

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



REPUBLIC OF CONGO

**2005-2007 RESULTS-BASED COUNTRY STRATEGY
PAPER (RBCSP)**

COMPLETION REPORT

**COUNTRY OPERATIONS DEPARTMENT
CENTRAL REGION**

NOVEMBER 2007

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CURRENCY EQUIVALENTS

Currency	December 2005	December 2007
UA 1	\$ 1.4241	\$ 1.59018
UA 1	€1.2100	€1.0772
UA 1	CFAF 793.754	CFAF 706.49

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	French Development Agency
BEAC	:	Bank of Central African States
BWI	:	Bretton Woods Institution
CEMAC	:	Central African Economic and Monetary Community
CFAF	:	Franc of the African Financial Community
CFCO	:	Congo - Ocean Railway
CFAA	:	Country Financial Accountability Assessment
CNCCF	:	National Committee for Corruption, Defalcation and Fraud Control
CORAF	:	Congolese Oil Refinery
CPAR	:	Country Procurement Assessment Report
CWIQ	:	Core Welfare Indicators Questionnaire
DHS	:	Demographic and Health Survey (EDS)
RBCSP	:	Results-Based Country Strategy Paper
ECOM	:	Congolese Household Consumption Survey
EITI	:	Extractive Industries Transparency Initiative
EPCA	:	Emergency Post-Conflict Assistance
EU	:	European Union
ESAF	:	Enhanced Structural Adjustment Facility
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
HDI	:	Human Development Indicator
HIPCI	:	Heavily Indebted Poor Countries Initiative
IMF/PRGF	:	International Monetary Fund / Poverty Reduction and Growth Facility
I-PRSP	:	Interim Poverty Reduction Strategy Paper
NEPAD	:	New Partnership for Africa's Development
NICT	:	New Information and Communication Technologies
NGO	:	Non-Governmental Organization
OHADA	:	Organization for the Harmonization of Business Law in Africa
PACDIP	:	Expenditure Circuit and Poverty Indicators Improvement Support Project
PIP	:	Public Investment Program
PNCCF	:	National Plan for Corruption, Defalcation and Fraud Control
PRGF	:	Poverty Reduction and Growth Facility
SAP	:	Structural Adjustment Program
SDR	:	Special Drawing Rights
SNDE	:	National Water Supply Corporation
SNE	:	National Electricity Corporation
SNPC	:	Congolese National Oil Corporation
SOPECO	:	Congolese Posts and Savings Corporation
SOTELCO	:	Congolese Telecommunications Corporation
UA	:	Unit of Account of the ADB Group
UDEAC	:	Central African Economic and Customs Union
UNDP	:	United Nations Development Program

I. INTRODUCTION

1.1 The purpose of this report is to assess the outcomes of the 2005-2007 Results-Based Country Strategy Paper (RBCSP) at the end of the period in Congo. During consideration of this paper on 22 February 2005, the Board of Directors deplored the low implementation rate of pro-poor expenditures and insufficient transparency in oil resources management. The Board called on the Government to implement the sector policies identified in I-PRSP (2004-2007) to ensure more equitable allocation of oil resources, and thereby fight more effectively against poverty. Finally, the Board invited the Government to pursue efforts towards total national reconciliation.

1.2 The Congolese Authorities have made progress in implementing the recommendations made by the Board. Indeed, the rate of priority expenditures rose from 15.6% of Government primary expenditures in 2004 to 24% in 2006, and should be more than 30% in 2007. Progress has also been made in structural reforms, particularly in cleaning up the oil sector: diagnostic study on the economic viability of the Congolese Oil Refinery (CORAF), auditing of oil costs for the 2004 and 2005 financial years, certification and publication of oil revenues in the Government's Website, setting up of the EITI Committee, as well as joining the Kimberley process in October 2007. In the same vein, Congo reached the completion point of the HIPC initiative in March 2006. However, poor budgetary management made it impossible to complete the third program review. The Authorities are discussing with the IMF to put back the program on track. Finally, at the political level, overtures made by the Government to Opponents of the Regime have consolidated peace in the country and reinforced national reconciliation.

1.3 The RBCSP was operational for only 19 months, which is a relatively short period to note a significant impact of its implementation on the socio-economic development of the country. Furthermore, the inadequate data, though partly supplemented by the recent poverty profile statistics published in 2006 (ECOM and DHS surveys), did not provide reliable and comparable indicators to measure progress made. However, following an analysis of the documents gathered and discussions in the field with the various officials of the Ministries and the Congolese stakeholders, it could be noted some qualitative and quantitative outcomes had been achieved in the implementation of RBCSP pillars.

1.4 This report comprises an introduction, which is the first chapter, and other five other chapters. The second chapter gives an overview of the political, economic and social developments. The third chapter presents the implementation of the Bank strategy in Congo, with emphasis on the outcomes achieved and the levels of performance of the indicators where they are measurable. The fourth chapter indicates the performance of the Bank and the country, while the fifth chapter draws lessons for the next Bank strategy in Congo. Finally, the sixth chapter presents the conclusions and makes some recommendations.

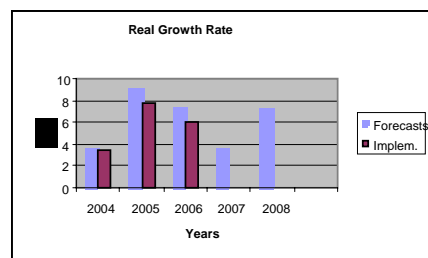
II. COUNTRY CONTEXT AND RECENT DEVELOPMENTS

2.1 Political Developments

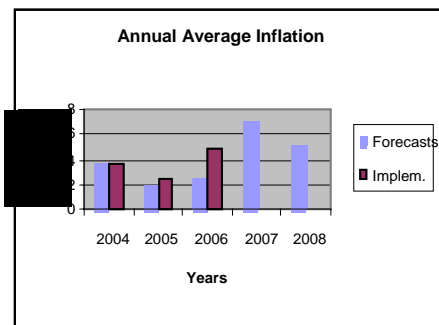
At the political level, the 2005-2007 RBCSP implementation period was marked by two major events: first, the armed rebellion joined the national reconciliation process, with the decision of the Leader of the National Resistance Council (CNR), the main armed rebel movement of the Pool (south of Brazzaville), to change his movement into a political party and participate in the Government. This led to resumption of the activities of the Congo-Ocean Railway, which is the main supply line for Brazzaville that has nearly half of the population. Secondly, parliamentary elections were organized on 24 June and 5 August 2007. Despite all the shortcomings and irregularities raised by the opposition parties, some NGOs and international observers, the elections led to formation of a National Assembly. On the whole, the military and political situation came back to normal with the signing of the peace agreement in March 2003, the amnesty granted to some opposition leaders, and the transformation of the CNR into a political party in January 2007. Concurrently with the national reconciliation efforts, the Government pursued the demobilization, disarmament and reintegration (DDR) of 9,000 former militiamen, with the assistance of the European Union and the World Bank. The Government is gradually adopting new approaches to consultations on public management, as it is increasingly associating Non-Governmental Organizations (NGO) and Congolese civil society organizations (OSC) in debates on the country's economic future, and involving them in seminars on PRSP preparation and the increasingly important role they play in the promotion of governance, particularly transparency in the extractive industries.

