and improve the efficiency of electrical systems	Develop measures of energy conservation to reduce the level of consumption.	Greater efficiency of the energy network	SNE		Short term	Average
	Increase the performance of the power generation and distribution network	Greater efficiency of the energy network	SNE		Short term	Average
	Introduce a progressive tax on energy consumption.	Empowered and educated actors	SNE	A tax is introduced	Short term	Average
	Introduce funding measures	Greater diversification of energy sources by industries	SNE		Short term	Average
Distribute financial risk among several operators	Provide financial incentives to attract private interests to build capacity in the sector	Greater private participation is the risk of the sector	The government	A tax regime in the sector	Medium term	High
	Set a pricing system that is strongly linked to project profitability	Greater private participation is the risk of the sector	The government	A price system	Short term	Average
	Define explicitly specific commitments of the government and private operators	Greater private participation is the risk of the sector	The government/private sector		Short term	Average

Planning system and budgetary process						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Improve the entire PFM system	Accelerate the reform of the legal (RGCP, NB, GFS, PC) and regulatory framework of public accounting	Effective implementation of decree no. 2013-807 of December 30, 2013	Ministry in charge of Finance	Proportion of new regulation adopted	Short term	High
	Complete the modernization of SIDERE, with a complete payment compartment (treasury), integrating other systems of financial authorities, for budgetary control authorizations and payments and automatic editing of the accounts and the overall balance of the State	Complete computerization of the spending channel	Ministry in charge of Finance	Proportion of operations entirely computerized	Short term	Low
	Strengthen staff capacity of parliament so that it can exercise its powers in the control of fiscal sustainability and is able to conduct reviews and analyses of forthcoming annual performance reports of line ministries in accordance with CEMAC directives	Better control of the budget process	Parliament		Medium term	Average
	Design and implement an all-actors budget implementation training program including cash planning and implementation of fiscal regulation, public procurement	Increase government capacity of PFM	Ministry in charge of Finance	A training program	Medium term	High
Improve budget planning	Rigorously apply the budget schedule in terms of respect of time, deadlines, and milestones of activities	Adopt budget on time	Ministry in charge of Finance		Short term	Low
	Adopt budget schedule in accordance with different laws and budget calendar	Adopt budget on time	Ministry in charge of Finance	Month of budget promulgation	Medium term	Low
	Systematize intra-sectoral trade-offs by forming an ad-hoc committee in each sector to prepare the "Budget d'Affectation Special" (Special Assignment Budget) and to define the procedures for its inclusion in the national budget.	Better budget planning in line ministries	The government	Number of committees	Short term	Average
	Update and strengthen the current MTEF mechanism rather than creating a new one from scratch	Reduce delay and adaptation time	Ministry in charge of Finance		Short term	High

Planning system and budgetary process						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Improve budget execution	Consolidate budget in parallel with the parliamentary approval	Budget execution effectiveness on January 1st	Ministry in charge of Finance		Short term	Low
	Train DEPs and procurement cells (CPM) staff on the preparation of investment projects	Better budget execution in line ministries	Ministry in charge of Finance	Number of training sessions	Short term	Low
	Train managers and credit managers to develop the MPAP and tender documents upon transmission of the finance bill in parliament and finalize after the vote		Ministry in charge of Finance			Average
	Deploy the delegates trained budget controller at all ministries and agencies	Better budget control	Ministry in charge of Finance	Deployment	Short term	Low
	Render effective de-concentration of the authorizing officer of spending in favor of sector ministers and heads of institutions	Implementation of the LORFE 2012 and fiscal management focused on results	Ministry in charge of Finance		Short term	Low
	Undertake the de-concentration of contract approval authority to ministers and heads of institutions	Better budget execution in line ministries	Ministry in charge of Finance		Short term	Low
Improve the treasury management	Set performance targets to the treasury based on the percentage of actual payment of mandate within three months prescribed	Reduction of delay in payment	The government/DG treasury	Ratio of payment of mandate within three months	Short term	Low
	Improve the current accounting system through the development of technical and functional capacities	Better treasury transparency and reporting	DG treasury	Production of tables	Medium term	High
	Introduce an integrated accounting information system that would supplement the current shortcomings of SIDERE in the automation of administrative and management accounts	Better treasury transparency and reporting	DG treasury	An accounting system	Medium term	High
	Produce all balances of accounts of class 1 to 7 and 9 to input balances at January 1, and by observing the deadline of 15 days of publication after the end of the month	Greater quality of the consolidated balance of the treasury	DG treasury	Publication on time	Medium term	High
	Include commitment accounting and investment operations in the administrative accounts and treasury operations in bills settlement via the management accounts	Strong process of the production of State accounts	DG treasury		Medium term	High
	Implement strict internal control mechanisms by periodic statements of reconciliation	No arrears in revenue collection	DG treasury		Medium term	Low

Planning system and budgetary process						
Operational objectives	Actions	Expected outcomes	Main responsible authority	Performance indicators	Term	Need of Assistance
Improve the cash management	Develop a procedural manual for DGTCP, then ensure the effective application of the rules, tools, and procedures in place for cash management	An effective cash management	DG treasury	A manual	Short term	Average
	Strengthen the systematic internal controls to ensure a proper application of current accounting policies	An effective cash management	DG treasury	Number of controls	Short term	Low
	Develop and implement a technical and institutional framework of cash management	An effective cash management	DG treasury	A framework	Medium term	Average
	Prepare and update cash plan according to a monthly budget and use for control purposes frequency	An effective cash management	DG treasury	A plan	Medium term	Average
	Rigorously apply relevant procedures of the 2001 accounting instruction on a cash basis	An effective cash management	DG treasury		Short term	Average

