

AFRICAN DEVELOPMENT BANK GROUP



DEMOCRATIC REPUBLIC OF CONGO
RESULT-BASED COUNTRY STRATEGY PAPER
2008-2012

NB : This document contains errata or corrigenda (see Annexes)

COUNTRY OPERATIONS DEPARTMENT
CENTRAL REGION

JANUARY 2008

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CURRENCY EQUIVALENTS

(October 2007)

Currency Unit	=	Congolese Franc (CF)
UA 1	=	US\$ 1.52185
UA1	=	CF 846.589
US\$ 1	=	CF 556.289

WEIGHT AND MEASURES

Metric System

FISCAL YEAR

1 January – 31 December

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
BCC	:	Central Bank of Democratic Republic of Congo
BCECO	:	Public Projects Central Coordination Office
CEPGL	:	Economic Community of the Great Lakes Countries
COMESA	:	Common Market for Eastern and Southern Africa
CPIA	:	Country Policy and Institutional Assessment
CSP	:	Country Strategy Paper
DDR	:	Demobilization, Disarmament and Reintegration
DRC	:	Democratic Republic of Congo
ECCAS	:	Economic Community of Central African States
EU	:	European Union
FSF	:	Fragile States Facility
GDP	:	Gross Domestic Product
HIPC	:	Heavily-Indebted Poor Countries
HIV/AIDS	:	Human Immuno-Deficiency Virus/Acquired Immuno-Deficiency Syndrome
IMF	:	International Monetary Fund
MDG	:	Millennium Development Goals
MONUC	:	United Nations Peace Keeping Forces in the DRC
NEPAD	:	New Partnership for Africa's Development
NGO	:	Non-Governmental Organization
NPV	:	Net Present Value
OHADA	:	Organization for the Harmonization of Business Law in Africa
ONATRA	:	National Transport Authority
PEG	:	Government Economic Programme
PMURIS	:	Multisector Socioeconomic Infrastructure Rehabilitation Programme
PRGF	:	Poverty Reduction and Growth Facility
PRGSP	:	Poverty Reduction and Growth Strategy Paper
RBCSP	:	Result-Based Strategy Paper
REGIDESO	:	National Water Authority
SADC	:	Southern African Development Community
SDR	:	Special Drawing Rights
SNEL	:	National Electricity Corporation
UA	:	Unit of Account

EXECUTIVE SUMMARY

1. This RBCSP for the Democratic Republic of Congo was prepared for the 2008-2012 period following a Bank mission to the country in August 2007. It was prepared using the participatory approach that involved the public administration, the civil society, private sector operators and DRC's development partners. It coincides with the launching of the Government's Programme for the 2007-2011 period which draws on the Poverty Reduction and Growth Strategy Paper (PRGSP). A donor country assistance framework was adopted in 2007 to coordinate and harmonize the monitoring of external aid to the country, based on a results and indicators matrix. This RBCSP refers to the matrix and takes into account the lessons learnt from the RBCSP 2005-2007 contained in the completion report prepared in October 2007 and distributed in January 2008. The preparation of this document took into account the priorities of the PRGSP, the Government's Programme and the Country Assistance Framework of DRC's development partners.

2. **Political, Economic and Social Context:** After a period of transition lasting three and a half years (June 2003 to December 2006), the 2006 elections marked the culmination of the peace and national reconciliation process. For the first time since 1960, the country has a democratically chosen Government and institutions. A new Government assumed office on 5 February 2007; it is made up of a coalition of the political parties of the President of the Republic (*Parti du Peuple pour la Reconstruction de la Démocratie*), the Prime Minister (*Parti Lumumbiste Unifié*) and the *Union des Démocrates Mobutistes* (UDEMO). However, despite the undeniable progress made in the stabilization of political life and establishment of institutions of the Republic, efforts towards consolidation of the peace process and national reconciliation must be intensified. Furthermore, peace, which is still fragile, should be reinforced, particularly in the East of the country where there is insecurity due to the activities of some militias.

3. Ranked as one of the poorest countries in the world despite its immense natural resources, the Democratic Republic of Congo is facing a very difficult socio-economic situation. More than 71% of the population live below the poverty line. As a result of the peace consolidation process, the macroeconomic performance of DRC since 2001 helped the country to reach the HIPC Initiative decision point in July 2003. However, progress towards the completion point was impeded over the 2005-2006 period because of the slackening of reforms, particularly monetary and fiscal reforms, during the transition period, and because of the political and social tension in the country during the election period. This situation led to the deterioration of some macroeconomic factors, with the re-emergence of high inflation (21.3% in 2005 and 18.2% in 2006) and the depreciation of the Congolese franc by nearly 17% in 2006. The last PRGF review could not be concluded, and the Facility was suspended and replaced in April 2006 with an IMF staff-monitored programme up to end 2007, which was subsequently extended to 2008. Indeed, even though the stringent monetary and fiscal policies following the budgetary slippages of the end of 2007 helped to stabilize the macroeconomic framework, prospects for a conclusive review of the programme that could lead to a new PRGF during the first half of 2008 were compromised because of doubts about the viability of the external debt and the cooperation agreement signed with Chinese enterprises. The IMF and the Government agreed that the impact of the "Chinese Deal" on the debt be assessed before the next IMF review. With regard to enhancing the overall competitiveness of the economy, significant efforts need to be made, particularly to consolidate basic infrastructures, reduce the costs of factors of production, and improve the business climate. In the area of governance, measures taken to improve the economic environment and combat corruption should be intensified to allow for harmonious development of the private sector in the DRC.

4. Overall, the country is unlikely to achieve most of the Millennium Development Goals (MDGs) by 2015, without strong and sustained economic growth. Assuming an average economic growth of 5.3% (rate for 2002-2006), the 1960 per capita GDP will be attained only in 2060. The social indicators have also deteriorated as a result of the conflict. The Human Development Index of the DRC declined by over 10% in the last decade, resulting in its ranking as 167th out of 177 countries.

5. The lack of infrastructure is a major constraint on development in many areas because of the extremely high costs of factors of production. The DRC has less than 600 km of tarred roads for such a country as large as East Europe. Only one chief town in the ten provinces is accessible by road from Kinshasa; the others can only be reached from abroad or by air. Despite the country's enormous hydro-electric potential (the highest in Africa), the electrification rate is also the lowest in the continent - 6% as against the 20% average in Africa. In the absence of a wide-scale programme of road reconstruction and exploitation of energy resources, the economic growth potential of most of the provinces may remain untapped for a long time.