2.2 Economic and Social Developments

2.2.1 The Government's strategy under the Interim PRSP is based on the five areas of focus mentioned in the RBCSP and the 2004-2007 Three-year Reform Program to implement the I-PRSP, supported by the PRGF. In terms of quantity, the macroeconomic and financial objectives of the program aimed at: (i) achieving an average real economic growth rate of 5.4%, (ii) limiting inflation to an average rate of 2%, (iii) achieving a budget balance (commitment basis) of 8.1% of GDP in 2005 and 4.3% in 2006, a surplus current account on balance of payments of 1.4% and 1.6% of GDP in 2005 and 2006 respectively.

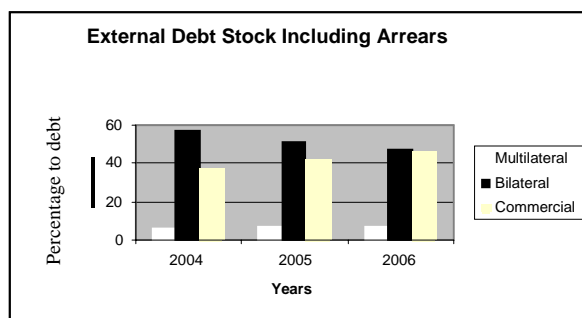
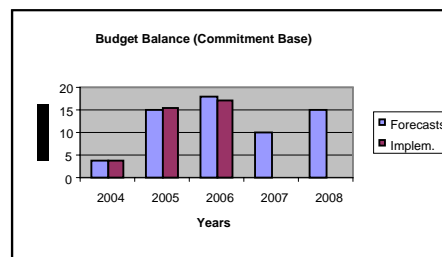


2.2.2 With regard to economic performance during RBCSP implementation, it could be noted that, on the whole, the quantitative indicators set for the 2005-2006 period have been far exceeded in terms of growth and internal and external macroeconomic balance. Indeed, real GDP growth stood at 7.8% in 2005 and 6.1% in 2006, and estimated at 3.7% for 2007, which is an average of 5.9% for the RBCSP period as against a projection of 5.4%. This growth was driven by the huge increase in oil production and the strong growth in the non-oil sector (particularly in transport, telecommunications and



other services). On the other hand, inflation rose to 4.8% in 2006 in comparison to 2.5% in 2005. The rise in prices stemmed from the Government's expansionist budgetary policy with a high increase in public expenditure, and from bottlenecks in the transport system due to railway traffic interruptions (pocket of conflict in the Pool), which increased transaction costs in Brazzaville. The current account surplus, as a result of the rise in oil exports, increased sharply in 2005 and 2006 to 11.2% and 12.8% of GDP respectively, as against 2% in 2004.

2.2.3 *At the budgetary level*, the favourable economic situation on world oil markets and the efforts to reorganize revenue offices helped to reinforce mobilization of budgetary revenues, which increased by an average annual rate of 44.5% from 2004 to 2006, with an oil revenue growth rate of approximately 58% over the same period. Thus, the budget surplus rose to 15.6% and 17.2% of GDP in 2005 and 2006 respectively, as against 3.6% of GDP in 2004. As regards public debt, following an agreement concluded in December 2004 with the Paris Club creditors, the Government signed bilateral agreements with them. Since the country reached the completion point of the HIPC Initiative, it has been making regular debt service payments, and has pursued discussions with non-Paris Club bilateral creditors. The key cause for concern remains the "vulture funds" that have bought back part of the bank debt, and there are still constant threats to seize the Congolese Government's assets. Discussions are under way to reach an amicable agreement with the creditors.



On the other hand, there are serious slippages in public expenditure, which recorded a sharp rise of 48.4% in 2006, as against 13.6% in 2005 and 8.3% in 2004. This lack of rigour in the budget implementation will certainly delay attainment of the HIPC Initiative completion point, especially as the identified shortcomings led to the suspension of the PRGF program in October 2006 and the establishment of a staff-monitored program. Since the outcomes of this first staff-monitored program were not conclusive, discussions are currently being held to conclude a second program that would put the PRGF program back on track.

2.2.4 The improvement in the macroeconomic framework contrasts with the persisting low levels of the social indicators in which the net primary education enrolment rate is only 86.3% and the adult literacy rate is 80.4%. The morbidity rate stands at 39.3%, infant mortality at 75 per 1 000, the under-five mortality rate at 117 per 1 000, and the maternal mortality rate remains high at 781 per 100 000 live births. As regards employment, the limited capacity of the private sector to generate employment resulted in a particularly high unemployment rate of 19.4% in 2005. Efforts by the Government will certainly not be enough to attain the MDGs by 2015.

III. IMPLEMENTATION OF THE BANK GROUP STRATEGY AND OUTCOMES AT END OF PERIOD

The Bank's intervention strategy for Congo for the 2005-2007 period comprises two pillars, namely: (i) capacity building in economic management, and (ii) contributing to

the socio-economic reintegration of the underprivileged groups. These two pillars were intended to address the post-conflict situation of the country following the three civil wars in 1993, 1997 and 1998/1999. The first pillar comprises an institutional support project aimed at building the capacities of structures responsible for managing and auditing public finance, as well as monitoring poverty indicators (PACDIP). The second pillar is based on an integrated project aimed at improving the living conditions of the populations affected by the conflicts and at ensuring their reintegration into the social and economic life of the country. The expected outcomes of this Bank strategy through the selected projects were clarified in the RBCSP.

