AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

REPUBLIC OF CONGO

COUNTRY DIALOGUE NOTE 2003

COUNTRY OPERATIONS DEPARTMENT
CENTRAL REGION
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ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	Agence française de développement (French development agency)
BEAC	:	Bank of Central African States
BWI	:	Bretton Woods Institutions
CCA	:	Congo Stabilisation Fund
CEMAC	:	Central African Economic and Monetary Community
CFA	:	Communauté financière africaine
CFCO	:	Chemin de fer Congo-Océan (Congo Railways)
EU	:	European Union
GDP	:	Gross Domestic Product
GPRF	:	Growth and Poverty Reduction Facility
HIPC	:	Heavily Indebted Poor Countries
IDA	:	International Development Association
IMF	:	International Monetary Fund
OPEC	:	Organisation of Petroleum Exporting Countries
PIP	:	Public Investment Programme
PIPC	:	Interim Post -Conflict Programme
PRSP	:	Poverty Reduction Strategy Paper
SAP	:	Structural Adjustment Programme
SNPC	:	Congo National Petroleum Company
UA	:	Unit of account of the ADB Group
UNDP	:	United Nations Development Programme
USA	:	United States of America

CURRENCY EQUIVALENTS

March 2003

UA 1	=	US$ 1.37085$
UA 1	=	CFAF 834.380
US$ 1	=	CFAF 606.470

I. INTRODUCTION

1.1 The purpose of this Dialogue Note, the second of its kind, is to inform the Boards of recent socio-economic developments in the Republic of Congo and to propose a strategy for the strengthening of dialogue on economic policy with the government and measures likely to facilitate the resumption of Bank Group operations in that country. The first report was presented to the Boards in September 2000. In considering it, the Boards noted the efforts made by the Government to restore the main institutions of the country and resume dialogue with the international community. The Boards also noted the weak macro-economic performance of the country and the accumulation of arrears to the principal creditors, including this Bank. The Board members then urged Management to intensify the dialogue with the Government and the International community, especially the Bretton Woods Institutions. They also recommended to Management to seek support for institutional capacity building to improve macro-economic management and to ensure management of the country's debts. As a result, an institutional support project was appraised in June 2001, but its preparation could not be continued for lack of any tangible improvement in the socio-economic situation of the country.

1.2 This note, prepared after a mission in March 2003, takes into account the economic and social priorities of the Government as outlined in its Interim Poverty Reduction Strategy Paper, which is nearing completion. It incorporates the findings of missions to the Congo over the 2001-2002 period. The various economic reports of the authorities, prepared with the help of international institutions (IMF, World Bank and BEAC) were also consulted. This note contains the following chapters: (1) Recent Developments; (ii) The Government's Development Programme; (iii) Dialogue with Donor Community; (iv) The Bank Group's Assistance Strategy; and (v) Conclusions and Recommendations

II. RECENT DEVELOPMENTS

2.1 Socio-Economic Context

Macro-Economic Situation

2.1.1 **GDP**: The structure of the Congolese economy is characterised by a narrow productive base, clearly dominated by the secondary sector which, in 2002, accounted for 64.6% of GDP with 55.9% for the petroleum sub-sector against 25.4% and 6.5% respectively for the tertiary and primary sectors. In spite of the significant potential of the agricultural sector which provides employment for 60% of the population, its contribution to GDP is only 5.1%. The agriculture, livestock and hunting subsectors contributed 0.2 points to growth as a result of the resumption of good crop farming and market gardening in those areas previously affected by conflict. Following a rapid acceleration under the efforts to improve and normalize the socio-political situation, the real GDP growth rate, which rose from –3.2% in 1999 to 8.2% in 2000, fell to 3.1% and 2.6% respectively in 2001 and 2002. The economic slow-down in 2001 is due to the fall in the contribution to GDP of the oil subsector, which fell by –7.5% at a time when there was a modest growth of 2.8% in the primary sector.

2.1.2 **Public Finances**: Budgetary revenue depends largely on the oil sector which contributes more than 70% of the fiscal revenue of the State. The fall in revenue was thus a direct consequence, in 2002, of the 12.5% fall in oil revenue and the disappointing figures in customs revenue (-14.6%) and taxes and duties (-13%) due in particular to disruptions in railway traffic and difficulties in the implementation of the VAT. In the 2000-2002 period, budgetary revenue fell, on the whole, by 4.2% on the average. With respect to expenditure, the pursuit of the democratic process, the continuing expenditure on security and the size of the wage bill were among the main factors accounting for the high expenditure which went up by about approximately 15% over the period. The management of public finances was reflected in a deficit on the overall balance (on a commitment basis, excluding grants) of approximately 10.9% of GDP over the period 2000-2002. Owing to a lack of adequate financing from outside the country, the budget deficit was financed by the accumulation of arrears and the banking system.

2.1.3 **Monetary Situation and Inflation:** In 2002, the growth of monetary aggregates was highly influenced by the restructuring of the banking system and continuing State cash flow difficulties which resulted in a 31.5% decline in credit to the economy against an increase of 4.5% in claims on the State due, in particular, to an increase in drawings by the Treasury on the BEAC. Net external assets grew the same year by 58.9% related to a favourable growth in external accounts. Consequently, money supply grew by 10.7% in 2002 compared to a fall of 22.8% in 2001. The rate of inflation as measured by the consumer price index fell in 2001 to 0.4% against 3.6% in 2000 under the effect of the contraction in economic activity and a relative improvement in the supply of food crops. In 2002, the increase in transportation costs due to the saturation of Congo Railways (CFCO) and the difficulties in the supply of oil products led to a 4.2% increase in the inflation rate.

2.1.4 **External Sectors**: There was a current account surplus over the 2000-2002 period averaging 4.4% of GDP. The positive trade balance, which improved further by favourable international oil prices and a 40% increase in timber exports as a result of the resumption of lumbering activities in the northern region accounted for this performance. These two products account for 88% and almost 10% respectively of the overall exports of the country. However, in 2003, the external trade surplus, is expected to narrow as a result of a 14% drop in exports related to a fall in oil production and 10.8% deterioration in the terms of trade compared to 2.4% in 2002.

Poverty Overview

2.1.5 In the absence of data from surveys on household living conditions, the diagnosis of the actual state of poverty in the Congo is based on fragmented information. The various conflicts have had serious consequences on economic and social life thereby leading to a deterioration of humanitarian conditions. This has resulted in 20,000 deaths and more than 80,000 displaced people. The cost of destruction caused by these conflicts was estimated, in 1999, at CFA.F 1600 billion,. a figure significantly higher than the GDP for that same year. According to the 2002 Human Development Report, the HDI of the Congo, which was 0.441 in 2000, is steadily declining by about 10% per annum, thus reflecting a clear deterioration in the living conditions of people and an acute poverty situation. Poverty affects more than 70% of the Congolese population. In 2002, GDP growth, at 2.5%, was lower than population growth (2.9%), reflecting the persistence of poverty which affects women and urban unemployed youth more severely.