6. **National Strategic Options:** The consolidation of the peace process and the existence of a Government recognized by the main political players following the democratic elections of 2006 constitute assets for the DRC in the promotion of sustainable growth to reduce poverty. Consequently, the challenges of the current Government consist in restoring security throughout the country and pursuing reforms which remain a pre-requisite for the free movement of goods and persons. To address these challenges, the Government in 2007 formulated a medium-term priority programme (2007-2011) based on the priorities of the PRGSP and on the major areas defined by the President. Subsequently, the Government and development partners agreed on a Country Assistance Framework (CAF) with an action plan reflecting the priorities of the PRGSP. The CAF was presented to the Consultative Group (CG) in November 2007, and the country's development partners confirmed their support for the implementation of the CAF action plan which serves as reference for their interventions.

7. At the CG meeting, the multilateral and bilateral development partners undertook to provide sustained support to the DRC in the amount of US\$ 4 billion over the next three years (2008-2010). However, the scale of resource requirements is such that the Government will need to make efforts to: (i) increase the mobilization of domestic resources; (ii) ensure more transparent management of public resources attracting greater budgetary support; (iii) improve the quality and programming of expenditure under a medium term expenditure framework reflecting the priorities; and (iv) put in place capacities for implementing programmes concluded with external partners.

8. **Bank Group Strategy 2008-2012:** Specifically, the implementation of the Bank Group's strategy for the 2008-2012 period will contribute to achieving the objectives contained in the CAF, which is consistent with the priorities of the PRGSP. At the operational level, during ADF XI and in the first two years of ADF XII, the strategy will give priority to activities in areas deemed to be inefficient, namely (i) fiscal discipline, (ii) transparency and the fight against corruption, (iii) equity in the use of public resources for the disadvantaged groups, and (iv) densification of basic infrastructures. These areas fall under three pillars of the PRGSP, namely: (i) promoting good governance and consolidating peace, (ii) consolidating macroeconomic stability and economic growth, and (iii) improving access to social services and reducing vulnerability. On this basis, the Bank's intervention for the 2008-2012 period will generally fall under two pillars, namely: (i) *support for good governance*, and (ii) *promotion of pro-poor growth*. For the Bank, the choice of these pillars

stems from the diagnosis of the country's major development constraints and lessons drawn from the implementation of its previous strategy. Under these two pillars, the mainstreaming of gender and environmental issues in projects to be financed and in dialogue with the authorities will receive special attention.

9. **Areas of intervention targeted by the strategy:** Within this context, the first pillar of the Bank's strategy will target the following objectives: (i) improvement of public finance management through enhanced monitoring of expenditures and mobilization of government revenues, (ii) transparency in the management of public and natural resources, and (iii) improvement of the business environment that has been seriously undermining the competitiveness of the Congolese economy. Under the second pillar, the Bank will promote: (i) the reinforcement of basic infrastructures, particularly in the urban and rural road network, (ii) sanitation and greater access to drinking water in urban and rural areas, and (iii) electrification. This strategy, which is a follow up to the one adopted for the 2005-2007 period for a post-conflict country, forms part of the Bank's enhanced commitment strategy for fragile States. Through its ADB window, the Bank will pursue its support for private sector promotion, especially in the microfinance, mining and energy sectors. Some of the concerns raised in the RBCSP will be addressed in the Bank's regional initiatives in Central Africa, for example, as regards the environment through the Congo Basin biodiversity project that is currently under preparation. Other multinational operations envisaged by the Bank for the 2008-2012 period involving the DRC concern the development of the Inga hydro-electric site, the study of which was approved in April 2008, the road-rail bridge between Kinshasa and Brazzaville, the African onchocerciasis control programme, and the project for the interconnection of the grids of the Nile equatorial lakes countries.

10. Alongside its intervention in the above-mentioned areas, the Bank will continue to provide its assistance to the Government, notably to: (i) help the DRC reach the HIPC Initiative completion point through support for debt management and the poverty observatory, (ii) improve capacities for analysis and advisory services to the Government through strategic studies on energy, water (rural areas) and decentralization, and (iii) intensify the mobilization of resources for the implementation of the action plan for the conservation of the Congo Basin ecosystems. To assist the country in its efforts to address the food crisis, the Bank also envisages reallocating uncommitted resources of some active projects or restructuring some ongoing projects to enable the Government to meet urgent agricultural input needs so as to boost production. The medium and long-term measures will help the DRC to strengthen food security through measures designed to improve rural infrastructure and promote agricultural research.

11. **Conclusion:** As a fragile State ranked at the bottom of the human development indicators, the DRC needs to address many challenges in the short and medium terms to resolve its social and economic crisis and avoid the risk of returning to conflicts and instability. The 2008-2012 Bank strategy falls within the new political context of the DRC following the 2006 elections, and aims at helping the country to lay the bases for sustainable development and contribute to achieving the MDGs by 2015. By supporting the reform and reconstruction programme of the new Government, the Bank strategy will contribute to consolidating stability and improving the business climate so as to promote private investment in the high potential sectors and support accelerated, sustained and shared economic growth.

12. **Recommendation:** The Boards of Directors are invited to approve the proposed Bank strategy in the DRC for the 2008-2012 period on the basis of an allocation of ADF XI resources not exceeding UA 177.33 million in the form of a grant. The amount of the allocation is based on the country's performance in 2007. The allocation will evolve in line with the country's performance under the CPIA. The financing of the strategy also includes UA 60 million from the resources of the Supplemental Support Window of the Fragile States Facility (FSF). Furthermore, the Boards are invited to approve the assessment appended to this report by which the DRC, as a fragile state, meets the criteria required to be eligible for the resources of the Supplemental Support Window of the Fragile States Facility.