3.1 Implementation Status of RBCSP Outcomes in 2007

➤ Pillar 1 of the RBCSP: Capacity Building in Economic Management

A. Management and Control of Pro-Poor Expenditure

3.1.1 **As regards public expenditure management**, there was no monitoring of expenditures for the poor before the adoption of I-PRSP in 2004; consequently, it was not possible to estimate the resources effectively allocated to pro-poor sectors. Since 2005, quarterly reports of priority expenditure implementation are presented in the form of tables according to the type of expenditure. Public expenditure estimates in the 2006-2007 budgets were in line with I-PRSP priorities. However, the poor physical implementation and public procurement method still pose the problem of the quality of committed expenditures, particularly those for the 2006 financial year. However, to remedy the situation, the Government intends to establish a Multi-sector Coordination Committee, whose responsibilities will include considering institutional arrangements and piloting the review of the management procedures of public investment projects. While waiting for the Committee to become operational, the following transitional measures were taken, namely the technical and financial auditing of investment projects and other transfers above CFAF 200 million made in 2006. Similarly, that audit of a sample of projects implemented in 2007 will be conducted in 2008.

3.1.2 After introducing budgetary itemization based on a functional classification, the Government is finalizing a Medium Term Expenditure Framework (MTEF) for the 2007-2009 period in preparation for the complete PRSP. The MTEF presents forecasts on public revenue and expenditure, as well as sector expenditures, taking into account the macroeconomic framework of the PRGF program and PRSP strategic objectives in relation to the MDGs.

3.1.3 The RBCSP laid emphasis on strengthening control of public resource management by the appropriate control organs. In this connection, the 2002 financial year accounts have already been audited and presented to Parliament. The 2003, 2004 and 2005 accounts are currently being audited by the Court of Auditors. The General Inspectorate of Finance is only responsible for auditing Government revenue offices and for ad hoc audits not aimed at efficiency. However, reports on audits could be obtained from the supervisory Minister, who is the Minister of the Economy, Finance and the Budget.

B. Debt Management

3.1.4 Congo has accumulated an external public debt estimated at the end of December 2004 at US\$ 9.2 billion in nominal terms, which is equivalent to US\$ 9.00 billion at Net Present Value (NPV) and represents 661% of tax revenue and 252% of exports. The efforts

made by the Government and the favourable treatment granted by the Paris Club creditors have enabled Congo to reach the HIPC Initiative decision point. There has been capacity building in debt management during the past two years under the PAGE project. The Autonomous Sinking Fund (CCA) has been preparing quarterly data on the country's debt since 2006. The centralization of all data concerning public debt is also being finalized. The objective is to prevent the previous situation of uncontrolled indebtedness. In this regard, the Government also intends to set up a National Debt Policy and Public Debt Management Committee, which will be assisted by a Technical Unit. Furthermore, as member of the Central African Economic and Monetary Community, the Government makes efforts to comply with the convergence criteria of economic policy and, in particular indebtedness, as defined by the Institution.

C. Monitoring-Evaluation of the PRSP

3.1.5 Initially, the I-PRSP did not provide for any mechanism indicators for monitoring its implementation. Thus, expected outcomes such as: (i) the establishment and review of PRSP monitoring indicators, and (ii) the establishment of a system for monitoring poverty and social services, were not effective until 2007. However, the Bank-financed PACDIP program which includes a component on "Capacity building in national accounting and socio-economic statistics for PRSP monitoring and evaluation" should help to fill this gap. Moreover, there are no annual reports on the PRSP implementation status. Nevertheless, under the implementation of its Multiyear Statistics Development Program (PPDS), the Government has conducted two key statistical surveys to monitor poverty, namely: (i) the Congolese Household Poverty Assessment Survey (ECOM), (ii) the Population and Health Survey (DHS) which were completed in 2006, and conducted a general census of the population, being processed since October 2007. Data collected under ECOM and DHS are currently available on the CNSSE Website: www.cnsee.org.

➤ **Pillar 2 of RBCSP: Contributing to the socio-economic reintegration of the urban population**

3.1.6 In the absence of reliable statistics in the areas covered by Pillar 2 (recent employment and social statistics) and because the Multi-sector Integrated Program for Socio-economic Reintegration financed by the Bank in partnership with the UNDP, ILO and Belgium started only recently, it was not possible to obtain the expected outcomes of the project implementation. Nevertheless, based on initiatives undertaken in these areas by the Government and other donors to assist in the implementation of the Bank's strategy, progress was made in achieving the RBCSP objectives, namely: (i) access to basic social and sanitation services; and (ii) promotion of employment and self-employment.

A. Access to Basic Social and Sanitation Services

3.1.7 At the social level, infrastructures were seriously destroyed by the three wars that hit the country and by the reduction in the number and quality of staff. In this regard, actions undertaken by the Government in 2006 in the education sector focused on rehabilitation and equipment in Brazzaville and localities inside the country, with the assistance of school infrastructure donors. As regards health, in addition to rehabilitating infrastructures destroyed by the war, the Government has established a central drug procurement organ, with 60% generic drugs for supply to health centres in the country for the poorest population groups. With respect to HIV/AIDS control, the number of voluntary screening centres increased from 4 in 2006 to 15 in 2007, and the treatment of patients in these centres has improved.

Sanitation facilities were provided to some provincial towns (Dolisie, Oyo, Wesso, etc.) under the town municipalization policy developed by the Government.

B. Self-employment through promotion of entrepreneurship

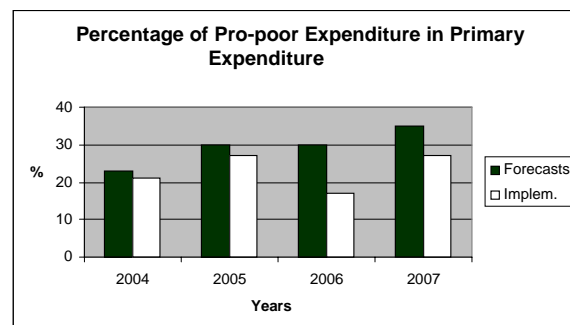
3.1.8 Concerning more specifically the reintegration of former combatants through employment which was one of the RBCSP objectives, the DDR program implementation report indicates that, besides disarmament (collection and destruction of weapons), the Government carried out specific activities from 2006 to 2007 to increase employment, in particular: incorporation of some former combatants into the armed forces, creation of micro enterprises and income-generating activities by the demobilized combatants, technical and vocational training for former combatants and child soldiers, recruitment of former combatants in labour intensive projects. The resumption of recruitment in the Ministries responsible for basic education and vocational training has helped to reduce unemployment among people with qualifications, especially in the teaching profession. On the whole, the intensification of economic activity with a high increase in GDP and the development of town municipalization works, using labour intensive techniques, have not only to boost small and medium-size enterprises, but also to reduce unemployment.