2.1.6 Poverty also results in the destruction of school and health systems resulting in low access to social services. With respect to **education**, the socio-political disturbances led to the disruption of schooling for more than 50% of school children, thereby causing a total disorganization of the school system. The gross enrolment rate of children in full-time education, which fell from 126% in 1990 to 107% in 1996 fell to 49.3% in 2000. Apart from inadequate school infrastructure, other factors responsible for this phenomenon include the high cost of schooling which encourages the exclusion of poor families, the low qualification of teachers and the low rate of supervision of young children. With respect to **health**, the destruction of more than 50% of the health infrastructure in the 1997-1998 conflicts held back performance in that sector. Health supply services continued to deteriorate qualitatively and quantitatively as a result of the degradation of social health infrastructure, the dilapidated state of equipment and lack of qualified personnel. Consequently, life expectancy at birth declined from 52.1 years in 1990 to 48.6 years currently. Water supply and the living environment also remain precarious with only 44% of the population having access to good drinking water, 71% of whom live in urban areas, while less than 14% of the urban population and 7% of the rural population have access to drainage systems. The HIV/AIDS pandemic whose prevalence rate is estimated at between 10 to 12%, as well as the outbreak of Ebola fever in January 2003, in West Basin district on the border with Gabon constitute a major concern for public health and development.

2.2 The Status of Governance

2.2.1 **Political Situation**: In the course of 2000, the Congo organized five successive elections (a constitutional referendum in January and presidential, legislative, local and senatorial elections from March to June). It is worth noting that opposition parties sharply criticized the conduct of these elections, which, according to them, lacked transparency. Some parties boycotted the legislative elections. Nevertheless, the transition period came to an end and all the democratic institutions for which provision had been made in the constitution were put in place much later than planned. This return to democratic process was observed by the international community and constitutes a favourable framework for the implementation of the economic component of the “New Hope” policy of the new government appointed in August 2002 for a seven-year term. This programme aims at promoting stable growth that will help alleviate poverty in conformity with the millennium development goals, reinforce good governance, financial stability, and infrastructure reconstruction. However, persistent insecurity in the Pool region could threaten the return of peace to the rest of the country, which is a vital factor to ensure the success of the economic reforms that the Government intends to pursue.

2.2.2 **Economic Governance**: The situation in this area remains worrying in spite of the reforms started within the framework of the post-conflict policy. The combined effects of several factors continue to affect the reinforcement of transparency in the management of public resources. Among these factors are: shortcomings in the public procurement and contracting system, the problems of managing oil resources with the persistent practice of advance payments which undermines adequate mobilization of these resources and the stabilization of public finances. The Government recognizes, however, that sustained progress in good governance, notably through an improved management of the petroleum sector are necessary to increase the support of civil society for reform programmes.

2.2.3 It is within this context that the World Bank is supporting the efforts of the government through the Transparency and Governance Capacity Building Programme. To improve the management of petroleum resources, a convention has been signed between the State and The Congo National Oil Company (SNPC) to market the State’s share of oil production. This convention clearly defines the area of activity of the SNPC and lays down rules governing the transfer of oil revenue to the Public Treasury. In March 2003, within the framework of the Transparency and Governance Capacity Building Programme, the Government signed a contract with an international consultant to undertake a financial audit of SNPC which started in April 2003. With respect to public procurement and contracting, the Government has prepared a public procurement code and initiated a review of existing guidelines by an interministerial committee. New legislation has been prepared within the framework of the Central Public Procurement Commission which would be replaced by several commissions empowered to take action at the national, regional and local levels. Moreover, the Government, in its concern to eliminate the pernicious effects of corruption on the growth and economic development of the country, has drawn up an anti-corruption bill which will be submitted to Parliament in the course of 2003. Finally, the accounting and public expenditure control system will have to be strengthened through specific performance audits to ensure the effectiveness of the purpose and regularity of expenditure; besides, the system of monthly expenditure ceilings per ministry, which has been in force since January 2003, will have to be more effectively implemented.

2.2.4 **Legal and Institutional Framework**: The judicial system was not spared by the effects of successive armed conflicts and the subsequent dysfunction had a negative impact on justice and the law. The system was paralyzed by a lack of the required minimum in human, financial and material resources to ensure efficiency. To address this situation and improve the business climate, the Government, in 2001, implemented an initiative aimed at strengthening judicial institutions through the training of magistrates, representatives of the law and civil society organizations. The adoption in 2001 of an Investment Charter, an instrument designed mainly to promote the development of the private sector was effected and labour regulations were revised with a view to liberalizing them and increasing their flexibility. In the same way, the reform of the priority sector codes aimed at supporting the private sector (mines, telecommunications etc.) was supposed to start. However, the reinforcement of the judicial framework necessitated profound reforms to eradicate political interference in the nomination of magistrates. It also became necessary to improve the working conditions of officers and pursue efforts to combat corruption which hinders the efficient functioning of the system.

2.3 Major Development Constraints

2.3.1 The Congolese economy is confronted by multiple constraints which hinder its potential for development. These constraints, which occur at both the structural and institutional levels, affect the structure of the GDP, Governance, and result in the weakness of economic management capacity, high indebtedness of the country and the low level of private sector development.

2.3.2 *The structure of GDP* reveals a marginalization of the agricultural sector in spite of the favourable climatic conditions and the potential of significant growth of that sector. As indicated in § 2.1.1, the predominance of the oil sector, which is naturally outward looking, increases the sensitivity of the economy to external shocks, while its poor integration into the rest of the national economy only offers few opportunities for job and income creation. The volume of oil produced and the fluctuation in oil prices on the international market determine, to a large extent, the phases of recession and expansion of the economy.

2.3.3 *Governance* is an important factor in the normalisation of the socio-political climate and consolidation of the democratic process in the Congo. As already stated, the manner in which the main opposition parties contest elections does not help to calm the political atmosphere. This all the more so as the Government rejected the proposal from the leader of the " Ninja" rebels for a resumption of the national dialogue. With regard to the economy, the lack of transparency in the management of public finances, and petroleum resources in particular, constitute a major obstacle to the stabilisation of the financial position of the state, in spite of the substantial revenue that it generates. This is also the cause of the difficulties encountered in supervising and streamlining public expenditure.

2.3.4 *The lack of capacity* for formulation, execution and supervision of social and economic policies poses a serious problem for programming public investments. The lack of co-ordination of initiatives and the absence of functional links among the various sectors involved in the management of the country's economy, in particular among the departments of the Ministry of Economic Affairs, Finance and Budget and those of Planning, National and Regional Development and Regional Integration constitute an impediment to the implementation of coherent macro-economic and sector policies. The problems of co-ordination do not favour the application of ideal rational criteria for projects defined on the basis of sector priorities.

2 3.5 *The size of the public debt* is a result of weak macroeconomic capacity, in particular the Congo Stabilisation Fund (CCA) which has the responsibility of implementing the country's debt policy. The country's debt is unbearable at a figure representing 205.6% of GDP as at 31 December 2002. The main weakness in this respect derives from a systematic accumulation of arrears on debt repayment, thereby affecting financial co-operation with development partners and the relaunch of internal and external private investment. To ease these constraints and improve the performance of the CCA, the Government is going to benefit from Pole Dette[1] within the framework of a regional programme for capacity building. The objective of this programme is to support the training of local experts in debt analysis and management. In this connection, the CCA is going to acquire computing equipment and the appropriate software. With respect to human resources, a programme of targeted training will be given to the managerial staff and specialised technical personnel will also be recruited.