I. INTRODUCTION

1.1 This Result-Based Country Strategy Paper (RBCSP) for the Democratic Republic of Congo (DRC) defines the ADB Group intervention framework in the country over the 2008-2012 period. The preparation of this strategy coincides with the start of the ADF XI cycle, and also covers the first two years of ADF XII. The context of the RBCSP preparation coincided with the end of the political transition and the advent, in 2007, of a new Government following the first free and democratic elections held in the country. Its preparation coincided with the adoption of the Poverty Reduction and Growth Strategy Paper (PRGSP) and the launching of the Government programme (2007-2011), which is the detailed illustration of the PRGSP for this period and is based on the major development programmes defined by the Head of State. These two documents constitute the reference framework of the RBCSP whose implementation period (2008-2012) will enable the Bank to take note of any modification or change of the Government's programme during the mid-term review at the end of 2010, so as to make the necessary adjustments to its strategy. A donor Country Assistance Programme (CAP), based on the PRGSP and including a results and indicators matrix, was also adopted in 2007 to coordinate and harmonize the monitoring of external aid to the country. As agreed with the other donors, the Bank's RBCSP draws on elements of this matrix, and also takes into account the lessons learnt from the RBCSP 2005-2007, whose completion report was prepared in October 2007 and distributed on 4 January 2008 under the reference ADF/BD/IF/2008/03.

1.2 The lessons drawn in the completion report of its previous strategy imply greater selectivity of the Bank's interventions, enhancement of ownership of the strategy by the Government, the existence of reliable data and the improvement of the portfolio performance. The RBCSP 2008-2012 was prepared using a participatory approach based on dialogue and consultations conducted by the Bank with representatives of the Government, the civil society, the private sector, and the country's development partners.

II. COUNTRY CONTEXT AND PROSPECTS

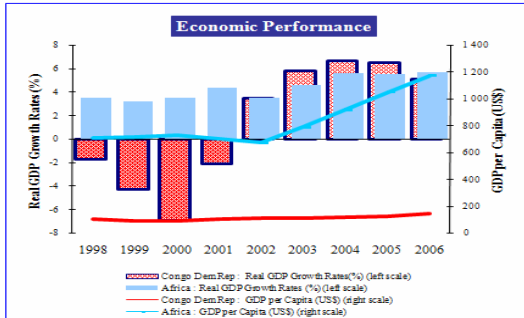
2.1 *Political Context*

2.1.1 The country is emerging from a period of economic mismanagement, political instability and conflict during the 1990s. That decade was marked by the plundering of natural resources and major human disasters in the country (3.5 million people killed and many displaced). After a transition period of three and a half years (June 2003 to December 2006), the 2006 elections marked the culmination of peace and national reconciliation process. For the first time since 1960, the country has a democratically chosen Government and political institutions.

2.1.2 A new Coalition Government, led by Prime Minister Gizenga, took office on 5 February 2007. The coalition comprises the political parties of the President of the Republic (*Parti du Peuple pour la Reconstruction de la Démocratie*), the Prime Minister (*Parti Lumumbiste Unifié*) and the *Union des Démocrates Mobutistes* (UDEMO). However, despite the undeniable progress made in the stabilization of political life and establishment of State institutions, efforts towards consolidation of the peace process and national reconciliation must be sustained. Furthermore, the pace of pacification must be intensified, particularly in the eastern part of the country where there is insecurity due to the activities of some militias. There were sporadic confrontations between the militias and the Government forces in March 2007 in Kinshasa, and the conflict between part of the rebellion and the Government armed forces resumed in North Kivu. However, despite the persistent situation of insecurity in well-targeted areas of the country, the overall trend is that of sustainable consolidation of peace. In this regard, the primary challenge for the new Government is to ensure that the benefits of peace are enjoyed by the most disadvantaged segments of the population.

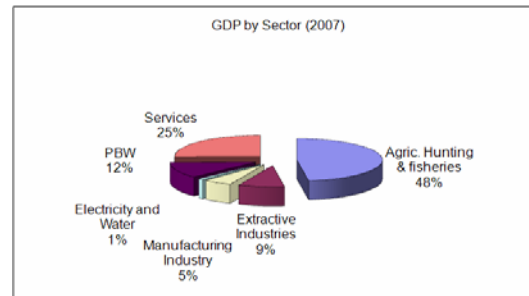
2.2 Economic and Social Context

2.2.1 Ranked as one of the poorest countries of the world despite its immense natural resources, the Democratic Republic of Congo is facing a very difficult economic and social situation.

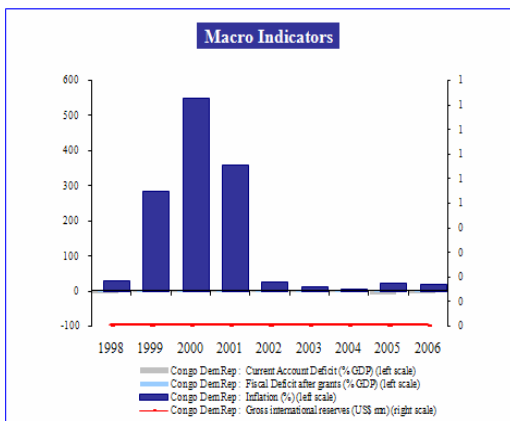


More than 71% of the population live below the poverty line. The per capita GDP was estimated at US\$ 130 in 2006 as against a Sub-Saharan African average of US\$ 842. However, economic performance has improved significantly following the gradual return to peace and progress in the movement of goods and services. The annual GDP growth over the past five years was about 5%; this revival is due to the growth of activities in the service sectors (trade, transport

and telecommunications), agriculture, agro-industry, public construction and works, and mining sectors. Consequently, private sector investments stood at nearly US\$ 2.7 billion in 2003 with the return to peace and progress in the restoration of security and reunification of the country. In 2007, agriculture and the extractive industries accounted for over 57% of GDP and the livelihood of over 70% of the population. The reforms undertaken have not yet resulted in significant increase or diversification of production.



2.2.2 It should be noted that the slackening of reform efforts and macroeconomic policies observed during the election period in 2005-2006 undermined the progress made in economic



stabilization and impeded the growth of investments in the public and private sectors. Increased public spending during this period contributed to the rise in inflation that reached 13.2% in 2006, the depreciation of the Congolese Franc (by nearly 17% in 2006) and the reduction in the Central Bank reserves that fell to less than one month of imports at end February 2007. The last review of the Poverty Reduction and Growth Facility (PRGF) could not be concluded, and the facility was suspended and replaced in April 2006 with an IMF interim staff-monitored programme up to end 2007, which was subsequently extended to 2008. Indeed,