3.2 Implementation Status of RBCSP Indicators

3.2.1 The measurable indicators in the RBCSP for 2007 include, **for Pillar 1**, the proportion of pro-poor expenditures in primary expenditures. **Pillar 2** involves, in particular: the access rate to primary health care in the 13 targeted districts, the number of job seekers or poor people given employment by labour intensive projects, and finally, the number of SME managers, cashiers and supervisors trained. The choice of these indicators ties in with the post-conflict situation of Congo faced with institutional weaknesses due to administrative disorganization compounded by the departure of some qualified staff, the destruction of infrastructures and the deterioration of the living conditions of the population.

3.2.2 **Pillar 1 Indicators:** The graph below indicates the estimates and actual pro-poor expenditures in relation to primary expenditures in the 2004 to 2007 Government Budget. The graph shows that the gap between the estimates and the actual expenditures widened in 2006. Even though public expenditure increased sharply in 2006, with an overrun (in comparison to the program benchmark) estimated at 2% of GDP, and budgets provided for an increase in social expenditures, the said expenditures were not effectively made as scheduled. Indeed, the slow implementation of pro-poor expenditures made it difficult to achieve the expected results in terms of poverty reduction as specified in the I-PRSP. The other gap in 2007 is due to the fact that it concerns the implementation of pro-poor expenditures as at 30 June 2007. By extrapolating to the other half of the year, the two histograms should be equal, which would be significant progress in comparison to 2006.

3.2.3 **Pillar 2 Indicators:** For reasons already mentioned in § 3.1.6, the expected outcomes for this pillar will be visible only after implementation of the actions presented in the Multi-sector Project (PARSEGD) supported by the ADF X. However, it should be recalled that results of the Congolese Household Survey (ECOM) provided data on the actual level some general indicators in 2005, which will



be useful in monitoring the implementation of the Bank strategy supported by the PARSEGD project. Indeed, as regards health, the situation was marked by a general high mortality rate due to the spread of HIV/AIDS and an unhealthy living environment.

3.2.4 Concerning the improvement of access to health and sanitation services, the Bank's support program for Pillar 2 has just started. The implementation of PARSEGD through the rehabilitation of 13 integrated health centres and the collection and treatment of refuse will help to reinforce the actions undertaken by the Government to achieve the objectives defined in I-PRSP, notably the national health coverage rate which will increase from 48.9% in 2005 to 56% 2008, as well as the increase in sanitation infrastructures whose net coverage rate was only 10.5% in 2005 in urban areas.

3.2.5 With regard to employment for sustainable reintegration, which is one of the main components of PARSEG, the relatively high unemployment rate (19.4%) in 2005 at the national level according to ECOM 2005 should be gradually reduced. Indeed, the economic recovery, and especially the dissemination of labour intensive techniques through major public works projects in municipalization, create very favourable conditions. Similarly, the impending implementation of PARSEGD should, through the scheduled actions, strengthen initiatives in the field already undertaken by the Government. Concerning more specifically the reintegration of former combatants through employment, the Government has developed a new National Program for Disarmament, Demobilization and Reintegration (PNDDR) covering the 2006-2009 period. This program has already helped to: (i) reintegrate 19 000 former self-demobilized combatants (including former child soldiers and former combatants mutilated by the war); (ii) demobilize and reintegrate 5 000 combatants still active in some localities of the Pool (including child soldiers); and (iii) ensure that 6 000 former demobilized and disarmed combatants are enrolled into the armed forces.

3.3 Activities other than the selected projects

There were two activities other than the projects selected for the two pillars, namely: preparation of the governance profile of Congo and conduct of sector studies for economic diversification. The governance profile mission was postponed to the first quarter of 2008. The study on sustainable growth and poverty reduction was conducted in May 2007, and a national seminar on its conclusions was held in August 2007, with the participation of government services, NGOs and development partners in Brazzaville. The conclusions also provided inputs for the preparation of the final PRSP. The study on the agricultural sector was postponed to 2008 because of decrease in the 2006 allocation for Congo, and therefore inadequate financing resources.

3.4 Country Resource Issues

The initial allocation for Congo under ADF X amounted to UA 18.8 million in 2005 as grant and distributed between Pillars 1 and 2. In all, UA 3 million were earmarked for institutional support (PACDIP) in Pillar 1, UA 14.8 million were allocated for the socio-economic reintegration project to support Pillar 2, and an agricultural study amounting to UA 1 million. This allocation was reduced to 17.35 million in 2006 because of a slight deterioration in the country's performance. This led to postponement of the agricultural study and limiting of PACDIP financing to UA 2.55 million. The decrease in the allocation is due to: (i) failure by the Government to comply with the quantitative criteria of the PRGF-supported program, resulting in budget slippages, with a public expenditure overrun of about

2% of GDP; (ii) delays in the implementation of structural reforms (auditing of oil accounts, Public Procurement Code, and failure by the National Committee for Corruption and Fraud Control to start operating).

3.5 Portfolio Management Issues

3.5.1 The Bank's portfolio in Congo is being reconstituted since normalization of relations with the country at the end of 2004. To date, the portfolio has three (3) active operations, one of which is the Economic Management Support Project (PAGE) amounting to UA 0.5 million that will be completed at the end of December 2007. In addition to the PAGE project, the total amount for active operations stands at UA 17.85 million, with an average duration of one and a half years and a disbursement rate of 5% at the end of November 2007. The Expenditure Circuit and Poverty Indicators Improvement Support Project (**PACDIP**) **approved in December 2006** and launched in July 2007, has just started up and its implementation poses no difficulties for the Bank and the Government. The Multi-sector Support Project for the Socio-economic Reintegration of the Underprivileged Groups (PARSEGD), approved since March 2006 and officially launched since 14 November 2006, encountered difficulties at start-up, partly due to the need for the Congolese counterparts to be introduced to Bank procedures and rules, after a long period of interruption of its operations.