2.3.6 *The low level of private sector development* stemmed mainly from past policies of state control which focused on the development of a vast parastatal sector. The difficulties encountered in the privatisation programme, as well as the uncertainties in the political atmosphere during the last few years continue to weigh heavily on the efforts of the Government to promote the private sector. Other factors accounting for the weakness of the private sector include the inadequacies of the regulatory framework, the degradation of basic infrastructure, large-scale plundering which adversely affected the main business operators during the 1997-1998 armed conflicts and the inaccessibility to bank financing. Moreover, high utility factor costs (energy, transportation and telecommunications) weigh heavily on business competitiveness and discourage investment.

2.4 Debt and Arrears Position

2.4.1 As at 31 December 2002, the stock of external debt stood at US$ 6.47 billion (UA 5.01 billion); debt service to budgetary revenue ratio came to 82.6%, and the debt service to exports ratio was 27.6%. This external debt profile of the Congo is unbearable and justifies the country's eligibility for the HIPC initiative provided that the other requisite conditions are met. It is worth noting that the Congo has no arrears to the Bretton Woods Institutions since July 2001. The overall debt classification by category of creditors is as follows: (i) Paris Club 55.6%; (ii) Bank debts 21.2%; (iii) multilateral debt 13.9%; (iv) secured debts 6.1%; and (v)

1 Pole Dette is the training component of a programme supported by Debt Relief International. It is jointly managed by BIAO and BEAC and aims at strengthening the institutional capacity of he countries in the franc zone in Debt management and analysis

various non-guaranteed suppliers 2.97 %. The main multilateral creditors are The African Development Bank (43%) and the World Bank (30%). The Congo's arrears at 31 December 2002, was 3.9 billion US$ (3.01 billion UA). Operations by the majority of multilateral agencies such as ABEDA, IFAD and the OPEC Fund, are suspended because of arrears.

2.4.2 **Internal Debt**: Internal debt, including arrears as at the end of December 2002, was CFAF 413.9 billion, including 23 months in salary arrears to the public service. Before the end of September 2003, the government is going to undertake an audit of the internal debt covering the 2000-2002 period. After this audit, a repayment schedule will be drawn up.

2.4.3 **Bank Arrears**: Since 1st August 1997, the Congo has accumulated chronic arrears to the Bank Group. Since the end of 2002, the Government has tried to make regular part-payments which as at 14 May 2003, had come to 12.9 millions UA. These payments covered the current commitments of the first quarter of 2003, apart from a remainder of 0.2 million UA due to exchange rate variations, in conformity with the Government's commitments stated in its Letter of intent to the IMF. As at 20 June 2003, the Congo had accumulated arrears on ADB and ADF loans to the tune of UA 100.54 millions. The estimated repayment schedule over the next three years is as follows:

Loan repayment table
(million UA)

Repayment of loans		**2002**	**2003**	**2004**	**2005**
ADB	Principal	5.85	11.3	9.64	9.64
	Interest	5.63	10.06	8.48	7.68
	Total	**11.48**	**21.36**	**18.12**	**17.32**
ADF	Principal	0.12	0.23	0.23	0.23
	Interest	0.02	0.05	0.05	0.04
	Total	**0.14**	**0.28**	**0.28**	**0.27**
NTF	Principal	-	-	-	-
	Interest	-	-	-	-
	Total	-	-	-	-
TOTAL	Principal	5.96	11.54	9.87	9.87
	Interest	5.65	10.11	8.52	7.72
	Total	**11.61**	**21.64**	**18.39**	**17.59**
	Amount due	**99.6***	**109.87**	**128.26**	**145.85**

* Included are arrears as at 31 December 2001. The amount due in 2003 takes into account the payments made in the first quarter of 2003.

2.4.4 **Debt Service Management :** Debt management is the responsibility of the CCA which is a public financial organization, a legal entity and has financial autonomy. Under the supervision of the Ministry responsible for Economy, Finance and the Budget, it has been mandated to contract for the state medium and long-term loans on the local and international financial markets; to ensure the servicing of the public debt; to propose to the Government a debt policy in conformity with the orientations of the economic and social development plan and the availability of fiscal resources. As already indicated, a certain number of constraints face the CCA in the accomplishment of its duties (technical expertise, a low budget, computing equipment and modern software). As a result, it is not able to react effectively to the demands of a comprehensive debt analysis. These constraints do not allow the CCA to communicate with the major creditors of the country in order to carry out necessary periodic reconciliation of data.

III. GOVERNMENT PROGRAMME

3.1 Main Components of the Programme

Post-conflict Programme

3.1.1 With the gradual return of peace, the Government committed itself to the implementation of a post-conflict programme over the 2000-2002 period. This reform programme supported by an IMF-Post-Conflict Facility (PIPC) and with an economic recovery credit from the IDA aimed at the following main objectives: (i) to face immediate security needs; (ii) rehabilitate basic infrastructure (iii) rebuild and reinforce institutional and administrative capacity, by laying the foundation for good governance and the application of the rules of transparency; and (iv) improve the macro-economic framework and the social climate to stimulate the supply capacity of the economy and promote economic growth. The difficulties encountered in its implementation, particularly with respect to the management of public finances and the implementation of the privatization process, due essentially to the weaknesses in institutional capacity, led the Government in 2001 to submit a benchmark programme to the IMF which has been revised and extended to the end of 2002. The satisfactory implementation of this programme should lead to the implementation of a three-year programme with the support of a Poverty Reduction and Growth Facility (PRGF). Unfortunately, the review of the programme in November 2002 led to the conclusion that the performance had been inadequate, resulting in the drawing up of a set of measures to strengthen macro-economic management and the priority structural initiatives to be implemented before the end of 2002.

Benchmark Programme

3.1.2 In March 2003, the review of the programme performance at the end of December 2002, led to the conclusion that budgetary outcomes, even though still inadequate, had significantly improved. It also became evident that, on the whole, a more favourable trend towards the reorganization of the macro-economic framework was emerging. This trend, which should become more pronounced, is characterized by a perceptible decline in advance payments of oil receipts and efforts made to re-establish budgetary uniqueness, an improvement in fiscal performance and the resumption of payment for debts falling due as well as arrears to multilateral creditors. On the structural level, progress had also been made notably in the petroleum and financial sectors. To consolidate this progress, the Government committed itself to strengthening the reforms in the framework of the reference programme covering the first quarter of 2003, intended to achieve the following macro-economic objectives: (i) an economic growth of 2.2%; (ii) a 2% rate of inflation; and (iii) a primary balance surplus equivalent to 10 % of GDP. To attain these objectives, the Government will resolutely: (i) pursue the stabilization of public finances through a better programming of public expenditure and show greater respect for the rules of conservative budget practice; (ii) reinforce transparency in transactions of the petroleum sector; (iii) earmark the resources needed to fight poverty; (iv) normalize relations with Congo’s creditors and reduce the debts of the State to the banks; (v) pursue efforts to comply with the four convergence criteria of the CEMAC[2] ; and (vi) undertake to liberalize the economy by disengaging the State from the hotel, financial, water, electricity and transport sectors.