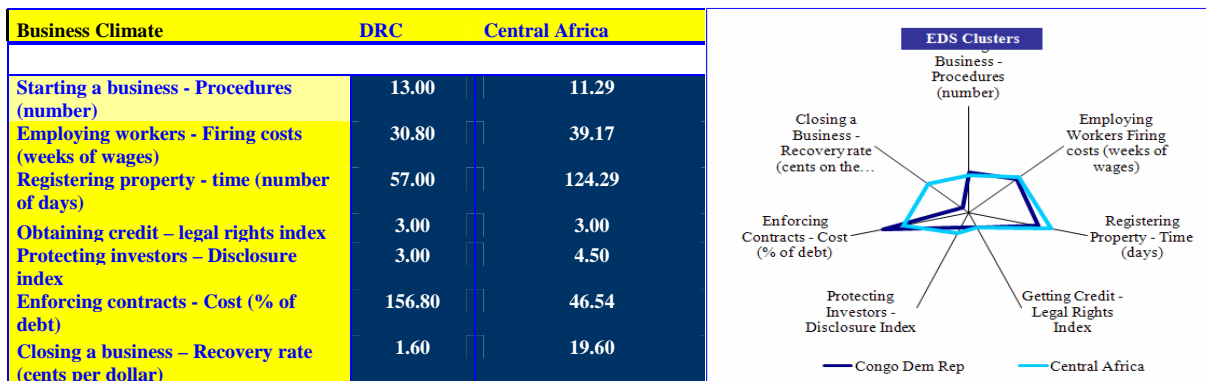
even though the stringent monetary and fiscal policies following the budgetary slippages of the end of 2007 helped to stabilize the macroeconomic framework, prospects for a conclusive review of this programme that could lead to a new PRGF during the first half of 2008 were compromised because of doubts about the viability of the external debt and the cooperation agreement recently signed with Chinese enterprises. The IMF and the Government agreed that the impact of the "Chinese Deal" on the debt be assessed before the next IMF review.

2.2.3 With regard to enhancing the overall competitiveness of the economy, significant efforts need to be made, particularly to consolidate basic infrastructures, reduce the costs of factors of production, and improve the business climate. The inadequate and obsolescent

infrastructure constitutes a major constraint on development in many areas, because of the extremely high costs of factors of production. The DRC has less than 600 km of tarred roads for such a country as large as East Europe. Only one chief town in the ten provinces is accessible by road from Kinshasa; the others can only be reached from abroad or by air. The electrification rate is also the lowest in Africa - 6% as against the 20% average in Africa. In the absence of a wide-scale programme of road reconstruction and reform of the infrastructure management systems, the economic growth potential of most of the provinces may remain untapped for a long time, and may therefore not contribute to the country's medium-term development.

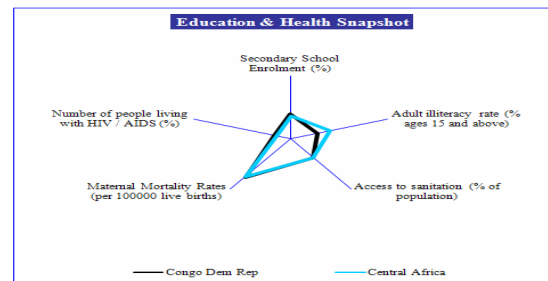
2.2.4 The financial sector has not effectively fulfilled its intermediation function for the private sector. This is due to inadequate mobilization of bank deposits over the past decade, particularly because of the negative real interest rates as a result of inflation, mandatory reserve policy, credit ceiling on banks and the uneven geographical coverage of banking services. The financial sector reforms are ongoing under the supervision of the Central Bank. In the area of microfinance, a national strategy was adopted in 2008, and the formulation of a revised regulatory framework is scheduled for 2009. The objectives of the financial sector reforms are the consolidation and modernization of the system of conducting monetary policy so as to ensure the stability of prices and improve the coverage rate of banking services in the Congolese economy.

2.2.5 In the area of governance, measures taken to improve the economic environment and combat corruption should be intensified to allow for harmonious development of the private sector in the country.



As regards improving the business climate, the DRC is facing many difficulties as illustrated in the table above.

2.2.6 At the social level, the DRC is unlikely to achieve most of the Millennium Development Goals (MDG) by 2015 without strong and sustained economic growth. Assuming an average economic growth of 5.3% (the rate for the 2002-2006 period), the 1960 per capita GDP will only be achieved only in 2060. The social indicators have also deteriorated, and the Human Development Index has declined by over 10% during the past decade, resulting in DRC's ranking as 167th out of the 177 countries rated.



2.2.7 To mitigate the impacts of the social crisis and reduce the incidence of poverty, the new

Social Indicators	2007
Infant mortality	113.5%
Life expectancy at birth	46 years
Gross primary enrolment	60.9%
Population with access to drinking water	46%
Population with access to adequate sanitation	30%
Source: ADB Statistics Department	

Government embarked on an 18-month priority actions programme from July 2007 to December 2008 under the implementation of the PRGSP. The programme, supported by development partners, aims particularly at improving access to social services (health, education,

drinking water and sanitation), reducing vulnerability, and reaching the HIPC Initiative completion point.

Growth and Poverty: Poverty Trends in DRC 2006-2025

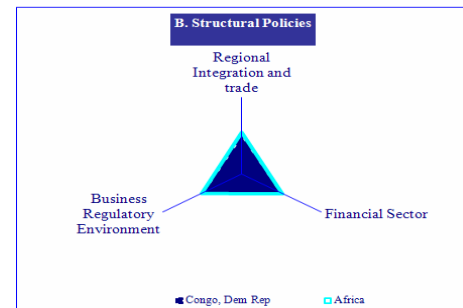
Based on the incidence of poverty, the Gini Index and the 2005 per capita GDP, simulations were conducted for the 2006-2025 period together with per capita GDP growth assumptions (5%, 8%, 10% and 12%) and the gradual decline of the Gini Index for the poor (1%, 5% and 10%) as well as for the entire country starting 2009 (5%). The first scenario uses the Gini Index of 2005 for the entire period, and maps the trend of corresponding growth rates. The simulations indicate that:

- With an annual 5% growth rate, the DRC will be unable to halve poverty by 2015, since the incidence of poverty will only decrease from 71% to nearly 45%;
- With an 8% annual growth, the DRC will be able to achieve the first MDG target by 2015-2016;
- With an annual 10% growth, the DRC could achieve this objective by 2011.

The second scenario uses an annual growth rate of 5%, backed by an income redistribution policy, with a change in the Gini Index. This scenario yields the following results: (i) the poverty index remains stable from independence up to the 1978 oil crisis; (ii) from the 1980s, the incidence of poverty begins to rise gradually, and attains rates of over 80% at the beginning of 2000s, and (iii) the downward trend observed since 2004 could continue and reach 60% by 2022.