3.5.2 Finally, it is too early to judge the quality of portfolio performance since it is a new portfolio made of three projects, and the training given to Congolese senior officials to familiarize them with the Bank's procedures is recent to have a significant impact of the skills of the senior officials. Meanwhile, it should be noted that because of the receptive attitude of the new project managers to the training given, and in view of the Government's commitment to honour its obligations in project implementation, it is expected that the performance of the Bank's portfolio in Congo will be satisfactory in the medium-term.

3.6 Developments in Aid Coordination and Harmonization

During implementation of the 2005-2007 RBCSP, the coordination and complementarity of operations in the country was developed mainly by the Bretton Woods Institutions, the Agencies of the United Nations System and some bilateral donors, namely France and the European Union. The consensual platform, which had to be defined for interventions and the monitoring of operations in Congo, at the initiative of the UNDP, has not yet been formally established. Indeed, it was expected that the platform would enable all donors active in the country to be regularly informed about the implementation of I-PRSP and the conclusions of the various joint missions undertaken by the Bretton Woods Institutions and the Bank, particularly in support for the Government's reform programs. The difficulties encountered by the Government in the implementation of programs with the IMF, mainly due to successive slippages of the said programs, have not created conditions conducive to effective dialogue between the development partners and the Government. However, it is hoped that the aid consultation and harmonization mechanism in line with the Paris Declaration will be further reinforced in the future so as to reduce transaction costs between the country and the donor community (multilateral and bilateral donors).

3.7 Country Dialogue Issues

3.7.1 The dialogue issues identified in the 2005-2007 RBCSP include: (i) the pursuance of medium-term reforms supported by the Bretton Woods Institutions; (ii) social equity and socio-economic reintegration; (iii) environmental issues, notably in the oil zones; and (iv) diversification of the productive base.

3.7.2 During the RBCSP implementation period and for *the pursuance of reforms*, progress has been made in the implementation of structural reforms (cf. introduction). On the other hand, as already explained, efforts in the area of budgetary discipline have weakened, especially in 2006. *Social equity and socio-economic reintegration* are still not satisfactory despite efforts made by the Government, particularly as regards the steady increase in pro-poor budgetary allocations. *Environmental issues in the oil zones* are still the focus of the Government's concerns even though, for the moment, other aspects of this sector, such as transparency in commercial and financial transaction, have been more important over the past five years. However, it should be noted that a number of measures have been taken in the forestry sector in particular by the Government to protect the environment, namely: (i) adoption and implementation of development plans for all production forests (about 22 million hectares); (ii) control of illegal trade in bush meat; (iii) transparency in the issue of permits, enforcement of laws and regulations on the forest tax system and application of penalties. Lastly, *diversification of the productive base* requires sector strategies that can help to boost non-oil sectors. However, this is still not the case for most of the sectors identified in the I-PRSP. Thus, the national economy is completely dominated by oil. The recommendations of the study conducted recently by the Bank on sustainable growth and poverty reduction will serve as basis not only for ensuring an equitable distribution of oil resources, but also for targeting growth-oriented sectors whose development will further make it possible to reach the poor.

3.7.3 Similarly, the Bank will pursue dialogue with the Government on the other points identified in the previous RBCSP for the next RBCSP, in particular: (i) governance issues and especially the need to allocate adequate financial and human resources to the control organs so as to ensure control of fraud and corruption; (ii) legal and judicial reform issues to create a favourable business climate, and therefore guarantee the expansion of the private sector in the country.

3.8 Consultations with Stakeholders

During its stay in Congo, the RBCSP completion report preparation mission held detailed discussions with the Government services concerned with the implementation of the Bank strategy. Working sessions were also held with the major donors in Brazzaville (the World Bank, the European Union, and the French Development Agency). Lastly, the mission also met with NGOs and Consular Chambers whose activities are aimed at capacity building and improving access to basic social services. One of the arguments often given by these structures to explain the poor outcomes is that the country is still suffering from the consequences of the series of civil wars, due to the disorganization of the economic fabric and the poor institutional capacities that limit performance in the design and implementation of economic policies. However, the relevance and adequacy of the Bank strategy, based on a participatory approach was not, at any moment, challenged.

IV. BANK GROUP AND COUNTRY PERFORMANCE

4.1 Bank Group Performance

4.1.1 **At the design level:** The Bank strategy in Congo is fully consistent with the concerns of a post-conflict country, since it focuses on institutional capacity building and socio-economic reintegration. On the other hand, the results-based approach seems difficult to implement in post-conflict countries like Congo, which lack reliable initial data for proper measuring of the actual status of the indicators. The limited capacities of these countries do not make it easy to produce these indicators at the end of a RBCSP. In this specific case, because of the implementation period of the projects and policies, their effects on the economy can be noticed only in the medium and long term. It is therefore not realistic to expect a substantial change in the social indicators at the end of RBCSP implementation. Consequently, the RBCSP design should be reviewed and made consistent with advanced portfolio projects and with Government and other donor initiatives so far as they contribute to the implementation of the Bank's strategy.

4.1.2 **With regard to monitoring and implementation,** it should be noted that because the time frame of the 2005-2007 RBCSP covers three years, a mid-term review was not scheduled. On the other hand, the Bank maintained regular dialogue with the Congolese Authorities to help them to rapidly fulfill the conditions precedent to the start-up of the projects. Similarly, the Resident Representative of the Bank in RDC has helped to maintain constant dialogue with the Authorities on the implementation of actions proposed in the RBCSP. In view of the young age of the portfolio that is not up to one and a half years, the outcomes are assessed on more qualitative than quantitative basis. The Bank will pursue its monitoring efforts through supervision missions.

4.1.3 *The performance of the Bank strategy at the design and implementation levels could be deemed satisfactory.*

4.2 Country Performance

4.2.1 **At the design level:** The Government prepared the I-PRSP, which served as the basis for the RBCSP. The country took an active part in selecting the strategy during the RBCSP preparation in a seminar organized in Brazzaville and a dialogue mission that took place from 19 to 23 December 2005 and that brought together sixty persons representing the Government, the civil society and the private sector. It soon provided its counterpart contribution for the two RBCSP projects, and carried out, with its own resources, the activities required for the smooth implementation of the projects. It could be concluded that the country has contributed significantly to the formulation of the Bank strategy.

4.2.2 **At the implementation level:** The Government made efforts in implementing the actions in Pillar 1, namely debt management, allocation of resources to the poor, and statistical surveys. The implementation of Pillar 2 was less efficient even though progress was made with respect to access to health care and the reintegration of former combatants. The reference framework for measuring the country's performance has been defined in the RBCSP, and it concerns: (i) economic management policies; (ii) governance and policies in social inclusion and equity; (iii) sector and public institution management; and (iv) portfolio management.