Review of public financial management						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Strengthen the legal PFM framework	Put in place the new structure of the treasury	A complete PFM legal system	Ministry in charge of Finance	Regulation is adopted	Short term	Low
	Give line ministries and other spending entities the status of payment authorization bodies	Empower line ministries in PFM	The government	Regulation is adopted	Medium term	Low
	Adopt an action plan to integrate the provisions of the CEMAC guidelines into the country's regulations on public finance	A complete PFM legal system	Ministry in charge of Finance	Law is adopted	Medium term	High
Reduce the gap between adopted and actual domestic revenues to less than five percent	Build staff and technological capacity to forecast oil and production of oil	Reduce the volatility of forecasted oil revenues	Ministries in charge of hydrocarbon and of finance	Forecast precision	Medium term	High
	Build staff and technological capacity in revenue collection and compliance with tax and customs rules	Greater ratio of non-oil tax revenues to non-oil GDP	DGCG, DGD, and DGI	Ratio of the gap	Medium term	Average
	Carry an inventory of revenues received by ministries and not paid into the treasury account, include them in the budget and take steps to ensure their payment into public accounts	Improve the ratio of non-oil tax revenues to non-oil GDP	Ministry in charge of Finance	Ratio of the gap	Short term	Average
Render budget execution less volatile	Extend the timeline for line ministries to at least four (4) weeks after budget ceilings are defined to prepare their proposals	High and stable budget execution rate	Ministry in charge of Finance	An extension	Short term	Low
	Involve line ministries in all steps of the process of simultaneous preparation of current and investment budget estimates	High and stable budget execution rate	Ministry in charge of Finance		Short term	Low
	Strengthen the capacity of all actors in charge of the execution of expenditures	Higher and stable budget execution rate	Ministry in charge of Finance	Percent of personnel involve in PFM who have PFM training	Short term	Average
Improve budget transparency	Include the stock of domestic payment arrears in public documentation as well as in GFS	More clarity of budget	Ministry in charge of Finance	Debt in GFS	Short term	Low
	Post fiscal information on the planned Ministry in charge of Finance website	Better access to budget information	Ministry in charge of Finance	Budget on the government website	Short term	Average
Rationalize budget allocation to decentralized administrations	Develop a program-based allocation mechanism for government transfers to territorial communities	Better allocation of government transfers	The government	A program is adopted	Medium term	Average
	Improve the centralization of information on the execution of territorial communities' budgets and ensure its consolidation into an annual report to be publicly disclosed within 18 months after the end of the fiscal year	Greater budget transparency	Ministry in charge of Finance		Medium term	Average

Review of public financial management						
Operational objectives	Actions	Expected outcomes	Main responsible authority	Performance indicators	Term	Need of Assistance
Improve treasury practices	Undertake, at least on a monthly basis, within four (4) weeks after the end of the month, the reconciliation of accounting entries and bank statements	Lower level of errors and fraud in revenues management	DG of Treasury	Percentage of error and fraud	Short term	Low
	Systematically clear the suspense accounts and regularize them in the general accounting of the government	Lower level of errors and fraud in revenues management	DG of Treasury	Percentage of error and fraud	Short term	Low
	Systematically issue revenue collection orders corresponding to government revenues whose amount are known in advance	Lower level of errors and fraud revenues management	DG of Treasury	Percentage of error and fraud	Medium term	Average
	Extend to all ministries, the inclusion of delegated credits in specific budget lines and ensure sufficient control over the release of resources to primary service delivery units	Lower level of errors and fraud revenues management	DG of Treasury	Percentage of error and fraud	Medium term	Low
	Centralize accounting operations of decentralized treasury offices every 15 days	Lower level of errors and fraud revenues management	DG of Treasury	Percentage of error and fraud	Medium term	Low
	Establish the general account of the financial administration at end-of-year	Lower level of errors and fraud revenues management	DG of Treasury	Percentage of error and fraud	Medium term	Average
Improve budget execution recording and reporting	On a quarterly basis, publish the budget execution situation within a month after the end of each quarter	Reliability of accounts of the state and budget execution statements	DG of Treasury	A publication	Short term	Low
	Update the financial management information system master plan	Reliability of accounts of the state and budget execution statements	Ministry in charge of Finance	A new master plan	Short term	Average
	Define and implement necessary actions for the improvement of information so that it provides effective and transparent management system spending and government revenues	Reliability of accounts of the state and budget execution statements	Ministry in charge of Finance		Medium term	Average
	Make a quarterly production of budget execution statements and improve the scope, quality, and format	Better monitoring the financial implementation of projects	DG of Budget	Statements	Medium term	Average
	Bring back to a semi-annual frequency output from the point of execution of public investment projects and expand coverage to commitments and expenses payments	Reliability of accounts of the state and budget execution statements	DG of Planning and Development	Publication	Medium term	Average

Review of public financial management						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Improve the relation between revenue administrations and taxpayers	Disseminate the tax code		DGI and DGD	Dissemination events	Short term	Low
	Provide taxpayers with better information on possible avenues for administrative and judicial appeal		DGI and DGD		Short term	Low
Improve revenue spending management between government agencies	Undertake a comprehensive monthly reconciliation of the operations of revenue administrations	Greater consistency of government accounts	DGI, DGD, and DG Treasury	Ratio of discrepancy in these administrations accounts	Short term	Low
	Strengthen the human capacities of the DGI and the DGD	Better level of revenues collected and develop tax control measures	DGI and DGD	Ratio of staff trained involved in PFM	Medium term	Average
	Reorganize the accounting of DGI, DGD, and DG Treasury	Greater consistency of government accounts	DGI, DGD, and DG of treasury	An harmonize accounting framework	Medium term	High
	Produce reconciliation statements and eliminate the risk of accumulation of arrears	Greater consistency of government accounts	DG of treasury	Publication	Medium term	Average
Improve the quality of internal and external control of budget execution	Involve beneficiary populations in the control process, where the nature of the expenditure allows it	Better budget execution control	Ministry in charge of Finance		Short term	Low
	Implement accounting of non-financial assets in the credit managers services	Better budget execution control	Ministry in charge of Finance		Short term	High
	Increase financial resources to the IGE and the IGF	Greater capacity of Controlling institutions	Ministry in charge of Finance	Budget to these institutions	Short term	Low
	Disseminate the IGE and IGF reports within six months after completion	Greater transparency of Controlling institutions	Ministry in charge of Finance	Dissemination events	Short term	Low
	Adopt and implement a training program for staff dedicated to controls and audits	Great staff capacity in controlling	IGE and IGF	A training program	Medium term	Average
	Increase the number of financial controllers	Reasonable workload of financial controllers	Ministry in charge of Finance	Number of financial controllers	Medium term	Low
	Ensure a follow-up by the parliament of its recommendations to the government	Better budget execution control	Ministry in charge of Finance		Medium term	Low
	Develop and implement a staffing plan for the benefit of the supervisory institutions	Great staff capacity in controlling	Minister in charge of finance and ministry in charge of public service	A plan	Medium term	High
	Put in place a system of oversight functions that is consistent in its entirety by eliminating overlaps that lead to a dilution of responsibility	Great staff capacity in controlling	Minister in charge of finance and ministry in charge of public service	A body is created	Medium term	Average
	Establish an all supervisory bodies consultation framework to coordinate their intervention programs and thus cover a larger number of projects	Better budget execution control	Ministry in charge of Finance	A body is created	Medium term	Average