This trend suggests that only a double-digit growth, accompanied by a fair distributive strategy, could halve the incidence of poverty by 2015.

2.2.8 Concerning regional integration, the DRC is a member of four regional economic communities (SADC, COMESA, ECCAS and CEPGL). Despite the country's numerous assets, political problems and arrears in contributions to several regional economic organizations (COMESA and SADC) have prevented it from achieving its full potential in sub-regional trade. Because it does not pay its contributions, the DRC currently does not have full voting rights in the decision-making bodies of the SADC and COMESA. It participates more actively in ECCAS. However, the DRC has made efforts to partially clear its arrears, and has undertaken to ratify the agreement on Community Integration Contribution (CCI/ECCAS) and membership to the free trade area.



2.3 National Strategic Options and Prospects

In July 2006, the DRC adopted its PRGSP, which falls within its long-term development vision. The document was prepared in a post-conflict environment through a broad-based consultation on the provincial PRGSPs involving a large section of the population. The content of the PRGSP was shared with all the Congolese political forces, and its implementation has the support of the entire electoral body.

Major Challenges, Weaknesses and Risks

2.3.1 Overall, the challenges identified concern the enhancement of peace and economic recovery within a context of acute economic crisis. One of the first challenges is to restore security throughout the country by pursuing reforms in the justice system, police and the military. Pursuing these reforms is a pre-requisite for the free movement of goods and persons, a guarantee for sustainable recovery of market output. The second challenge concerns the improvement of public resource management through the promotion of good governance, increase in public resources to finance poverty reduction programmes, and strengthen budget execution procedures so as to increase pro-poor spending. The third challenge concerns the reform of public administration. After several years of conflict, this sector needs reforms to improve public service, payroll management, and institutional and functional auditing, and to pursue the decentralization process given the size of the country. The fourth challenge concerns improvement of the management of natural resources, particularly mining, and protection of the natural environment and forests. The fifth challenge concerns crosscutting issues relating to gender and environmental protection. Adult women and young girls are affected disproportionately by violence and poverty, and their population has increased among the poor. Lastly, the sixth challenge concerns the consolidation of the macro-economic framework and sustainable increase in production by restoring production capacities and diversification.

2.3.2 Faced with the major development challenges and constraints, the priorities of the PRGSP hinge on five strategic pillars: (i) promoting good governance and consolidating peace; (ii) consolidating macroeconomic stability and macroeconomic growth; (iii) improving access to social services and reducing vulnerability; (iv) combating HIV/AIDS; and (v) promoting community activities.

2.3.3 Based on these pillars, the Government has defined a medium-term programme (2007-2011) based on the five priority areas defined by the President of the Republic, namely: infrastructure, employment, education and health, water and electricity. Through this programme, the Government hopes to restore the rule of law and rebuild a country in which the majority of the population will have access to basic social services. On 25 June 2007, the representatives of the Government and development partners agreed on a Priority Actions Programme (PAP) to reduce poverty and promote growth in the country.

Table 1
Development Strategy, Constraints and Challenges

Challenges and Constraints	Strategic Areas of the Government PRGSP	Government Medium-Term Development Programme
<ul style="list-style-type: none"> • The conflict situation in the DRC for the past forty years has led to the destruction of the productive system and socioeconomic infrastructure, which is an obstacle to economic growth; • Weak internal ownership of indispensable reforms because of the weak human, institutional and administrative capacities seriously reduced by conflicts; • Low access by the majority of the population to basic social services ranking the DRC as 167th out of 177 countries on the human development index; • Regulatory, tax and legal environment impedes private sector development and effective provision of public services by the Government; • Weak administrative and financial capacity at the decentralized level for the construction of a system of local governance that is both capable of providing basic public services and accounting for the management of resources; • Inaccessibility of most of the country due to the absence of transport infrastructure. 	<p>Promoting good governance and consolidating peace;</p> <p>Consolidating macroeconomic stability and economic growth;</p> <p>Improving access to social services and reducing vulnerability;</p> <p>Strengthening of HIV/AIDS control;</p> <p>Support for local initiatives.</p>	<p><u>ONGOING REFORMS</u></p> <ul style="list-style-type: none"> • Clarification of the roles of institutions involved in the security sector; • Building the capacity of governmental and non-governmental control and anti-corruption institutions; • Reform of the Government budget procedure to meet international standards; • Management of natural resources based on legal codes; • Formulation of a coherent national policy on employment and vocational training. <p><u>PUBLIC INVESTMENT</u></p> <p><u>Infrastructure</u></p> <ul style="list-style-type: none"> • Rehabilitation of the transport structure and State transport enterprises; • Rehabilitation of energy infrastructures and increase of electricity exports; • Establishment of solid waste treatment plants in selected cities. <p><u>Human Capital</u></p> <ul style="list-style-type: none"> • Increase the gross enrolment rate from 64.1% in 2006 to 80% in 2008, and to 100% in 2015 so as to improve the quality of human resources; • Increase the national coverage of the delivery of quality care services and combat major diseases such as HIV/AIDS, malaria, tuberculosis, etc.

Assets and Opportunities

2.3.4 In view of its special geographical position and considering its economic and political interests, the DRC will have to play a crucial role in the process of regional integration in Central Africa. As a member of several regional groupings such as the ECCAS, SADC, COMESA and CEPGL, the DRC could, with greater political support from Central African states, benefit from regional integration as a vector for achieving its development and security objectives. Internally, the recent elections marking the end of the peace and reconciliation process have for the first time since 1960 allowed for the establishment of a Government, a Parliament and local authorities elected on democratic and transparent bases. This popular legitimacy of the institutions is also an indispensable asset for the harmonious implementation of the country's development programme during the PRGSP cycle and beyond, to achieve progress towards the MDGs. The Government is determined to implement a practical results-based action plan aimed at translating the major strategies adopted in the PRGSP into concrete actions. The Government's priority actions consist of: (1) reform of the security sector, (2) transparency, (3) public finance management, (4) local governance, (5) investment climate and reform of public enterprises. The comparative advantages and potential growth sources of the DRC are presented below.