4.2.3 As regards the **economic management policy**, the country was expected to reach the HIPC Initiative decision point in 2006 (which has been done) and to undergo satisfactory reviews of the 2004-2007 program (which was not the case for reasons already mentioned above). Lastly, since the HIPC initiative completion point will not be attained before 2009 due to difficulties in implementing the trigger measures, the debt level has not yet been adequately reduced.

4.2.4 Concerning **governance and the social inclusion policy**, progress at the political level concern, in particular, the Institutions ensure balance of power (Parliament, Constitutional Court, Ombudsman of the Republic, etc.). With regard to transparency in the management of the oil sector, the expected progress was made (reports on revenue certification, audits of the financial accounts of SNPC and CORAF). Similarly, the proportion of resources allocated to pro-poor expenditures has increased (35% against 30% provided for in 2007) even though it reduced in 2006. Nevertheless, regarding social inclusion, the Multi-sector Socio-economic Reintegration Project started recently has been provided premises by the Government which, in June 2007, paid 25% of its counterpart contribution (representing CFAF 500 million) for the project implementation.

4.2.5 With regard to the **management of public institutions**, while the setting up of the National Committee for Corruption, Defalcation and Fraud Control and the adoption, in June 2007, of the law establishing the Anti-Corruption Observatory are substantial positive signals, the activities of the Committee and the launching of an information campaign on the National Anti-Corruption Plan are yet to start.

4.2.6 Lastly, concerning **portfolio management**, the time frame for RBCSP implementation is too short to achieve the expected performance even though the PACDIP and PARSEGD both started up in less than 6 months. The limited local capacities in project implementation and the difficulties encountered by implementation structures in complying with the Bank's procedures are factors that could weigh on the portfolio performance. To remedy this situation, the Bank organized a regional seminar in Kinshasa that was attended by Congo Brazzaville counterparts. The Bank's Office in DRC will also play a crucial role in monitoring operations and conducting dialogue for RBCSP implementation.

4.2.7 Overall, the country's performance in the implementation of the strategy remains average because the essential structural reforms were not implemented, particularly in public finance management. Furthermore, the Bank should also ensure in future that the Government establishes national structures responsible for monitoring RBCSP activities and indicators as part of the monitoring of the country's PRSP.

4.3 Risk Management

Despite delays in projects that support the RBCSP pillars, there is a high probability that the overall medium-term objectives will be achieved since the risks considered during formulation of the strategy have been greatly mitigated by concerted actions undertaken by the Government and other Congolese stakeholders. The first risk concerning political stability has been mitigated considerably since the security situation has returned to normal in most parts of the country, and significant progress has been made towards national reconciliation (cf. Chapter 2.1 above). The risk relating to the limited institutional capacities is still a major cause for concern to which the PACDIP and the PARSEGD financed by the Bank and other bilateral and multilateral donors (Bretton Woods

Institutions) should contribute to mitigate the negative impacts on the economic management of the country. Lastly, debt-related issues are being addressed following attainment of the HIPC Initiative decision point in 2006 and the debt relief obtained from the Paris Club creditors.

V. LESSONS TO BE LEARNT FOR THE NEXT COUNTRY STRATEGY

In light of the foregoing, the following lessons could be drawn for the next Bank strategy in Congo.

5.1 Lessons for the Bank

- (i) The short effective implementation period of the RBCSP (less than 2 years) and difficulties in collecting statistical data due to the post-conflict context of Congo made it difficult to obtain results of the actual impact of the Bank's strategy on the country's economic and social development;
- (ii) It is also necessary, when defining the RBCSP objectives, to take into account the time between the adoption of the Bank strategy and the effective start-up of the projects intended to support the strategy.

5.2 Lessons for the Government

- (i) The existence of only one statistical survey (ECOM-EDS) that dates from 2005 made it difficult to obtain economic and social data to carry out a quantitative measurement of the outcomes of the RBCSP implementation and in poverty reduction, in particular.
- (ii) The absence of a formal framework for PRSP monitoring and evaluation in the Government is also a major handicap for coordinating and pooling information on the implementation of the country's strategies. Consequently, it has been very difficult to assess the efforts effectively made by the Government, and the contribution of development partners (including the Bank) whose actions would thus be less visible;
- (iii) The Government's political commitment to promote good governance in the country is not actually reflected by substantial financial support and qualified human resources to the Control Organs which are the Parliament, the Court of Auditors and Budgetary Discipline, as well as the General Finance Inspectorate (IGF);
- (iv) It does not suffice to increase pro-poor budget allocations and hope to reduce poverty; it is also necessary to have efficient expenditure implementation structures to produce significant impact on the target populations.

VI. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The Bank strategy in Congo is fully consistent with the concerns of a post-conflict country, since it focuses on institutional capacity building that was destroyed by three years of civil war, accompanied by brain drain and the absence of institutional memory in the public administration. The implementation of Pillar 1 of the strategy has recorded encouraging results in macro-economic management, although there are still some shortcomings at the level of the budget. There are also inadequacies in the socio-economic reintegration of vulnerable populations, which is Pillar 2 of the strategy. Problems in starting up the PARSEGD project and delays in implementing the Government's commitments made it difficult in the beginning to collect targeted indicators to better measure the impact on poverty reduction. For the RBCSP, formulated within a post-conflict context, it is rather difficult, in view of its time frame, to expect a substantial change in the social indicators, particularly at the end of the RBCSP implementation. In light of the foregoing, the following recommendations are made for the Bank and the Government.

6.2 Recommendations

A. *For the Bank*

6.2.1 In view of the limited progress made in these areas, it will be necessary to pursue dialogue with the Government on points that were identified in the previous RBCSP, namely: (i) pursuance of medium-term reforms supported by the Bretton Woods Institutions; (ii) social equity and socio-economic reintegration; (iii) environmental issues, particularly in the oil zones; (iv) diversification of the productive base; and (v) governance issues, and more particularly, transparency in the oil sector and equitable allocation of oil resources.

6.2.2 To obtain tangible results in the set objectives, it would be appropriate for the RBCSP to be based on advanced projects of the portfolio, and also on initiatives undertaken by the Government and other donors. To that end, it will be necessary to have closer collaboration between the Bank and the other donors with similar objectives, and between the Government and all donors in the country.