Public procurement						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Render the legislative and regulatory framework fully aligned with international procurement standards	Extend the scope of the legal framework for public procurement of PPPs and defense as well as national security procurements	Complete legal procurement framework	The government/ARMP	A decree	Short term	High
	Adopt all the missing implementing regulations of the code of public procurement in particular those relating to allowances of CGMP members and their composition, responsibilities, and operating procedures	Better legal procurement framework	The government/ARMP	A regulation	Short term	Average
	Develop specific conduct and ethics codes in public procurement	Better legal procurement framework	ARMP	A code	Short term	High
	Carry out a cleaning up of the procurement code including provision for the compulsory use of pre-qualification procedures for works or complex equipment contracts	Better legal procurement framework	ARMP	A revised code	Short term	High
	Provide a minimum period for bid preparation of international competitive bidding	Better legal procurement framework	ARMP	A revised code	Medium term	High
	Strengthen confidentiality requirements during the bid valuation process	Better legal procurement framework	ARMP		Medium term	High
	Adopt legislation to ensure prior availability of budget before the launch of any tender or before contract signing	Better legal procurement framework	ARMP/the government/ the parliament	An executive order	Medium term	High
Improve procurement planning and integration into the public financial management system	Remove existing bottlenecks in the contract approval procedure by the ministry of finance		Ministry in charge of Finance			High
	Increase the ex-ante control thresholds and reinforce the ex-post control		Ministry in charge of Finance			High
	Enhance the support provided to contracting authorities	Better quality of procurement operations	ARMP			High
	Conduct a study on the procurement Value Chain	Better quality of procurement operations	The government	A study	Short term	High
Reduce the risk of conflict of interest for ARMP	Avoid the intervention of the ARMP such as the appointment of independent observers	Greater integrity of ARMP	The government/ARMP	Zero participation to such activity	Medium Term	Low

Public procurement						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Set an efficient communication, information, statistical, and archiving system	Develop systems to help collect procurement data and statistics and to disseminate reliable information	Better information and statistics on procurement issues	The government/ARMP	A PMIS	Medium term	Average
	Provide needed support to ARMP to ensure the systematic publication of all relevant procurement information on its website and in the public procurement newsletter	Better communication on procurement issues	ARMP	Publication	Medium-term	Average
	Update the capacity building program and conduct further performance reviews of the system; to that end, a value chain analysis of the procurement process should be conducted	Greater capacity to produce statistics on the procurement system	ARMP		Medium term	Average
Implement a capacity-building strategy and development of quality assurance tools for public procurement sector	Provide technical and financial support to the ARMP to facilitate the implementation of the capacity-building strategy	Strong staff capacity on procurement issue in ARMP	ARMP/The government		Short Term	High
	Develop standard competency profiles and establish career development paths for the public procurement sector	Strong staff capacity on procurement of government	The government	A career plan	Medium Term	High
Reduce systemic constraints impeding SMEs participation into public contracts opportunities	Promote partnerships between the government and the private sector to analyze the ways and means for removing existing market entry barriers	Greater SMEs competitiveness	The government	Proportion of SMEs winning procurement contract	Medium term	Average
	Take actions to better support the implementation of the capacity development program for contracting authorities, private sector, and civil society stakeholders	Better staff capacity in SMEs for procurement issues	The government	A training program	Short term	Average
Remove major constraints to contract management and supervision systems	Provide technical support to contracting authorities to help track and control works contracts and establish an effective coordination mechanism between contracting authorities and DGGT	Better contract management	DGGT	Reductions in delays in contract execution	Short term	Low
	Develop competency profiles and develop a specific career plan in public procurement	Greater staff capacity within the procurement system	The government	A plan	Short term	Low
	Explore opportunities to join the New York convention on the enforcement of arbitration		The government	Yes or No	Medium term	Low

Public procurement						
Operational objectives	**Actions**	**Expected outcomes**	**Main responsible authority**	**Performance indicators**	**Term**	**Need of Assistance**
Render internal and external control systems efficient	Provide financial and technical support to the ARMP in order to enable it to carry out regular and exhaustive annual procurements audits	Lower delay in the procurement system	Government/ARMP		Short term	High
	Develop internal control procedures of procurement activities	Better procurement control	Government/ARMP	Number of procedure	Medium term	High
	Strengthen the external audit bodies in particular the IGF, the CNLCCF, and OAC by providing technical support to enable them to effectively carry out their missions	Better procurement control	Government/ARMP		Medium term	High
Foster integrity and transparency of the procurement system	Improve access and dissemination of information on public procurement—in particular the provision of electronic communications, the development and dissemination of standard models of progress reports to the ARMP, the DGCMP, and CGMP	Greater transparency	The government/ ARMP/DGCMP	Template of reports and electronic tools	Short term	Average
	Promote a policy of zero tolerance of corruption in public procurement, in particular through the implementation of mechanisms for the prevention and repression of such behavior	Greater integrity	The government	A policy	Medium term	High
	Develop and provide codes of conduct and ethics specific to public procurement	Greater integrity	The government	A code of conduct	Medium term	High