3.1.3 To reverse the degradation of social indicators, the Government will concentrate its efforts on poverty reduction. Within the framework of the 2003-2006 three-year investment programme, it will aim at undertaking a reallocation of budgetary expenditure to the benefit of priority social sectors. A high-intensity labour investment programme will be implemented for the repair of the road infrastructure and the rehabilitation of damaged equipment, notably, the schools and health facilities. In order to create conditions for a sustained growth likely to facilitate poverty reduction, the Government will continue to emphasize the development of the main non-petroleum sectors notably agriculture, livestock rearing, the wood industry and the mines. The objective is to create an auspicious environment for the development of the non-oil private sector to facilitate the diversification of the productive base of the economy. Besides, in 2002, the Government started the process of preparing an interim Poverty Reduction Strategy Paper, the first version of which was submitted to donors in June 2002. The strategic components in the I-PRSP are: (i) the promotion of strong and sustainable economic growth through the consolidation of the macro-economic and financial framework and economic diversification through development of the non-oil sector; (ii) the promotion of good governance, capacity building and peace; (iii) improved access by the people to basic socio-economic infrastructure linked to protection of the environment and; (iv) combating the HIV/AIDS pandemic.

3.2 Assessment of the Benchmark Programme

3.2.1 **Consistency and Realism of the Programme:** the benchmark programme adopted by the Government in January -June 2003, comprises key macro-economic and structural reform measures intended to stabilize public finances, promote transparency in the petroleum sector and privatization of state-owned companies. The macro-economic objectives of the programme, namely: a GDP growth rate of 2.2%, an inflation rate of 2% and a surplus balance of 10% of GDP are cohesive and realistic in view of the post-conflict status of the country. The commitment of the Government to improve the management of petroleum resources and enhance transparency, with the initiation of the SNCP audit, constitutes an important factor in the stabilization of public finances. In the same way, the pursuit of efforts in institutional capacity building with the aim of improving local expertise in implementation and supervision of macro-economic and sector policies should make a positive contribution to the realization of the objectives of the reform programme.

3.2.2 **Equitable Growth for Poverty Reduction**: the 2.6% and 2.2% growth rates of GDP in 2002 and 2003 respectively are clearly inadequate to reduce poverty with a population growth of 2.9%. Faced with this situation, the Government must take the necessary action to correct the structural imbalance in the economy in favour of the agricultural and rural sectors. Development of the agricultural sector should create accelerated growth and reduce poverty in the rural areas. In the same way, efforts at promoting the private sector must be intensified in order to make it the main engine of growth. Besides, the priority initiatives identified in the framework of the benchmark programme and which relate to mobilization of fiscal revenue, compliance with budgetary procedures, as well as principles of good governance and transparency, are capable of improving the quality of public expenditure and channeling them effectively towards the social sectors. With the support of the World Bank, the Government

[2] The convergence criteria concern the return to a balanced primary account, containing inflation below 3%, maintenance of public debt outstanding to GDP at below 70% of GNP and the non-accrual of arrears on the internal debt.

will, by the end of 2003, undertake a review of public expenditure which will help improve the budgetary framework and reinforce the priority accorded to sectors which combat poverty.

3.3 Challenges and Risks

3.3.1 Congo will have to take up many challenges. The major risks are : (i) the persistent tensions in the Pool region which constitutes a serious threat to stability of the institutions and the consolidation of peace and democracy in the country ; (ii) the extreme vulnerability of the Congolese economy to the international economic situation in view of the predominant position of petroleum in Congolese exports ; (iii) the absence of a three-year programme supported by a PRGF which could result in a non-conclusive review of the performance indicators of the benchmark programme up to June 2003 and ; (iv) the weaknesses in the institutional capacity of the administration which was severely tested by the armed conflicts in 1997 and 1998.

3.3.2 As far as the first risk is concerned, the negotiations held between the Government and the leader of the ' Ninja' rebels which led to the signing of a peace agreement on the 17th March 2003 constitutes an important step in bringing security to the Pool region and a gradual return to peace. With respect to the second risk, the Government's commitment to diversify the economy and especially to develop the non-oil sector as well as reinforce the legislative and statutory framework in an appropriate manner to ensure the development of the private sector is likely to contribute to the broadening of the productive base and the diversification of exports. As for the third risk, the commitment of the Government to pursue and consolidate reforms aimed at stabilising public finances and improving transparency in the management of petroleum resources, which constitute the principal performance indicators of the benchmark programme, provides favourable prospects for the conclusion of a programme supported by the Bretton Woods institutions. Finally, the fourth risk which is linked to institutional weaknesses should be eased by the capacity building programme supported by the development partners, in particular the World Bank, through the governance and transparency capacity building programme. Besides, the implementation of public service reform which aims at rationalising the workforce and the development of human resources will have a positive impact on institutional capacities of the central administration.

IV. DIALOGUE WITH THE DONOR COMMUNITY

4.1 Dialogue with Bilateral Donors

4.1.1 It will be recalled that, at the end of the war, international aid was focused on emergency assistance, rehabilitation of social infrastructure and health care for disaster victims and displaced people. Aid to the Congo came essentially from international organisations (72%) and Non Governmental Organisations (NGO). During this period, assistance from bilateral donors was relatively low for these often had political conditionalities linked to tangible results in the areas of democracy and governance. However, from 2001, emergency aid was progressively replaced by development aid.

4.1.2 At the consultative meeting with partners of the Republic of Congo in Paris (5-6 October 2000), the European Union, the French Cooperation Agency and other donors pledged relatively substantial amounts. The French Cooperation Agency, with almost 7 millions dollars, focused on consolidation of the rule of law (justice, National Commission on the Human Rights and Security) and the reinforcement of the chain of public expenditure. The United States supported the Congo with an amount of 2.9 million dollars, notably in coordination with the Agencies of the United Nations System in the areas of agriculture, humanitarian aid, and with NGO's in health and human right. China adopted a programme to cancel the Congo's debts and finance the construction of public building. The operations of AFD, an important partner of the Congo, had been suspended since the end of the war in 1999 because of arrears, which stood at 250 million euros as at 31st March 2003.

4.2 Dialogue with Bretton Woods Institutions and other Multilateral Organisations

4.2.1 As previously indicated, the operations of the majority of multilateral agencies had been suspended through sanctions. These included especially ABEDA, IFAD and the OPEC Fund. In November 2000, the IMF intervened in the Congo within the framework of the Interim post-Conflict Programme (PIPC). As the implementation of the programme was not satisfactory, the Congolese Government could not access the second tranche of 10.57 SDR in June 2001 to pursue the reforms, as planned. As a result of the difficulties of the PIPC, the benchmark programme was put in place from July 2001, then successively revised and deferred in November 2002 (to the end of 2002) and March 2003 (over the first quarter of 2003). The satisfactory execution of this programme, at the end of June 2003, would be the condition for the conclusion with the IMF of a three-year programme supported by a PRGF.

4.2.2 The accumulated arrears to the World Bank, which amounted to about US$65 million in mid-July 2001, were cleared through an internal initiative of 28 millions dollars and a bridging-loan of 37 millions dollars within the framework of the post-conflict economic recovery programme. This credit which was paid out in a single tranche was intended to help the country effect the transition from an emergency situation to the promotion of lasting growth. To assure itself of a positive transfer of resources, the World Bank approved a group of projects for the Congo amounting to a total of 52 million US dollars. These were made up of the following: (i) a US$ 5 million project aimed at financing a demobilization and reintegration programme for 25 000 ex-militias; (ii) a US$ 7.2 million capacity building, transparency and good governance project (iii) an emergency infrastructure rehabilitation and improvement of living conditions project (40 million US dollars).