6.2.3 For the above approach to be fruitful and profitable for all, it is necessary to render operational and active the consensual platform that had to be defined for interventions and the monitoring of operations in Congo on the initiative of the UNDP. Indeed, the platform will regularly inform all donors active in the country on the PRSP implementation.

6.2.4 Furthermore, in view of inadequate statistical data and sector reports, the design of RBCSP needs to be reviewed for post-conflict countries that often have serious problems of human and institutional capacities. It will therefore be necessary to consider situations on a case-by-case basis, assess the need to have a more relevant document, and define a cooperation framework in line with the post-conflict situation of the countries which have some major weaknesses.

B. *For the Government*

6.2.5 The Government's political commitment to promote good governance should result in substantial financial support for the Control Organs (Parliament, Court of Auditors and budgetary discipline, General Finance Inspectorate).

6.2.6 The Government should establish a reliable monitoring system throughout the expenditure chain and a series of indicators for monitoring poverty. To that end, appropriate measures should be taken to ensure proper and timely implementation of the PACDIP Project financed by the ADF.

6.2.7 Lastly, it is necessary to establish and reinforce a unit (within the Ministry of Finance or the Permanent Technical Secretariat of the PRSP), responsible for regularly reporting on the outcomes of RBCSP implementation so as to guarantee better monitoring of the indicators.

C. *For the Boards*

The Boards of Directors are invited to take note of this completion report on the 2005-2007 RBCSP for Congo.

Extract from Table 3: 2005-2007 RBCSP Matrix of Outcomes – Congo

Long-Term Results	Expected Results	Implemented Measures
PILLAR I : Capacity building in economic management		
<p>Improve the efficiency and control of the economic and financial management</p>	<p>In 2007:</p> <p>1.1 Public finance management and control</p> <p>1.1.1 The quarterly pro-poor expenditure implementation reports are regularly presented</p> <p>1.1.2 Reports on the physical and financial implementation of investment projects for I-PRSP priority sectors are available at the end of 2007</p> <p>1.1.3 A budget itemization, with a functional and economic classification of public expenditure, is established, followed by computer application experimentation.</p> <p>1.1.4 Reports of the Court of Auditors of the General Finance Inspectorate are available and distributed as from 2007</p> <p>1.1.5 Reports of the Court of Auditors on compliance of budget implementation with commitments are available and published</p> <p>1.2 Debt management is improved</p> <p>1.2.1 Integrated debt management and the legal framework are operational</p> <p>1.2.2 The texts and procedures governing debt are reviewed and operational</p> <p>1.3 Ensure periodic PRSP monitoring-evaluation</p> <p>1.3.1 The establishment and revision of PRSP monitoring indicators are effective in 2007</p> <p>1.3.2 A system for monitoring poverty and social services is established in 2007 at the latest</p> <p>1.3.3 The annual progress reports on PRSP implementation are presented</p> <p>1.3.4 The economic, macroeconomic and sector statistics are collected and published regularly under the multi-year statistical development program.</p>	<p>1.1 Public finance management and control</p> <p>1.1.1 2006 and 2007 reports are presented in the form of tables in estimates and implementation</p> <p>1.1.2 Reports of the physical implementation at the aggregate by the Ministry of Plan are not prepared</p> <p>1.1.3 The functional nomenclature is finalized. It has been tested on the 2007 Budget with its computer applications (SIBEC) and will be operational for the 2008 Budget</p> <p>1.1.4 Reports of the General Finance Inspectorate are available in the supervisory Ministry (MEFB)</p> <p>1.1.5 The 2002 accounts have already been audited. The 2003, 2004 and 2005 accounts are being examined by the Court of Auditors</p> <p>1.2 Debt management</p> <p>1.2.1 A National Debt Policy Committee, assisted by a technical debt analysis and public finance sustainability unit is established. Texts governing these new structures will soon be adopted by the Government</p> <p>1.3 Ensure PRSP monitoring-evaluation</p> <p>1.3.1 Congolese Household Survey (ECOM) is completed and published in 2006</p> <p>1.3.2 The setting up of the poverty observatory was delayed, and could be effective in 2008. PACDIP will contribute to that end.</p> <p>1.3.3 PRSP completion report has not yet been prepared</p> <p>1.3.4 The targeted statistics are available only for 2005 from ECOM and DHS. They have been published on the CNSEE Website.</p>

Long-Term Results	Expected Results	Implemented Measures
PILLAR II: Contribute to the socio-economic reintegration of the urban population		
Increase access to infrastructure and basic social services	3 Access to basic social, health and sanitation services	While waiting to obtain the results of PARSEGD whose works started recently, the following initiatives have been taken by the Government and other donors: 3.1 Rehabilitation of sanitary infrastructures destroyed during the wars in Brazzaville and localities inside the country; 3.2 The Central drug purchasing organ was established in 2006 to manage the purchase of drugs, of which 60% are generic; 3.3 Annual increase of 24% in capital expenditure of the health sector in the 2005, 2006 and 2007 budgets 17 screening and treatment centres for HIV/AIDS-infected persons are being constructed, of which 10 are already operational
	3.1 About 13 health centres are rehabilitated and are operational;	
	3.2 13 secondary drug depots are constructed	
	3.3 The coverage rate of sanitation infrastructure rises from 21% to 36%	
	3.4 Improvement of access to basic social services for 50 000 people in the 13 sanitation districts.	
Improve economic integration by developing professional competence	4. Self-employment through entrepreneurship promotion	4.1 Employment policy regulations being reviewed to eliminate some provisions that are contrary to encouraging employment 4.2 (i) Reintegration of 19,000 self-demobilized former combatants including 5000 combatants who are still active in some localities of the Pool and 6000 former combatants enrolled in the forces of law and order 4.3 to 4.5 These 3 points do not yet have any tangible results. However, ongoing actions by the Government have made it possible to: (i) better target the priority employment intervention areas in agriculture, forest exploitation, and the private sector; and (ii) develop programs to encourage vocational training with the development of technical and vocational education.
	4.1 Support to at least 30% of the community initiatives for vulnerable groups	
	4.2 About 4 500 refugees and former combatants (DDR) integrated into the active life through employment and self-employment	
	4.3 Self-employment has considerably increased	
	4.4 VSEs are satisfied by the micro finance structures	
	4.5 Dependence rate of women has decreased thanks to supports provided to community initiatives	