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Appendix

TABLE A1.1: **Republic of Congo – Selected Macroeconomic Indicators, 2010–2017**

	2010	2011	2012	2013	2014 Est.	2015	2016 Proj.	2017
GDP growth (constant prices, annual %)	8.7	3.4	3.8	3.4	6.4	4.3	4.8	7.2
GDP growth – oil (constant prices, annual %)	13.7	–4.8	–9.6	–10.0	3.1	3.5	6.5	10.0
GDP growth – non-oil (constant prices, annual %)	6.4	7.5	9.7	8.2	7.4	4.6	4.3	6.4
Private Consumption growth (current prices, annual %)	5.4	7.9	9.9	3.8	5.8	4.4	3.9	11.1
Gross Fixed Investment (current prices, % of GDP)	29.7	34.5	43.2	46.4	50.4	69.5	65.8	62.1
Gross Fixed Investment – Public (current prices, % of GDP)	7.9	11.7	18.8	25.8	28.5	38.5	35.7	33.3
Gross Fixed Investment – Private (current prices, % of GDP)	21.8	22.8	24.4	20.6	24.4	20.6	22.0	31.0
Inflation, consumer prices (annual %, end of year)	5.4	1.8	7.5	2.1	0.5	3.0	2.6	2.6
Inflation, consumer prices (annual %, period average)	5.0	1.8	5.0	4.6	0.8	3.0	2.9	2.8
GDP deflator (annual %, average)	26.9	11.0	–3.8	–8.8	–26.7	5.7	6.0	36.1
Nominal Exchange Rate (CFAF/US$, period average)	494.4	471.0	510.0	494.2	494.6	582.8	494.6	494.6
Real Effective Exchange Rate Index (2005=100)	108.7	107.9	106.4	112.3	…	…	…	…
Overall Fiscal Balance (commitment basis, incl. grants % of GDP)	16.5	16.7	6.1	8.2	1.8	–6.1	–9.3	–5.9
Overall Fiscal Balance (commitment basis, excl. grants % of GDP)	16.5	16.3	6.0	7.8	1.8	–6.1	–9.3	–5.9
Overall Fiscal Balance (commitment basis, incl. grants % of non-oil GDP)	54.5	56.3	18.5	22.2	4.6	–10.8	–16.7	–11.1
Primary Fiscal Balance (% of GDP)	17.9	19.4	10.0	15.6	5.2	5.1	3.1	5.9
Non-oil Primary Fiscal Balance (% of non-oil GDP)	–36.3	–44.7	–68.4	–47.5	–58.0	–37.0	–36.5	–33.8
Total revenue (excl. grants, % of GDP)	36.6	40.9	41.8	44.1	40.9	43.9	40.1	40.3
Oil revenue (% of GDP)	28.9	32.7	32.6	32.5	28.6	26.1	23.3	24.1
Non-oil revenue (% of non-oil GDP)	25.5	27.8	27.9	31.4	30.4	31.6	30.4	30.4
Merchandise exports (fob, current US$ billions)	7.1	8.7	7.3	6.7	6.5	4.7	5.5	6.4
of which oil exports (current US$ billions)	6.4	7.9	6.5	5.8	5.6	3.8	4.5	5.3
Merchandise imports (fob, current US$ billions)	5.7	6.7	8.6	9.1	9.4	8.2	10.2	…
of which oil exports (current US$ billions)	0.9	1.1	1.0	0.9	1.0	0.8	1.1	1.2

(continued on next page)

TABLE A1.1: Republic of Congo – Selected Macroeconomic Indicators, 2010–2017 *(continued)*

	2010	2011	2012	2013	2014 Est.	2015	2016 Proj.	2017
Current account balance (incl. transfers, % of GDP)	–0.1	–0.1	–0.3	–0.4	–0.5	–0.6	–0.6	–0.6
Foreign Direct Investment (net, current US$ billions)	3.0	3.3	2.0	4.6	5.1	5.5	3.9	18.1
of which oil sector (net, current US$ billions)	2.5	2.7	1.2	3.4	3.5	3.8	1.5	15.5
Population, total (millions)	4.0	4.1	4.3	4.4	4.5	4.7	4.8	4.9
Unemployment Rate	…	6.9	…	…	…	…	…	…
Formal sector job creation (%, yoy)	…	…	…	…	…	…	…	…
Poverty headcount ratio at national poverty line (% of population)	…	46.5	…	…	…	…	…	…
Inequality – Income Gini	…	0.4	…	…	…	…	…	…
Population Growth (annual %)	2.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Life Expectancy	…	51.6	…	…	…	…	…	…
Infant mortality rate (per 1,000 live births)	42.0	39.4	37.3	35.6	…	…	…	…

Sources: Congolese Authorities and The World Bank Staff.