4.2.3 With respect to the European Union, the resources of the 9th EDF, estimated at 43 million euros, an amount of 41 million euros still unutilised, as part of the 8th EDF is available. These funds were mainly intended to finance the deployment of a national strategy on transport and road infrastructure rehabilitation, micro-projects and other productive activities. The European Union has also made available an amount of 13.5 million euros in institutional support intended for strengthening the rule of law.

4.2.4 The UNDP put in place a programme of "post conflict" activities in 2000 that focused on the reinsertion of ex-combatants, support to governance, the prevention of Aids in schools. In 2001, the Government sought the assistance of the international community to launch the process for drawing up the Poverty Reduction Strategy Document (DSRP) so that the Congo can access the HIPC Initiative. To that end, a National Committee to fight Poverty has been put in place charged with mobilising Congolese society in the framework of a participative approach. Assistance from the UNDP made it possible to draw up the first version of the interim DSRP and the organisation of a workshop to discuss the document in June 2002. The UNDP will also make a contribution in 2003, to finance a survey on the living condition of households which will help to determine the actual scale of poverty in the Congo. The gross amount of financing provided by UNDP over the 2000-2003 period, is 8 million US dollars.

V. BANK GROUP ASSISTANCE STRATEGY

5.1 Bank Group Portfolio

5.1.1 The list of interventions shows a total of 24 operations of which 2 are studies, 2 structural adjustment programmes, one emergency aid corresponding to cumulative net commitments of UA 257.79 million. The distribution by sector puts the multi-sector in first place (34.90%); ahead of community amenities (29.87%), transportation (11.39%), agriculture (9.97%), and the Banks (4.46%). An emergency aid operation to the health sector approved in 1998 has been completed. Only one emergency aid operation against the Ebola Fever was approved in May 2003 and ongoing.

5.1.2 The implementation of the Bank Group's operations has not generally been satisfactory for the following reasons: delays in fulfilling the conditions precedent to the award of loans, lack of familiarity with the Bank's rules and procedures regarding the acquisition of goods and services, breakdown of communication between the Government and the Bank, delay in the release of counterpart funds for financing projects and a systematic failure to carry out audits. Faced with these problems, in addition to the devaluation of the CFA. franc in 1994, the balance on the active portfolio then had to be restructured and paid out in its entirety the same year to support the initiative for stabilisation and economic stimulation that the Government had started.

5.2 The Bank's Initiatives to help clear Arrears

5.2.1 The Bank, in coordination with the Bretton Woods Institutions, has always stimulated dialogue on arrears with the authorities. The Government committed itself in October 2000 within the framework of the post-conflict programme to stabilize the arrears by 31 March 2000 and settle any payments falling due from 1 April 2000. The Government was not able to meet these commitments entirely, paying CFA.F 2.3 billion in October 2000, followed by a second payment of CFA.F. 5.8 billion in May 2001.

5.2.2 In December 2002, following a Bank mission to Brazzaville, the new Government undertook to: (i) to make some payments before the end of 2002; (ii) make an effort to settle payments falling due from 1 January 2003; and (iii) come to an agreement with the Bank on a schedule of payments within the framework of the PRGF with the IMF, to settle all arrears before the decision point of the PPTE initiative. It was thus that the Government made a series of part-payments (UA 1.52 million in December 2002; UA 2.4 million in February 2003 and UA 9.3 million in April 2003), a total of UA 12.9 million). This amount covers the payments for January and March except for a differential of UA 0.2 million stemming from variations in the exchange rate. The pursuit of this effort which would bring payments to about UA 6.3 million per quarter would lead to a decline in arrears. As at 20 June 2003, these arrears amounted to UA 100.4 million.

5.3 Strategy and Instruments for Strengthening Macro-economic Dialogue and Clearing of Arrears

5.3.1 **Objective of the strategy**: the strategy aims to find a solution that will clear arrears completely, thus enabling the Bank to finance projects and programmes and thereby contribute to the poverty reduction efforts. The satisfactory implementation of the benchmark programme up to June 2003 could lead to the conclusion of a PRGF-backed three-year programme. In light of this scenario, the Bank's strategy will comprise two gradual stages, over the short and medium term, and the long term.

The Short and Medium-Term Strategy

5.3.2 The period under consideration is from the benchmark programme to the conclusion and implementation of the PRGF-backed programme. During the benchmark programme phase which should end in June 2003, the Bank will (i) pursue and intensify a dialogue with the Government for a satisfactory implementation of the benchmark programme and the conclusion of a PRGF-backed programme; (ii) pursue and intensify dialogue with the Government for the effective payment of debts due; (iii) reach an agreement with the Government to make a commitment to clear the entire arrears or agree on a schedule to clear them; and (iv) maintain a dialogue with the donors, in particular, the Bretton Woods Institutions to mobilise the requisite resources to clear these arrears.

5.3.3 Until the conclusion of a three-year programme backed by a PRGF, the Bank will pursue active dialogue with the Government so that it maintains the payment of bills due in order to stabilise the stock of arrears. Besides, before the adoption of the Poverty Reduction and Growth Facility by the Board of Directors of the IMF, the Bank will insist that the Government clears all arrears. However, in view of the fact that this is a post-conflict country, the Government could agree a payment schedule for the arrears with the Bank and the IMF. This plan could consist of (i) payment of a part of the stock of arrears on adoption of the PRGF by the Board of Directors of the IMF; and (ii) clearing the entire stock of arrears latest by the mid-term review of the programme or before reaching the decision point of the enhanced HIPC Initiative, depending upon which one occurs first. The Government adherence to this plan will constitute a performance criterion for the country's reform programme supported by the Bretton Woods institutions. Consequently, the Bank should (i) pursue dialogue with the country; (ii) maintain dialogue with the donors, particularly the Bretton Woods institutions, to help the Government to mobilise the necessary resources to clear arrears; and (iii) provide institutional support to build the country's macro-economic management capacity and support the design of a strategic framework to combat poverty. In this context, the Bank will arrange meetings of donors and will participate in panels organised on the Congo to discuss the mechanisms to be put in place in order to find a lasting solution to the problem of arrears.

Long-Term Strategy

5.3.4 If the Government normalizes its relations with the Bank by clearing all its arrears and paying all current debts, the Congo could be eligible for the HIPC Initiative. The Bank, in these circumstances, will grant the country debt relief on debts due. Under this scenario, the Bank will prepare a Strategy Paper which will be a complete reference framework for its operations in the form of sector loans and grants, institutional support grants and policy-based loans. The basic allocation of the Congo within the framework of ADF-IX.

VI. CONCLUSIONS AND RECOMMENDATION

6.1 Conclusions

The Congo has, for more than a decade, been confronted by a severe economic and social crisis which worsened with the armed conflicts of 1997 and the end of 1998. The economy declined during this period which was characterised by excessive expenditure on security and food aid to victims. In 2000, with the return of peace, a PIPC was implemented. The implementation of this programme not having achieved the expected results, the Government embarked on a benchmark programme in 2001 which was revised up to June 2003. The concluding review of this programme should end in the conclusion of a programme supported by a PRGF. Within the framework of this benchmark programme, the Government made a sustained effort by making regular part-payments from the end of December 2002 which practically covered the debts due. If this effort is pursued it should bring about, a decline in the stock of arrears. The Bank’s strategy aims at finding a solution to the problem of arrears, which will enable it to fully resume its cooperation with Congo and facilitate the country’s access to the HIPC Initiative. To this end, the Bank will intensify its dialogue with the Government as well as the donors around this question in the perspective of the FRPC. The Bank will also provide institutional support for macro-economic management, in particular for debt.