Table 2
Comparative Advantages and Potential Growth Sources in DRC

Why invest in the Democratic Republic of Congo?	In what sectors?
<p>Comparative Advantages of Country</p> <p><u>Good macroeconomic situation</u></p> <ul style="list-style-type: none"> • Resumption of economic growth. • Prospects for reaching the HIPC-I completion point. <p><u>Abundance of natural resources</u></p> <ul style="list-style-type: none"> • Gas, diamond, potassium, copper, cobalt, zinc and iron. • Dense river system and immense hydroelectric potential estimated at 100,000 MW. • Vast animal and plant production potential with 10 million ha of arable land and diversified fishery resources. • Immense natural forests of 22.5 million hectares. • Diversified and abundant fauna and flora. • Significant potential in ecotourism with attractive savannahs, mountains, and highlands. <p><u>Size of Territory</u></p> <p>The DRC shares common borders with 9 countries.</p>	<p>Main Private Sector Growth Sources</p> <ul style="list-style-type: none"> • Agro-food sector is a market to be developed for the supply of dairy and fish products, sugar, rice, flour, fruit juice, etc, for which domestic demand is high. • Processing of wood (sawing, plywood, etc.) • Industrial products (building materials, metallurgy, etc.). to meet the pressing need for household and enterprise equipment. • Exploitation of natural resources (potash, diamond, etc.). <p><u>Infrastructure</u></p> <ul style="list-style-type: none"> • Water and electricity production and supply. • Rehabilitation and construction of grid systems. • Enormous potential for ecotourism.

2.4 Relations with Donors

2.4.1 The country resumed cooperation with the international financial community in June 2002 by clearing its payment arrears and embarking on a stabilization and reform programme supported by the Bretton Woods Institutions. The good performance of the adjustment

programme enabled the country to reach the HIPC-I decision point in July 2003 and to receive financial support from its foreign partners. However, slippages that occurred during the election period resulted in the suspension of the PRGF programme with the IMF and subjected the country to an IMF staff-monitored programme from April 2006 to the end of 2007, which was extended in 2008.

2.4.2 During the Consultative Group meeting held in Paris in November 2007, the Government reiterated its commitment to pursue all the necessary reforms in the economy and public administration. The development partners appreciated the efforts made, particularly the Government's commitment to fiscal discipline, and encouraged it to pursue them. The Government confirmed its willingness to pursue reforms in order to reach the HIPC-I completion point – a point at which cancellation of the debt becomes irrevocable. Besides, the Government is expecting to benefit from additional debt relief under the Multilateral Debt Relief Initiative (MDRI), including the Paris and London Clubs. At the end of the Consultative Group meeting, the bilateral and multilateral development partners undertook to provide sustained support to the DRC in the amount of US\$ 4 billion over the next three years (2008-2010), corresponding to a little over US\$ 1.3 billion per year, 75 percent of which represents new commitments aimed at supporting the country's political and economic stabilization, post-conflict reconstruction, and reforms in the area of governance.

2.4.3 Economic assistance from the DRC's major donors falls within the Country Assistance Framework (CAF) which is the process by which the country's partners have developed a common strategic approach aimed at harmonizing their approaches and instruments. Based on the PRSP priorities, the CAF lays emphasis on the common diagnosis of the country's problems, the coordination of programmes and a common results matrix. It is an indispensable instrument for the coordination of strategic approaches and programmes, a fundamental challenge for economic recovery in a country like the DRC.

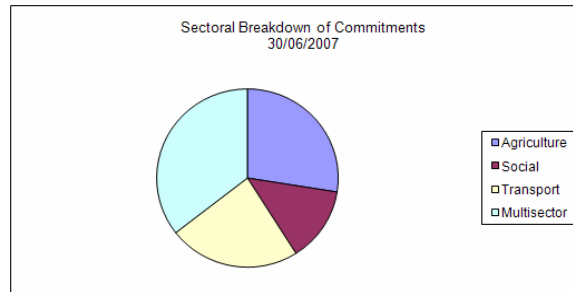
2.5 *Bank Group Positioning in the Country*

2.5.1 Within the new post-electoral context of the country, donors have adopted a Country Assistance Framework (CAF) that was the subject of consultations with the Government, the private sector and the civil society in 2007. This new framework, based on the results from the pillars of the PRGSP, will serve as a benchmark and framework of the coordination for external aid during the 2007-2009 period.

2.5.2 The ADB Group is one of the major donors in the DRC, after the World Bank. Its position has been strengthened since the resumption of cooperation with a total amount approved for the current portfolio of UA 249.75 million for the public sector at the end of June 2008.

2.5.3 In the area of portfolio management, the lessons learnt during the last review of Bank operations in 2007 will be used in improving the project implementation rate by adjusting the design and method of implementation on the ground to the country's post-conflict context and difficult accessibility of project areas. Prospects for implementation and improvement of the Bank's portfolio are also good in view of the more stable medium-term political and economic visibility.

2.5.4 The portfolio of the Bank's ongoing projects comprises 11 operations made up of 10 projects and one study in the public sector for a total approved amount of UA 249.75 million, and 2 operations in the private sector in the amount of US\$ 101.1 million. The total amount disbursed for these operations stands at UA 67.13 million, representing a 19% disbursement rate. The DRC portfolio is still



young, and the review conducted in 2007 deemed its performance to be unsatisfactory (rating of 1.7 out of 3) as a result of the institutional constraints and the country's political transition during the 2003-2006 period. The urgent preparation of some projects under the country's emergency reconstruction programme also affected the quality at entry of these projects. Their implementation was completely or partially obstructed by the inadequate design (the "PAPDDS" health project) or inadequate identification of some components ("health infrastructure" component of the PMURIS). The public project portfolio performance indicators for the 2004-2007 period are as follows:

PORTFOLIO PERFORMANCE INDICATORS

	2004	2005	2006	June 2007	May 2008
PERFORMANCE					
Number of projects	7	9	10	10	11
ADF Commitments	134.93	222.38	224.23	223.8	249,75
ADF Disbursement				57.9	67,13
Rate of ADF Disbursement				25.9	19,19
Number of problem projects (PP)			2	3	3
Number of potentially-problem projects (PPP)			1	0	3
% of projects at risk			34	34	55
MANAGEMENT					
Average supervision / project	1	1	1.5	1	1
Number of active projects	7	9	10	9	10
Number of supervised projects	6	7	7	6	10
Number of projects rated S or HS	3	4	4	3	
Number of projects rated U or HU	3	4	4	6	
Number of restructured projects	0	0	0	2	
Number of mid-term reviews	0	0	0	1	
Number of projects with cancellations (totally or partially)	0	0	1	0	
Number of projects with over 2 years of extension	0	0	0	1	

2.5.5 The weak implementation and managerial capacities of the Ministries, as well as difficulties preventing the Government from releasing its counterpart funds for projects also contributed to the unsatisfactory performance of the portfolio. Weak national capacities justified the approach adopted by the Bank in 2002 in entrusting the implementation of its initial projects to the "BCECO" Central Coordination Office, a body created by the Ministry of Finance with the support of the World Bank.