TABLE A2.1: Republic of Congo – Impact of Oil Price Decline on Government Revenue

	2008–2013	2015	2016	2017	2018	2019	2020
Oil production	99.7	94.7	100.8	110.9	115.3	118.8	121.2
$/XAF	484.8	606.2	606.2	606.2	606.2	606.2	606.2
Scenario, June 2014	91.9	99.8	98.6	100.6	102.6	104.6	106.7
Oil revenue	1994.3	2622.9	2409.9	2701.1	2865.7	3010.7	3133.3
Share of GDP	78.4	34.9	29.9	30.1	29.3	29.0	28.7
Share of revenue	33.2	73.8	70.9	71.3	69.6	68.4	67.3
Optimistic scenario	91.9	67.7	72.8	78.2	83.8	89.7	90.1
Oil revenue	1994.3	1773.0	1769.3	2084.4	2324.6	2564.5	2627.8
Share of GDP	78.4	29.4	26.3	27.0	23.9	24.8	24.1
Share of revenue	33.2	65.1	64.1	65.6	63.7	63.8	62.2
World Bank scenario – MAC-Congo	91.9	53.2	56.9	60.8	65.0	69.4	74.1
Oil revenue	1994.3	1389.2	1379.8	1618.8	1802.8	1985.2	2166.5
Share of GDP	78.4	26.0	23.3	24.1	18.6	19.3	20.0
Share of revenue	33.2	59.2	58.1	59.6	56.4	56.5	56.7
World Bank scenario—MFM	91.9	53.2	56.9	60.8	65.0	69.4	74.1
Oil revenue	1994.3	2622.9	2409.9	2701.1	2865.7	3010.7	3133.3
Share of GDP	78.4	34.9	29.9	30.1	29.3	29.0	28.7
Share of revenue	33.2	73.8	70.9	71.3	69.6	68.4	67.3
Pessimistic scenario	91.9	50.0	50.0	50.0	50.0	50.0	50.0
Oil revenue	1994.3	1304.5	1211.6	1333.1	1387.1	1428.1	1456.9
Share of GDP	78.4	25.1	21.7	21.8	14.4	13.9	13.5
Share of revenue	33.2	57.6	54.8	54.9	48.9	47.2	45.6

Source: World Bank Staff simulations.

Box A2.1: Mining prospect in Congo

Since 2012, the prospect of mining exploitation in Congo is a recurrent issue, but delays have marked the process so that the beginning of the exploitation of these mining is still at stake in an environment of commodities price uncertainty.

Congo possessed many type of ore mining including Potash and Iron, which are the most important. Potash mines are located in the Kouilou Division. Two companies MPC and Sintoukoula Potash are identified as main investors and are working with the government to secure a lease on the site. The total discovered reserves is 837 millions of tons, the investment needed from these two companies is US$2.8 billion, the peak of production will be 1.8 millions of tons per year and these companies could hire up to 750 workers.

Iron is the most important mining ore in the country; it is present in many locations in the North as well as in the South. So far five fields have been identified and leases have been awarded to companies. The major field is in Zanaga accounting for about 45 percent of reserves; it is awarded to MPD. The second most important is Mayoko accounting for about 30 percent of total reserves. The total discovered reserve is 8919 millions of tons. In order to make this happen, companies should invest in total US$13 billion, at the peak these companies will produce 110 million of tons per year and will hire up to 5500 workers (see detail in Table A2.2).

However, none of the iron ore projects are yet operational, and it is unlikely any of them will be over the next two to three years. The ones in the north are particularly problematic, as the will require a railway line through Cameroon to export the iron ore. The US$3 billion needed to construct the railway line has yet to be found.

TABLE A2.2: Republic of Congo – Mining Potential

			Reserves	Total Investment	Beginning of Prod.	Realistic Beginning of Prod.	Peak of Prod.	Total Jobs
Ore	Fields	Company	Million Tons	US$ billions	Year	Year	Million Tons	
Potash	Mengo/Pointe Noire	MPC	33.2	1.6	2015	2018	1.2	500
Potash	Kouilou	Sintoukoula Potash	804	1.2	2018	2018	0.6	250
Total Potash			**837.2**	**2.8**			**1.8**	**750**
Iron	Zanaga/Lekoumou	MPD	4000	6	2018	2018	45	2000
Iron	Avima/Cuvette-Ouest	Core Mining	1000	4	2016	After 2020	35	1500
Iron	Nabemba/Banga/ Souanké/Sangha	Congo Iron	319	2	2018	After 2020	20	759
Iron	Mayoko/Lekoumou/ Niari	DMC	2600	0.5	2016	2018	5	500
Iron	Mayoko/Niari	Congo Iron	1000	0.5	2016	2018	5	1005
Total Iron			**8919**	**13**		**2015**	**110**	**5764**

Source: Congolese Authorities, IMF reports.

TABLE A2.3: Republic of Congo – Impact of Mining Price on Government Revenue

		2014	2015	2016	2017	2018	2019	2020
Potash Production, millions of tons	Millions of tons	0.0	0.0	0.0	0.0	0.2	0.4	0.6
Iron Production, millions of tons	Millions of tons	0.0	0.0	0.0	0.0	5.3	10.0	13.4
Gov. Share		40.0	40.0	40.0	40.0	40.0	40.0	40.0
Reference price scenario								
Price Potash, $/ton	$US/ton	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Price Iron, $/ton	$US/ton	70.0	80.0	80.0	85.0	85.0	85.0	85.0
Gov. Rev. from mining		0.0	0.0	0.0	0.0	208.5	390.9	521.2
Share of Revenue		0.0	0.0	0.0	0.0	3.0	5.2	6.6
Ratio of GDP		0.0	0.0	0.0	0.0	1.1	1.9	2.5
Pessimistic price scenario								
Price Potash, $/ton	$US/ton	300.0	300.0	200.0	200.0	200.0	200.0	200.0
Price Iron, $/ton	$US/ton	70.0	60.0	40.0	40.0	40.0	40.0	40.0
Gov. Rev. from mining		0.0	0.0	0.0	0.0	103.4	193.8	258.4
Share of Revenue		0.0	0.0	0.0	0.0	1.6	2.8	3.4
Ratio of GDP		0.0	0.0	0.0	0.0	0.6	1.0	1.3
Optimistic price scenario								
Price Potash, $/ton	$US/ton	300.0	300.0	400.0	400.0	400.0	400.0	400.0
Price Iron, $/ton	$US/ton	70.0	80.0	100.0	100.0	100.0	100.0	100.0
Gov. Rev. from mining		0.0	0.0	0.0	0.0	249.5	467.8	623.7
Share of Revenue		0.0	0.0	0.0	0.0	3.6	6.0	7.4
Ratio of GDP		0.0	0.0	0.0	0.0	1.3	2.2	2.8
Reference price scenario with 20 percent of government share								
Price Potash, $/ton	$US/ton	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Price Iron, $/ton	$US/ton	70.0	60.0	60.0	60.0	60.0	60.0	60.0
Gov. Share		20.0	20.0	20.0	20.0	20.0	20.0	20.0
Gov. Rev. from mining		0.0	0.0	0.0	0.0	77.5	145.4	193.8
Share of Revenue		0.0	0.0	0.0	0.0	3.5	3.4	3.2
Ratio of GDP		0.0	0.0	0.0	0.0	1.1	1.1	1.0

Source: World Bank Staff simulations.