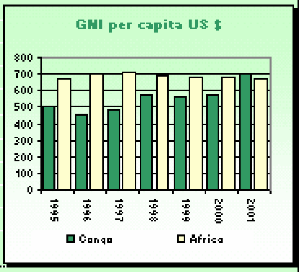
6.2 Recommendation

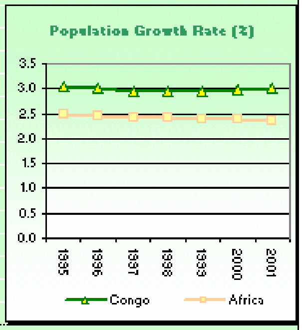
In the light of the foregoing, the Boards are invited to consider and adopt the 2003 Dialogue Note proposed for the Congo.

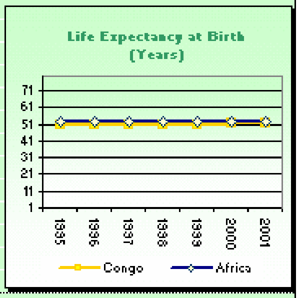
Annex 1

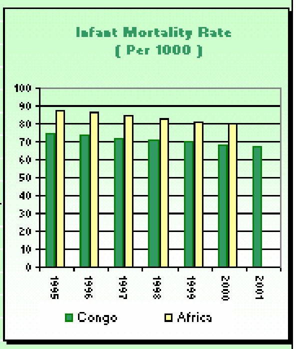
CONGO: COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Congo	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)		342	30,061	80,976	54,658
Total Population (millions)	2001	3.1	811.6	4,940.3	1,193.9
Urban Population (% of Total)	2001	61.6	38.0	40.4	76.0
Population Density (per Km²)	2001	9.1	27.0	61.0	21.9
GNI per Capita (US $)	2001	700	671	1,250	25,890
Labor Force Participation - Total (%)	2001	40.8	43.3	...	...
Labor Force Participation - Female (%)	2001	34.7	35.1	...	...
Gender -Related Development Index Value	1999	0.495	0.476	0.634	0.916
Human Develop. Index (Rank among 174 countrie:	2000	136	n.a.	n.a.	n.a.
Popul. Living Below $ 1 a Day (% of Population)	1995	...	45.0	32.2	...
Demographic Indicators					
Population Growth Rate - Total (%)	2001	3.0	2.4	1.5	0.2
Population Growth Rate - Urban (%)	2001	4.1	4.1	2.9	0.5
Population < 15 years (%)	2001	46.4	42.4	32.4	18.0
Population >= 65 years (%)	2001	3.3	3.3	5.1	14.3
Dependency Ratio (%)	2001	98.4	85.5	61.1	48.3
Sex Ratio (per 100 female)	2001	95.2	99.4	103.3	94.7
Female Population 15-49 years (% of total populatio	2001	22.4	23.6	26.9	25.4
Life Expectancy at Birth - Total (years)	2001	51.5	52.5	64.5	75.7
Life Expectancy at Birth - Female (years)	2001	53.6	53.5	66.3	79.3
Crude Birth Rate (per 1,000)	2001	44.3	37.3	23.4	10.9
Crude Death Rate (per 1,000)	2001	14.1	14.0	8.4	10.3
Infant Mortality Rate (per 1,000)	2001	67.2	79.6	57.6	8.9
Child Mortality Rate (per 1,000)	2001	124.7	116.3	79.8	10.2
Maternal Mortality Rate (per 100,000)	1998	890	641	491	13
Total Fertility Rate (per woman)	2001	6.3	5.1	2.8	1.6
Women Using Contraception (%)	1995	8.0	...	56.0	70.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1999	5.0	36.7	78.0	287.0
Nurses (per 100,000 people)	1995	185.1	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1996	50.0	38.0	58.0	99.0
Access to Safe Water (% of Population)	2000	51.0	60.4	72.0	100.0
Access to Health Services (% of Population)	1999	83.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	1993	9.4	60.5	44.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AID	2001	7.3	5.7	...	...
Incidence of Tuberculosis (per 100,000)	2000	306.1	105.4	157.0	24.0
Child Immunization Against Tuberculosis (%)	2000	50.0	63.5	82.0	93.0
Child Immunization Against Measles (%)	1996	34.0	58.2	79.0	90.0
Underweight Children (% of children under 5 years	1996	24.0	25.9	31.0	...
Daily Calorie Supply per Capita	2000	2,223	2,408	2,663	3,380
Public Expenditure on Health (as % of GDP)	1998	2.0	3.3	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	1996	110.5	80.7	100.7	102.3
Primary School - Female	1996	105.2	73.4	94.5	101.9
Secondary School - Total	1996	51.5	29.3	50.9	99.5
Secondary School - Female	1996	43.3	25.7	45.8	100.8
Primary School Female Teaching Staff (% of Total)	1996	36.3	40.9	51.0	82.0
Adult Illiteracy Rate - Total (%)	2001	18.2	37.7	26.6	1.2
Adult Illiteracy Rate - Male (%)	2001	11.8	29.7	19.0	0.8
Adult Illiteracy Rate - Female (%)	2001	24.1	46.8	34.2	1.6
Percentage of GDP Spent on Education	1998	4.7	3.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	1999	19.6	6.0	9.9	11.6
Annual Rate of Deforestation (%)	1995	0.2	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1990	12.0	4.0	...	...
Per Capita CO2 Emissions (metric tons)	1997	...	1.1	2.1	12.5









Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable ; ... Data Not Available.

Last Update: June 2003

Annex 2

Main economic, financial and social indicators: 1999-2003

	1999	2000	2001	2002	2003
GDP, prices and population				Estim.	Prom.
Real growth rate of GDP	-3.2	8.2	3.1	2.6	2.2
For petroleum sector	4.8	-1.0	-7.5	-0.3	-4.5
Non petroleum Sector	-9.4	16.6	11.4	4.4	5.5
Population growth rate	2.9	2.9	2.9	2.9	2.9
Inflation (Average annual cons. prices in Africa)	3.6	-0.3	0.4	4.2	2.0
Public finances					
Public Finances					
	53.9	46.2	9.1	-13.1	-2.7
Of which oil revenues	85.7	70.1	-0.7	-12.5	-14.9
Non-oil revenue	15.2	-0.9	42.0	-14.5	26.7
Total expenditure	9.8	26.1	13.4	15.5	-21.2
Of which current expenditure	3.2	10.5	7.6	27.8	-23.3
Capital expenditure	56.9	99.5	28.7	-12.0	-13.7
Deposits and credit					
Net external assets	116.7	2949.1	-82.3	58.9	79.8
Credits to the economy*	19.1	-5.4	-33.5	-31.5	4.9
Net claims on the State	-12.2	-9.2	75.5	4.5	-7.8
Money supply (M2)	22.3	58.5	-22.8	10.7	8.7
External Sector					
Exports FOB	19.0	93.3	-22.4	12.4	-14.4
Imports FOB	-2.3	31.8	14.0	1.8	6.4
Terms of Trade	6.1	80.3	-10.8	2.4	-4.8
Price Variations in exports	9.2	95.9	-11.3	-0.8	-7.2
Price Variations in imports	3.0	8.7	-0.6	-3.1	-2.7
Real effective exchange rate for exports	-17.5	-9.9	0.0	…	….
Real effective exchange rate for imports	1.8	-5.6	0.0	…	…
	Contrib. to the growth of money supply, in %				
Deposit and credit					
Net external assets	19.5	69.5	-37.4	6.3	12.0
Net domestic assets	2.8	-11.0	14.6	4.3	-3.4
Net domestic credit	7.8	-8.9	4.6	-10.4	-3.4
Net Claims on the State	-8.3	-4.5	21.0	2.8	-4.6
Credit to the economy	16.1	-4.5	-16.4	-13.3	1.3
Other net items	-5.0	-2.0	10.0	14.8	0.0
Money supply (M2)	22.3	58.5	-22.8	10.7	8.7
	Contribution to real growth, in %				
National accounts					
Gross National product	-3.2	8.2	3.2	2.6	1.7
Of which the petroleum sector	2.1	-0.5	-3.3	-0.1	-1.7
Non petroleum Sector	-5.3	8.7	6.4	2.7	3.4
Gross internal demand	-9.5	12.9	13.7	-0.7	5.5
Consumption	-6.7	13.9	6.5	5.5	-0.9
Public	-6.0	2.7	1.5	2.6	-3.8
Private	-0.7	11.2	5.0	2.9	2.9