2.5.6 Overall, the borrower complied with the general conditions of the agreements, except the delay in conducting some audits and late release of national counterpart funds. With regard to obligations related to “other conditions”, these were not fully met as a result of the political transition context which was not conducive to the adoption of some privatization reforms, notably in the agricultural sector. The Bank’s performance was also not satisfactory because of the workload, frequent change of experts in charge of projects and the cumbersome procurement procedures applied to projects. Steps have already been taken by the Bank to improve monitoring of the portfolio and reduce the time for processing procurement documents by involving the Bank’s country office team.

2.5.7 The DRC has fulfilled its commitments in the servicing of debt owed to the Bank Group since the clearance of arrears in June 2002. The debt service continued under the HIPC-I debt relief during the interim period of July 2003 to July 2007. The Bank approved the extension of this period to the reaching of the completion point.

2.5.8 *Lessons from the experience of the previous strategy:* For the Bank, the lessons contained in the completion report of its previous strategy are as follows: (i) greater selectivity in the Bank’s interventions to optimize the impact on targeted sectors, and (ii) better definition of indicators in consultation with other development partners for better harmonization of our interventions. Furthermore, the outcomes defined during the Bank’s strategy cycle should be determined in relation to the impact of outputs from already active projects and those to be approved during the ADF cycle under consideration. The Bank also drew lessons from the implementation of projects in a post-conflict and fragile country. The proposals for revising procurement procedures in order to ensure more flexibility that are currently under consideration at the Bank reflect the institution’s commitment to improvement and effectiveness in project implementation. For the Government, the lessons learnt concern: (i) the strengthening of its level of ownership of the strategy through effective involvement of the Government in design and implementation, (ii) strengthening of the statistical tool for the collection and analysis of data in key sectors for the assessment of outcomes, and (iii) release of counterpart funds to facilitate project implementation.

III. BANK GROUP COUNTRY STRATEGY

3.1 Rationale and Targeted Results of the Strategy

3.1.1 The 2008-2012 Bank strategy is consistent with the PRGSP strategic pillars, and meets the major challenges of the country in efforts to break the vicious circle of poverty and lay the bases for sustainable and shared development. However, as indicated in the assessment of the Government’s programme, the results obtained since the adoption of the PRGSP in 2006 require reinforcement of macroeconomic and structural reforms aimed at enhancing governance and consolidating peace, as well as ensuring equitable and sustainable growth. To that end, the *promotion of good governance and consolidation of peace* constitute a key area of the Government’s strategy that the Bank will adopt to improve the management of public and natural resources, as well as the management of the administration and public enterprises.

3.1.2 Furthermore, to enable the people to reap the benefits of peace, it is necessary to increase public spending in the major sectors so as to improve living conditions. To that end, the Government aims at strong economic growth based on improved governance of the country’s natural resources. In this respect, the major challenge, which will be taken into account under the Bank’s strategy, will consist in supporting quality growth by increasing investments for the rehabilitation, extension and maintenance of key infrastructures in the transport and energy

sectors, while improving the regulatory framework of business. Thus, the Bank has identified as the second pillar of its intervention the *promotion of pro-poor economic growth* which will lay emphasis on support for economic recovery and sustainable growth by focusing on the development of basic infrastructures, water and sanitation, and electrification.

3.2 Objectives and Outcomes of RBCSP 2008-2012

3.2.1 The Bank's intervention priority areas or pillars identified in this RBCSP concern the MDGs, the strategic areas of the PRGSP, and are also based on lessons learnt from the previous CSP and management of the Bank's portfolio in the DRC. The Bank has opted to focus its support on the PRGSP pillars that contribute most to poverty reduction and are most in line with its vision and strategic plan. On this basis, the Bank's intervention for the 2008-2012 period forms falls within the overall framework of two priorities, namely: *(i) support for good governance, and (ii) promotion of pro-poor growth*. The choice of these two pillars was made in a series of consultations with the Government, the private sector and the civil society. The Bank has also taken into consideration the interventions by other development partners in the country in making these choices in collaboration with the Government. On the basis of these two pillars, the ADF will give priority to governance and infrastructure indicators in monitoring the strategy over the next three years (2008-2010).

3.2.2 The Bank's intervention strategy has set as its objectives the promotion of transparency and rational management of public resources, as well as the reduction of the excessive costs of factors of production that seriously undermine the competitiveness of the Congolese economy. This strategy is a follow-up to the 2005-2007 strategy in a post-conflict country, and its outcomes will be consolidated by the new targeted actions to support accelerated and sustainable growth.

3.2.3 The strategy will be supported by the increased operational commitment of the Bank under its Fragile States Strategy. The DRC has fulfilled the first stage criteria relating to: (i) the commitment to consolidate peace and security, and (ii) the unmet social and economic needs. An assessment of the second stage criteria, namely: (i) macroeconomic and debt management, (ii) sound financial management practices, (iii) transparency of public accounts shows that the efforts made in these areas by the country in recent years could make it eligible for the Fragile States Facility.

Targeted Activities

PILLAR 1 : SUPPORT FOR GOOD GOVERNANCE

3.2.4 Under this pillar, transparency in resource management, broadening of social inclusion and equity, and improvement of the business climate are the set objectives, whose achievement will stimulate medium-term economic growth with its positive implications for employment and poverty reduction.

3.2.5 *The primary objective of transparency* aims at improving the framework for public finance management by strengthening monitoring of the execution of expenditures and mobilization of public revenues which cannot be done by the current budgetary and control system. The ongoing reform of the budgetary and public procurement system should be accelerated and sustained so as to ensure effective mobilization and use of resources and contribute to meeting the Government's development programme objectives. Strengthening the public finance control (internal and external) system will serve as a deterrent for corruption and

fraud which account for the flight of considerable Government resources. To achieve this objective, measures will be taken to curb the abusive use of exceptional commitment procedures for the State budget. The Government will also pursue reform of the civil service, local governance and decentralization. As regards transparency in the management of natural resources, the DRC will require support to sustain the progress made in the implementation of the Extractive Industry Transparency Initiative (EITI) to which the country declared its intention of adhering in 2005. The structures of the EITI have been put in place, and a permanent secretariat will be responsible for implementation of the work programme defined by a steering committee chaired by the Minister of Planning. In this regard, the first International Conference on the EITI process was held in the DRC in January 2008 under the main theme of transparency in the management of mining, forestry and petroleum industrial revenues in the DRC.