TABLE A3.1: Functional Distribution of Actual Total Expenditures-Payment Basis 2008–2012 (2008 billion of CFA Franc)

	2008–2009	2010–2012
Agriculture	17.2	34.4
Education	97.1	150.1
Health	74.6	114.1
Infrastructure	267.0	562.0

Source: Congolese authorities.

TABLE A3.2: Republic of Congo – Budget of Lower Level of Government

	Fixed allocation	Variable allocation	Total transfers	Ratio of allocation Fixed on Total Transfers
		Millions of XAF		In percent
Town	**600**	**6820**	**7420**	**8.1**
Brazzaville	100	1900	2000	5.0
Dolisie	100	980	1080	9.3
Mossendjo	100	790	890	11.2
Nkayi	100	790	890	11.2
Ouesso	100	790	890	11.2
Pointe-Noire	100	1570	1670	6.0
Divisions	**22200**	**529**	**22729**	**97.7**
Bouenza	1850	47	1897	97.5
Brazzaville	1850	0	1850	100.0
Cuvette	1850	30	1880	98.4
Cuvette Ouest	1850	59	1909	96.9
Kouilou	1850	85	1935	95.6
Lekoumou	1850	43	1893	97.7
Likouala	1850	64	1914	96.7
Niari	1850	64	1914	96.7
Plateaux	1850	30	1880	98.4
Pointe-Noire	1850	0	1850	100.0
Pool	1850	55	1905	97.1
Sangha	1850	52	1902	97.3
Total grants distributed	**22800**	**7349**	**30149**	**75.6**
Unallocated Additions		**5710**	**5710**	
Total transfers to communities outside allocations for municipalisationaccélérée	22800	13059	35859	63.6
Reminder: Municipalisationaccélérée		16100	16100	
Total transfers + municipalization	**22800**	**29159**	**51959**	**43.9**

Source: Republic of Congo PEFA, 2014.

Box A5.1: Summary of the budget preparation normative process

Sequentially, the main steps to be considered in preparing the budget are:

1. Evaluation by line ministries and the Ministry of Finance of the implementation of the budget for year n-1, and review the implementation of the budget for year n;
2. Reviewing by Standing Committee of Macroeconomic and Budgetary Framework (SCMBF) of three-year macroeconomic framework (n+1 to n+ 3) and the medium-term fiscal framework (annual GFS n +1 to n +3);
3. Updating of sector MTEF of the global MTEF;
4. Preparation of the draft Fiscal Policy Document (FPD) and adoption of FPD by the Government;
5. Updating, if any, macroeconomic and budgetary frames to reflect the guidelines set by the Head of State in the FPD. Determining strategic envelopes (ceilings of operating expenses and capital expenditure determined for each department and declined in conjunction with the strategic thrusts and objectives of the NDP);
6. Drafting and releasing the Budgetary Framework Letter (BFL); preparing and releasing the guide of budget drafting of year n+ 1; communicating strategic shares;
7. Organizing the first phase of Budget Conferences;
8. Reviewing the priority investment program (PIP); reviewing tax and customs legislation; preparing the preliminary draft budget of the ministries;
9. Organizing the second phase of Budget Conferences;
10. Preparing the draft budget bill and the advice of the Supreme Court on this bill (in accordance with Article 118 of the Constitution);
11. Reviewing the draft bill by the Council of Ministers;
12. Revising the macroeconomic framework and the global MTEF; preparing budget schedules and other documents accompanying the submission of the budget bill to the Parliament;
13. Reviewing and voting on the finance bill by the Parliament;
14. Enacting the finance law;
15. Publishing in the Official Journal of the finance law.

Box A5.2: Republic of Congo — Examples of lack of detailed documentations in CCDB reports

The 2008 Report, page 99: "Having noted the absence of a debt balance and to enable the Court of Auditors and Fiscal Discipline to give or to express an opinion on the relevant debt management, the Court invites the Minister in charge of finance to produce a debt balance." The CCA and the DGT could work together to produce a consolidated treasury account that incorporates this information.

The 2009 Report, page 74: "The audits of documents and information (bundles recipes, draft Regulation Act) reveal that the amount of refunds and rebates made in 2009 are not presented. This situation does not allow the budget house to express a relevant opinion on the dynamic of tax revenues." Recording in net, budgetary operations do not fully appreciate the revenue collection in the broadest sense of the term.

The 2010 Report, page 77: "The Court notes the absence of the administrative account of the investment budget for 2010 in the bundle of documents provided by the Government."… "In order for the Court of Auditors to validate the amounts of the Forestry Fund operations and the Fund for the protection of the environment, the Court is asking the Minister in charge of finance to produce supporting documents for its operations."

The 2011 Report, page 22: "The absence of the financial statements of all of these State enterprises (SNE, SNDE, SOPECO, CONGO TELECOM CFCO, PABPS, and PAPN, etc.) did not allow the Court of Auditors and Fiscal Discipline to express an opinion." The public industrial and commercial enterprises obey to the same rules of public accounting in administrative and management accounts.

The 2012 Report, page 62: "The absence of these documents (administrative accounts, account management, and supporting documents) does not allow the Court of Auditors and Budgetary Discipline to formulate a relevant opinion on the financial management of supplementary budgets of the Agence Nationale de l'Artisanat, the Centre des Formalités Administratives des Entreprises, the Centre National d'Inventaire et d'Aménagement des Ressources Forestières et Fauniques, and the Service National de Reboisement."