Source : BEAC, financial programming, February 2003

Annex 3

Gross National product by sector (at market prices)
(Structure of GDP as % of total)

	1999	2000	2001	2002 Est.	2003 Proj.
Primary sector	**8.4**	**5.3**	**5.9**	**6.5**	**7.7**
Agriculture, livestock, hunting and fisheries	7.2	4.4	4.8	5.1	5.6
Forestry and logging	1.2	0.9	1.1	1.4	2.1
Secondary sector	**61.3**	**72.1**	**66.5**	**64.6**	**60.2**
Extractive industry (oil)	53.4	65.5	57.8	55.9	50.8
Manufacturing industry	5.5	3.5	4.2	4.7	5.5
Electricity, gas and water	0.6	0.7	0.8	0.9	1.1
Buildings and Public works	1.8	2.5	3.7	3.1	2.8
Tertiary Sector	**27.9**	**20.2**	**23.9**	**25.4**	**28.2**
Transport	5.0	3.8	4.6	5.0	5.6
Commerce, restaurants and hotels	8.1	6.0	6.8	7.4	8.4
Public administration	8.4	5.5	6.6	6.7	7.0
Other services	6.4	5.0	5.8	6.3	7.2
GDP at factor costs	**97.5**	**97.7**	**96.3**	**96.5**	**96.1**
Import duties and taxes	2.5	2.3	3.7	3.5	3.9
GDP at constant prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non-oil GDP	46.6	34.5	42.2	44.1	49.2

Source : BEAC, financial programming, February 2003

Annex 4

State financial operations table (1999-2003)
(in billions of FCFA)

	1999	2000	2001	2002 Estim.	2003 Proj.
Total Revenue	**415.4**	**607.1**	**662.2**	**575.6**	**559.9**
Oil-Revenue	275.1	468.1	464.9	406.9	346.3
Non-oil Revenue	140.3	139.0	197.3	168.6	213.6
Total Expenditure	**456.8**	**576.1**	**653.3**	**754.5**	**594.8**
Current expenditure	376.8	416.5	447.9	572.2	438.8
Salaries and wages (including. APB)	100.7	106.7	118.1	120.0	120.0
Goods and services	84.6	112.6	123.3	184.8	96.0
Of which extra budgetary or APB	….	4.0	…	…	…
Interest	159.4	160.4	152.7	197.4	147.8
External debt	148.4	150.8	143.1	183.5	134.7
Internal debt	11.0	9.6	9.7	13.8	13.1
Of which BEAC, traditional operations	6.1	5.6	7.4	8.5	8.3
BEAC, consolidation of refinancing	0.6	1.9	0.6	0.6	0.5
Other financial fees	4.3	2.1	1.7	4.8	4.3
Transfers and subsidies	32.0	36.8	53.8	70.1	75.0
Primary balance (exc. interest and invest. /ext. resources)	**118.0**	**206.5**	**166.7**	**23.9**	**171.1**
Budgetary balance (exc. interest and invest. /ext. resources)	**-41.4**	**46.1**	**13.9**	**-173.5**	**23.3**
Capital expenditure	80.0	159.6	205.4	180.6	155.9
On local resources (of which bank restructuring)	80.0	144.6	200.4	175.2	97.8
On external resources	0.0	15.1	5.0	5.5	58.1
Net loans	…	…	…	1.6	…
Gross balance (commitments base, exc. Grants)	**-41.4**	**31.0**	**8.9**	**-178.9**	**-34.9**
Gross balance (commitments, including grants)	**-38.4**	**38.1**	**12.6**	**-175.3**	**-14.1**
Variations in arrears (decline-)	305.2	256.4	-83.5	227.5	-2364.0
Domestic (principal and interest)	26.0	-15.2	-210.6	3.7	-3.7
External (principal et interest)	279.2	271.6	127.0	223.8	-2360.3
Gross balance (cash base)	**263.8**	**287.4**	**-74.6**	**48.6**	**-2398.9**
Total financing	-263.8	-287.4	74.6	-48.6	2398.9
External	-138.4	-231.2	-151.0	-40.2	2108.9
Grants	3.0	7.0	3.7	3.7	20.7
Drawings	1.1	8.0	29.3	1.8	37.4
Repayment of external debt (principal)	-260.7	-266.8	-259.5	-291.9	-309.6
Relief of external debt obtained	87.3	20.6	75.5	1.8	2360.4
Guaranteed debts ST	30.9	…	…	216.7	…
Internal	-125.4	-56.2	225.6	-8.4	-12.3
Banking system	-18.0	-13.9	75.7	7.1	-12.9
Of which the IMF (net)	-0.2	10.2	-0.3	-7.3	-4.8
Non banking	-107.4	-42.3	150.0	-15.5	0.6
Of which exceptional petroleum revenue	3.9	…	…	…	…
Residual gap	**…**	**…**	**….**	**0.0**	**302.3**

Sources: National administration and BEAC, financial programming February 2003

Annex 5

Balance of payments (1999-2003)
(in billions of FCFA)