ANNEX II

KEY MACRO-ECONOMIC AND FINANCIAL INDICATORS

Aggregates/Years	2004	2005	2006	2007(*)	2008
Annual Change (in %)					
Production and Prices					
GDP at constant prices	3.5	7.8	6.1	-1.2	7.3
oil	0.5	12.5	6.8	-15.8	8.9
non-oil	5.0	5.4	5.8	6.5	6.5
GDP at current prices	20.9	30.7	24.9	-7.9	15.4
Consumer prices (average)	3.6	2.5	4.8	5.0	5.0
External Sector					
Exports B&S (fob CFAF)	18.7	42.9	29.9	-18.0	16.0
Imports B&S (fob CFAF)	21.8	16.0	28.5	3.9	11.6
Terms of trade (deterioration -)	11.0	21.5	7.5	6.2
Real effective exchange rate	1.1	-0.4	
Public Finance					
Total revenue (including grants)	21.6	67.9	44.2	-20.5	22.0
Of which: oil revenue	25.8	97.3	50.1	-25.8	21.7
non-oil revenue	14.1	6.0	18.4	2.5	24.8
Total expenditure	8.3	13.6	48.4	-4.2	3.2
of which: Current	5.3	16.1	29.0	-11.1	-6.5
Capital (with net loans)	18.5	5.9	114.1	9.8	17.7
(In Percentage of money supply (MS) at beginning of period)					
Money and Credit					
Net domestic assets	-1.6	-82.6	-91.2	-17.4	-60.6
Domestic credit	3.3	-68.3	-95.3	-17.5	-60.6
Central government	1.9	-70.3	-97.0	-19.3	-62.4
Credit to the economy	1.3	0.4	1.9	1.8	1.8
Money supply	17.4	37.2	37.7	12.0	11.9
Velocity of money supply	3.2	2.5	2.0	2.0	2.0
(In Percent of GDP)					
Investment and Savings					
Gross national savings	24.5	32.8	35.8	37.4	34.1
Gross investment	22.5	21.8	23.0	26.6	27.3
Public Finance					
Revenue and grants	30.4	38.8	44.8	38.0	41.2
Total expenditure	26.7	23.2	27.6	28.0	26.0
Overall fiscal balance (deficit -)	3.6	15.6	17.2	9.9	15.2
Balance of Payments					
Current account balance	2.0	11.2	12.8	11.2	6.8
External debt (end of period)	198.7	103.2	74.9	76	70.5
(In Percentage of exports of Goods and Services)					
Public debt service (before debt relief)	14.4	11.8	12.9	10.9	5.6
External public debt	252.2	120.8	85.8	105.1	89.8
(In Percentage of the Total Public Revenue Including Grants)					
Public debt service (before debt relief)	37.8	25.8	25.2	22.3	10.9
External public debt	661.2	264.5	167.7	215.3	174.0
(In Billions of CFA Francs, Unless Otherwise Indicated)					
Gross official reserves	59.9	410.1	920.4	1064.8	1611.7
In month of imports (fob)	1.3	7.5	13.1	15.3	20.8
In percent of GDP	2.4	12.8	22.9	31.2	40.9
Nominal GDP	2,455.8	3,210.7	4,010.7	3,413.3	3,938.0
World oil price (in US\$ per barrel)	38.2	54.4	65.0	50.8	54.8
Oil production (in millions of barrels)	82.1	92.6	98.7	97.1	105.7

Sources: IMF staff-monitored program (April - September 2007)

(*): The poor economic performances in 2007 stemmed mainly from the maturation of some oil fields and decrease in the expected oil production, due to the technical accident that took place on the Nekossa platform.

ONGOING BANK GROUP OPERATIONS**(In UA million)**

Project by Sector	Window	Approval Date	Signature Date	Effective-ness Date	Closing Date	Amount Approved	Amount Disbursed	Amount Cancelled	Commitments Net of Cancellation	Disbursement Rate in %
Economic Management Support Project (PAGE)	ADF	17/09/03	28/11/03	24/03/04	31/12/07	0.5	0.259	0.0	0.5	51.86
Expenditure Circuit and Poverty Indicators Improvement Support Project (PACDIP)	ADF	20/12/06	23/04/07	23/04/07	31/12/09	2.550	0.0	0.0	2.55	0.0
The Multi-sector Support Project for the Socio-economic Reintegration of the Underprivileged Groups (PARSEGD)	ADF	15/03/06	17/05/06	17/05/06	31/12/11	14.800	0.525	0.0	14.8	3.55
TOTAL	ADF	-	-	-	-	17.850	0.784	0.0	17.850	4.45

**KEY INDICATORS OF BANK GROUP PORTFOLIO PERFORMANCE AND
MANAGEMENT**

Indicators	At beginning of RBCSP period	At end of RBCSP period
Portfolio Assessment		
Number of ongoing projects	2	3
Average implementation period (in years)	1.5	2
Time from identification to effectiveness (in days)	-	465
Percentage of problem projects	0	0
Percentage of projects at risk	0	0
Commitment at risk	Nil	Nil
Total portfolio amount (in UA million)	7.5	17.85
Disbursement ratio (in %)	93	4.45
Portfolio Management		
CPPR during the year (yes/no)	No	No
Supervision average (number of missions)	0	2
Average size of operations (in UA million)	3.75	5.95-

ANNEX V

Diagnostic Analysis of MDG Achievement in 2007

	Achievement of Goal			Environmental Status		
	Probable (1)	Potential (2)	Improbable	High	Average	Low
Extreme Poverty Halve the population living below the poverty line		X			X	
HIV/AIDS Stop and reverse the expansion of HIV/AIDS		X				X
Hunger Halve the population suffering from food insecurity		X			X	
Drinking Water Halve the population without access to drinking water		X				X
Universal Primary School Completion of the universal primary school	X				X	
Gender Equality Eliminate gender disparities in the various levels of education			X		X	
Maternal Mortality Reduce by three quarters maternal mortality		X				X
Infant Mortality Reduce by two thirds mortality rate of children under-five		X				X
Environment Integrate the principles of sustainable development into national policies		X			X	
Sustainable Development Reduce losses of environmental resources		X			X	

Sources: CCA: United Nations System in Congo. First report on the Millennium Development Goals in Congo.

(1) Probable: The goal can be achieved by pursuing efforts that have already been initiated

(2) Potential: The goal can be achieved provided serious reforms are undertaken and the political and institutional environment improves.