The 2013 Report, pages 69, 78 and 79: "The non-production of the accounts by the managers of programs and projects did not allow the Court of Auditors and Fiscal Discipline to make financial audits of these programs in order to measure their impact on people. The operations on supplementary budgets and special accounts are planned, authorized, and executed according to the same principles of the general budget of the State. ... These operations must be traced in an administrative account and in a management account to produce to the Court of Auditors and Fiscal Discipline with supporting documents. .... The absence of these documents does not allow the Court of Auditors and Budgetary Discipline to formulate a relevant opinion on the financial management of these specific budgets and special accounts."

Since 2010, the CCDB restates this last observation. This could signal the inefficiency of CCDB to follow its recommendations.

Source: Authors compilation from CCDB reports.

TABLE A7.1: **Selected Countries – Latest CPIR Assessment**

		Congo Rep.	Niger	Ghana	Sierra-Leone	Moldova
PI	Regulatory legislative framework for awarding public contracts comply with the standards	2.15	2.20	2.13	2.00	2.38
	Regulations of existence and documentation	2.50	2.30	2.40	2.83	1.83
PII	Award of well-integrated markets to public sector governance	1.25	1.70	1.25	2.00	1.75
	Country with a normative/regulatory body functional	2.75	2.20	1.50	1.75	2.75
	Existence of institutional development capacity	1.00	1.00	1.50	1.25	1.50
PIII	Efficiency of activities and procurement practices	1.00	1.30	1.25	1.75	2.00
	Functionality acquisitions market	0.80	1.70	2.00	1.67	2.00
	Contract management arrangements and dispute resolution	1.70	2.00	2.00	0.33	1.67
PIV	Country with effective control mechanisms and audits	0.40	0.80	1.00	1.20	1.40
	Effectiveness of the mechanism	2.25	1.90	1.20	1.60	2.80
	Degree of access to information	1.00	2.00	2.00	2.00	2.00
	Promotion of ethics and fight against corruption	0.85	1.55	2.29	2.29	1.86

Sources: Selected countries CPAR and Congo Rep. 2014 MAPS.

TABLE A8.1: List of People Consulted During PEMFAR Missions

Names	Institutions	Functions
Monsieur BOBASSA EBALE Pascal	MEFPPPI/Cabinet du Ministre Délégué	Directeur de Cabinet
Monsieur Okandza Jean Crhristophe	MEFPPPI/Direction Générale du Plan et du Développement	Directeur Général
Monsieur Niama Michel	MEFPPPI/Direction Générale de l'Economie/	Directeur Général
Madame Nzalankanzi Jacqueline	MEFPPPI/Cabinet du Ministre Délégué	Conseillère au plan et à la coopération au développement
Madame Omporo Félécité	MEFPPPI/Cabinet du Ministre d'Etat	Conseillère aux relations financières internationales
Monsieur Atta Mwandza	MEFPPPI/Cabinet du Ministre d'Etat	Conseiller à l'Economie et à la Statistiques
Monsieur Mavoungou Hilaire	MEFPPPI/Cabinet du Ministre d'Etat	Conseiller au Budget
Monsieur Ngoulou Jean Noel	MEFPPPI/Cabinet du Ministre d'Etat	Conseiller au Trésor et à la Comptabilité publique
Monsieur Bazebi Basile Jean Claude	MEFPPPI/Direction des Finances et des Moyens Généraux	Directeur
Monsieur Malié Paul	MEFPPPI/Direction des Etudes et de la Planification	Directeur des Etudes et de la Planification
Monsieur Galouo Sou Ted	MEFPPPI/Direction des Ressources naturelles	Directeur des ressources naturelles
Monsieur Elongo Jean Didier	MEFPPPI/Direction Générale de Contrôle des Marchés Publics	Directeur Général
Monsieur Balonga Moise	MEFPPPI/Direction Générale de Contrôle des Marchés Publics	Directeur de l'information et de l'assistance
Monsieur Malanda Massengo Ephrem	MEFPPPI/Direction Générale de Contrôle des Marchés Publics	Chef de Service
Monsieur Eckomband Bouya	MEFPPPI/Direction Générale de Contrôle des Marchés Publics	Chef de Service
Madame Mboulou Monique	MEFPPPI/Direction Générale du Trésor	1er Fondé de Pouvoir
Monsieur Makosso Jean Jacques	MEFPPPI/Direction Générale du Trésor	2ième Fondé de Pouvoir
Monsieur Yandouma Honoré Noël	MEFPPPI/Direction Générale du Trésor	3ième Fondé de Pouvoir
Monsieur Ondongo Louis	MEFPPPI/Direction Générale du Trésor	Directeur des Etudes et de la Planification
Monsieur Ntsingani Antoine	MEFPPPI/Direction Générale du Trésor	Directeur des titres
Monsieur Kaba-Mboko	MEFPPPI/Direction Générale du Trésor	DAAF
Monsieur Okandzo Nicolas	MEFPPPI/Direction Générale du Budget	Directeur général
Monsieur Iwanga Jean Claude	MEFPPPI/Direction Générale du Budget	Directeur de la Prévision
Monsieur Olingo Bruno Ludovic	MEFPPPI/Direction Générale du Budget	Directeur des Affaires Administratif et Financiers (DAAF)
Monsieur Mbaloula Alexandre	MEFPPPI/Direction Générale du Centre des Etudes et d'Evaluation des Projets d'investissement	Directeur Général
Oniangue Louis	MEFPPPI/Direction Générale du Centre des Etudes et d'Evaluation des Projets d'investissement	Chargé d'Etudes
Monsieur Molomba Léopold	MEFPPPI/Direction Générale de Contrôle budgétaire	Directeur Général
Monsieur Akoli Emmanuel	MEFPPPI/Direction Générale de Contrôle budgétaire	DCG
Madame Ngoulou Alima Kamara	MEFPPPI/Direction Générale de Contrôle budgétaire	DAFF
Monsieur Obami David- Martin	Présidence de la République/Autorité de Régulation des Marchés Publics	Directeur Général
Monsieur Kintekoto Jean Marie	Présidence de la République/Autorité de Régulation des Marchés Publics	Directeur des Statistiques et de la Diffusion