	1999	2000	2001	2002 Estim.	2003 Proj.
Current account balance (official transfers Included)	**-142.0**	**434.3**	**0.2**	**7.9**	**-266.9**
Current account balance (official transfers excluded)	**-142.4**	**425.9**	**-4.0**	**4.2**	**-269.2**
Trade balance	**638.7**	**1432.9**	**959.4**	**1040.0**	**862.8**
Exports, fob	960.5	1857.0	1441.8	1620.1	1386.6
Oil gross	881.8	1732.5	1292.5	1426.9	1137.2
Petroleum Products	0.0	13.7	3.3	17.5	16.8
Tropical wood	37.3	55.2	88.3	123.5	166.8
Eucalyptus	14.6	12.5	88.8	0.9	9.8
Sugar	6.5	9.0	10.5	10.6	12.6
Others	20.3	34.1	38.5	40.7	43.4
Imports, fob	-321.8	-424.1	-483.4	-492.2	6523.8
Petroleum Sector	-48.6	-70.3	-77.8	-70.1	-76.4
Public sector	-36.7	-40.4	-41.1	-108.4	-93.6
Others	-393.3	-508.5	-594.7	-609.6	-643.1
Balance of current transfers (non factor)	-444.9	-428.5	-465.0	-6514.1	-529.4
Balance of income	**-332.6**	**-573.8**	**-486.9**	**599.1**	**592.5**
Of which : interest due	-214.5	-229.0	-213.4	-245.9	-192.1
Balance of net current transfers	-3.3	3.8	-6.2	-6.8	-7.8
Capital account and financial operations	-207.6	-426.3	-268.7	-121.3	-7.2
Capital account	0.0	7.0	3.7	3.7	20.7
Of which : Public (net)	0.0	7.0	3.7	3.7	20.7
Private (net)	0.0	0.0	0.0	0.0	0.0
Financial account	-207.6	-433.4	-272.4	-124.9	-28.8
Direct investments (net)	319.5	115.4	127.4	167.0	212.1
Of which petroleum sector	306.9	94.0	103.8	148.1	190.9
Portfolio Investment (net)	0.0	0.0	-5.3	-4.9	-5.5
Other investments	-527.1	-548.7	-394.5	-287.0	-234.5
Operations at more than one year (MLT)	-647.8	-392.0	-388.6	-220.6	-298.8
Operations at less than one year (CT)	120.7	-156.8	-5.9	-66.4	-64.3
ERRORS AND OMISSIONS	19.9	-180.2	-38.6	-115.2	…
Gross balance	**-329.7**	**-172.2**	**-307.1**	**-228.5**	**-274.1**
Financing	**329.7**	**172.2**	**307.1**	**228.5**	**274.1**
Variations of official reserves (decline+)	-36.7	-120.1	104.6	-24.9	-28.2
Exceptional financing	366.5	292.5	202.5	253.4	0.1
Variations of net external assets (decline -)	279.2	271.6	127.0	223.8	-2360.3
Rescheduling already obtained	87.3	20.6	75.5	29.6	2360.4
RESIDUAL GAP				**0.0**	**302.3**

Annex 6

CONGO : Bank Group Portfolio
(in millions of UA)

Projects by sector	Window	Date of approval	Date of signature	Implementation Date	Date de closure	Amount approved	Amount paid out.	Amount cancelled	Balance not paid out	Net commitment cancelled.	Rate of withdrawal.
A- Agriculture et rural development											
1. Coffee-cocoa plantation	ADB	24/03/1978	02/05/1978	01/01/1980	31/12/1994	5.00	5.00	0.00	0.00	5.00	100.00
2. Ouesso oil palm	ADB	23/10/1979	11/01/1980	20/10/1980	30/06/1994	8.00	7.62	0.38	0.38	7.62	100.00
3. Boenza rural development	ADF	11/09/1980	21/10/1980	22/07/1981	31/12/1994	7.37	7.35	0.02	0.02	7.35	100.00
4. Ntokou rubber plantation	ADB	24/02/1986	24/02/1986		06/12/1996	18.21	0.00	18.21	18.21	0.00	0.00
5. Village study (loan)	ADF	20/09/1988	29/05/1989	18/10/1991	31/12/1994	1.34	1.34	0.00	0.00	1.34	100.00
6. Citrus fruit production capacity extension	ADF	28/04/1988	14/12/1988	15/12/1988		6 .54	6.51	0.03	0.00	0.00	100 .00
Sector sub total						**39.92**	**27.82**	**18.64**	**18.61**	**21.31**	**100.00**
B- Industry, Mines and quarries											
1. Extension of capacity for citrus fruit production	ADF	28/04/1988	14/12/1988	15/12/1988	31/12/1994	6,54	6,51	0,03	0,03	6,51	100,00
Sector sub total						**6,54**	**6,51**	**0,03**	**0,03**	**6,51**	**100,00**
C- Transport											
1. A.T.C. I	ADB	12/07/1972	24/11/1972	31/03/1973	31/12/1976	2,30	2,30	0,00	0,00	2,30	100,00
2. A.T.C. II	ADB	06/11/1973	28/11/1973	08/10/1974	31/12/1980	3,00	3,00	0,00	0,00	3,00	100,00
3. A.T.C. III	ADB	29/04/1976	05/05/1975	15/08/1977	31/12/1978	5,00	5,00	0,00	0,00	5,00	100,00
4. A.T.C. IV	ADB	08/06/1978	28/06/1978	30/06/1980	31/12/1981	10,00	10,00	0,00	0,00	10,00	100,00
5. Maya-Maya airport	ADB	19/12/1980	20/01/1981	31/01/1982	31/12/1990	10,00	9,06	0,94	0,94	9,06	100,00
Sector sub total						**30,30**	**29,36**	**0,94**	**0,94**	**29,36**	**100,00**
D- Water and drainage											
1. Extension of water supply from Brazzaville	ADB	25/10/1972	24/06/1972	02/04/1973	31/12/1975	1.21	1.206	0.004	0.004	1.206	100,00
2. Réhabilition of drinking water in Brazzaville	ADB	11/12/1985	28/02/1986	06/09/1988	31/12/1994	16.76	16.30	0.46	0.46	16.30	100,00
3. Brazzaville drinking water	ADB	21/1/1982	7/1/1983	17/6/1983	31/12/1994	26.59	26.53	0.06	0 .00	0.00	100,00
4.Rainwater drainage in Brazzaville	BAD	19/10/1989	28/8/1994	1/9/94	31/12/1994	32.97	32.97	0.00	0.00	0.00	100,00
Sector sub total						**77.53**	**77.53**	**0.52**	**0.46**	**17.51**	**100,00**
E- Communications											
1. Télécommunication	ADB	16/12/1975	20/01/1976	30/05/1978	31/12/1980	2,50	2,40	0,10	0,10	2,40	100,00
Sector sub total						**2,50**	**2,40**	**0,10**	**0,10**	**2,40**	**100,00**
F- Finance											
1. Line of credit I	BAD	21/03/1979	16/05/1979	31/10/1980	31/12/1986	3,50	3,50	0,00	0,00	3,50	100,00
2. Line of credit and institutionnal support	BAD	18/04/1990				8,00	0,00	0,00	8,00	8,00	0,00
Sector sub total						**11,50**	**3,50**	**0,00**	**8,00**	**11,50**	**30,43**
G- Social											
1. Education	BADF	11/12/1985				12,70	0,00	0,00	12,70	12,70	0,00
2. Reinforcement of CIESPAC	FAD	18/04/1990				2,64	0,00	0,00	2,64	2,64	0,00
3. Emergency aid	ADB	24/06/1998				0,38	0,38	0,00	0,00	0,00	10000
Sector sub total						**15,72**	**0 ,38**	**0,00**	**15,34**	**15,34**	**2,41**
H- Multi-sector											
1. Structural adjustment programme	ADB	17/09/1987	23/09/1987	11/10/1987	23/09/1987	40,00	40,00	0,00	0,00	40,00	100,00
2. Programme d'ajustement structurel II	BAD	20/10/1994	21/10/1994	16/11/1994	30/06/1997	50,00	49,97	0,03	0,03	49,97	100,00
Sector sub total						**90,00**	**89,97**	**0,03**	**0,03**	**89,97**	**100,00**
l country						**257, 79**	**234,46**	**20,23**	**43,66**	**104,31**	**89,79**