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TABLE A8.1: **List of People Consulted During PEMFAR Missions** *(continued)*

Names	Institutions	Functions
Monsieur Audrey Alban Mapithy	Présidence de la République/Autorité de Régulation des Marchés Publics	Directeur de la Réglementation et des Affaires Juridiques
Monsieur Kiamba Germain	Présidence de la République/Inspection Général d'Etat	Contrôleur Général
Monsieur Miekoumoutima Auguste	Présidence de la République/Inspection Général d'Etat	Inspecteur
Kayindou Jean François	Présidence de la République/Inspection Général d'Etat	Inspecteur
Monsieur Opomba Ngondo Leopold	Présidence de la République/Inspection Général d'Etat	Inspecteur
Monsieur Matsoumbou Benjamin	Présidence de la République/Inspection Général d'Etat	Inspecteur
Monsieur Baya Mathurin	Présidence de la République/Inspection Général d'Etat	DAF
Monsieur Charles Emile Apesse	Cours des Comptes et de Disciplines Budgétaire (CCDB)	Premier Président
Monsieur Kamba Emmanuel	Cours des Comptes et de Disciplines Budgétaire	Conseiller
Vénérable Nicéphore Fylla de Saint-Eudes	Sénat/Commission Economie et Finances	Président
Honorable Mavoungou Maurice	Assemblée nationale/Commission Economie et Finances	Président
Honorable Bopoumbou Jean Marie	Assemblée nationale/Commission Economie et Finances	Membre
Monsieur Mokoko Guillaume	MEFPPPI/Inspection Générale des Finances	Inspecteur des finances chargé des interventions
Monsieur Mboungou Antoine	MEFPPPI/Inspection Générale des Finances	Inspecteur Général chargé des enquêtes et synthèses
Monsieur Ngayouma Jean Marie	MEFPPPI/Inspection Générale des Finances	DAF
Monsieur Kemeni Ouandzi	MEFPPPI/Inspection Générale des Finances	Chef de service Secrétariat
Monsieur Mouangou Fulgence	Ministère de l'Agriculture et de l'Elevage	Directeur de Cabinet
Monsieur Itoua Apollinaire	MAE/Fonds de Soutien à l'Agriculture	Directeur Général
Monsieur Savou Dieudonné Simon	MAE/Direction Générale de l'Agriculture	Directeur Général
Monsieur Ossibi Joseph	Ministère de l'Agriculture et de l'Elevage/Direction des Etudes et de la Planification	Directeur des Etudes et de la Planification
Monsieur Mouhirou Dieudonné	Direction Générale Agriculture/DAAF	Gestionnaire de crédit
Monsieur J. P. Mpoussa Yobard	Direction Générale de la Pêche maritime	Directeur Général
Monsieur Ngouembé Apollinaire	Direction Générale de la Pêche continentale	Directeur Général
Monsieur Mpadou Pierre	Ministère Pêche et Aquaculture/Direction des Etudes et de la Planification	Directeur des Etudes et de la Planification
Monsieur Milandou Jean Albert	Direction Générale Pêche Continentale	DAAF
Monsieur Amona Arsène	Ministère de l'Enseignement Technique, Professionnelle de la formation qualifiante et de l'emploi	Directeur de Cabinet
Monsieur Monka Marcel	Ministère de l'Enseignement Technique, Professionnelle de la formation qualifiante et de l'emploi/Direction des Etudes et de la Planification	Directeur des Etudes et de la Planification
Monsieur Aloumba Alexandre	Ministère de l'Enseignement Supérieur/Cabinet	Directeur de Cabinet
Monsieur Ounounou Marcel	Ministère de l'Enseignement Primaire et Secondaire et de l'Alphabétisation	Directeur de Cabinet
Monsieur Diassonama Jonas	Ministère de l'Enseignement Primaire et Secondaire et de l'Alphabétisation/DEP	Directeur des Etudes et de la Planification

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TABLE A8.1: **List of People Consulted During PEMFAR Missions** (*continued*)

Names	Institutions	Functions
Monsieur Kouengo Billa	Ministère de l'Enseignement Primaire et Secondaire et de l'Alphabétisation	DAAF
Monsieur Ngoulou Boniface	Ministère de l'Enseignement Primaire et Secondaire et de l'Alphabétisation	Conseiller aux finances et Projets
Monsieur Kouoto Jean	Ministère de l'Enseignement Primaire et Secondaire et de l'Alphabétisation	DAA/DGEB
Monsieur Adzama Georges	Ministère de l'Energie et de l'Hydraulique	Directeur de Cabinet
Monsieur Owonda	Ministère de l'Energie et de l'Hydraulique/DEP	Directeur des Etudes et de la Planification
Monsieur Ngakosso Jean Philippe	Ministère de la Santé et de la Population	Directeur de Cabinet
Monsieur Bolanda Jean Daniel	Ministère de la Santé et de la Population/DEP	Chef de Service
Monsieur Kanda Ejan Fenehr	Ministère de la Santé et de la Population/DEP	Chef de Service
Monsieur Moutedika Xavier	Ministère de l'Equipement et des Travaux publics/Direction des Etudes et de la Planification	Directeur des Etudes et de la planification
Monsieur N'Zoussi Joseph	Ministère de l'Equipement et des Travaux publics	Directeur de la Coopération
Monsieur Kombo Bonza Omer	Ministère de l'Equipement et des Travaux publics/DEP	Chef de Service DEP
Monsieur Bokassa Bertrand	Cellule de Gestion des marchés publics	Responsable CGMP

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