3.2.6 *To broaden social inclusion and equity*, the budget reforms will be pursued to gear public spending towards alleviating poverty and vulnerability. To this end, the Government will lay emphasis on the main recommendations made following the auditing of the HIPC account to increase pro-poor spending. The priority sectors are education, health, water and sanitation. The transparent application of mining and forestry codes should allow for sustainable exploitation of these resources, attract private investors, and ensure substantial increase in Government revenues that will be used to implement its economic and social policy.

3.2.7 *The objective of improving the business environment* is complementary to the first objective and is a major challenge for accelerating private sector-led economic growth in the country. Emphasis will be laid on adopting the legal framework of investments, completion of the restructuring of the banking sector, and the urgent reform of major public enterprises (SNCC, ONATRA, SNEL and REGIDESO) so as to improve the supply and quality of transport, port, electricity and water services. The Bank will also contribute to the financing of private sector operations, notably in the areas of microfinance, infrastructure and the mining sector.

3.2.8 Under ADF XI, the Bank will consider a policy-based lending operation. The reforms pertaining to this operation will be essential for the stabilization of the macroeconomic framework and private sector development in the short to the medium term. The actions envisaged by the Bank are intended to support the Government's efforts in the area of good governance in public sector management to ensure optimal use of resources for infrastructure and basic social services, whose impact will be vital for the return to growth and improvement of the living conditions of poor communities. These actions also form part of the Government's 2007-2011 economic programme, and will receive a rapid disbursement ADF XI grant in the form of support to balance of payments, into a special account to be opened by the Government at the Central Bank of Congo. The resources disbursed will be used to procure eligible imports, and will be audited.

3.2.9 Furthermore, in view of its situation as a fragile country, the DRC could fulfil the eligibility conditions for the resources of the Supplemental Support Window under the Fragile States Facility (FSF) which will supplement the country's allocation. In accordance with the priority interventions of ADF-XI, the resources to be allocated will be part of rapid disbursement operations in the areas of capacity building as well as the rehabilitation and reconstruction of basic infrastructures.

PILLAR 2 : PROMOTION OF PRO-POOR GROWTH

3.2.10 In a post-conflict country such as the DRC, the reconstruction of infrastructure is a prerequisite for sustainable growth. This should contribute to reducing the costs of factors of production, notably transport, electricity and water, which will improve the competitiveness of the economy on the whole and the living and health conditions of the people, in particular.

3.2.11 Under ADF XI (2008-2010), the Bank's interventions will mainly support: (i) energy sector infrastructures by upgrading their capacities, (ii) rural electrification, and (iii) sanitation and greater access to drinking water. Subsequently, subject to the availability of financing, the Bank will provide assistance under ADF XI or under ADF XII to improve transport infrastructure, with special emphasis on the rehabilitation of major highways and the linking of rural areas, notably through feeder roads. The Bank's intervention should also help to strengthen rural and agricultural infrastructure in the agricultural sector, which accounts for 42% of GDP and is therefore a potential engine for poverty reduction. Specifically, the Bank's intervention in the agricultural sector will consist in adopting an investment programme to help reopen specific roads and create water points and market infrastructures. In order to assist the country to address the food crisis, the Bank also envisages reallocating some uncommitted resources of active projects or restructuring specific ongoing projects to enable the Government to address the urgent needs for agricultural inputs and increased production. The Bank's assistance, as well as the expected results (see table below) stem from the Government's priority action programme (PAP). The choice of these sectors is based on the comparative advantage of the Bank which is already present in these sectors in the DRC. Furthermore, through these sectors, the Bank hopes to create synergy with the social sectors, namely education and health. By rehabilitating and developing capacities in the areas of rural electricity and water and sanitation, the Bank will help to optimize the effectiveness of education and health facilities, and thereby improve the education and health status of the Congolese people. These new Bank operations are expected to boost the impact of its role as one of the major donors in the country's reconstruction and an indispensable partner in dialogue with the authorities on the reforms to be carried out in these sectors. The project instrument will continue to be used in the energy and water sectors, as in the case of ongoing operations financed from the ADF X resources, in view of the management capacities of the SNEL and REGIDESO and the lack of a viable fiduciary framework for budgetary support. The intervention in the road sub-sector will require the project instrument for major roads, and the rehabilitation and construction of roads and feeder roads. Pro-poor growth should be shared equitably by including marginalized groups, particularly the youths and women who have been hard-hit by the socioeconomic situation affecting the DRC in recent years. The Bank will ensure the inclusion of these groups in the formulation of its projects. In view of the enormous economic potential of natural resources (mining, forestry, agriculture, etc.), it is also important to ensure that pro-poor growth is sustainable from the environmental viewpoint in order to safeguard the chances of future generations. Here again, the Bank will ensure that the environmental impact of these projects is fully identified in order to assist the country benefit from its natural resources while minimizing the undesired environmental effects.

3.2.12 The private sector will receive Bank support for developing the economic fabric and supporting investments, notably in the SMI/SME sector. Given the comparative advantages gives to the domestic and external markets, the SMI/SME sector will play a leading role in the Government's strategy in the medium and long terms to accelerate growth, improve the trade balance and ensure wider distribution of wealth in order to reduce the percentage of poor people. The Bank will thus contribute to creating a microfinance bank in the DRC in 2008 in partnership with a Luxembourg-based financial group (Lafayette Investment) and the assistance of other donors already active in microfinance (BEI, AFD, FMO, KFW and IFC). The Bank's

participation provides for a subsidy from FAPA for technical assistance and equity participation not exceeding 20-25%. The Bank has identified other investment opportunities in the private sector, particularly in the areas of mining, infrastructure and industry (aluminum smelter, cement factory, etc.) for the 2008-2012 period.

3.2.13 The expected outcomes of these objectives have been specified in the matrix given in Annex 2. The outcomes are based on the objectives of the PRGSP and measured by key indicators of the Country Assistance Framework which serves as framework for the harmonization of future donor interventions.

Support for Regional Integration

3.2.14 As indicated in paragraph 2.3.5, regional integration, as a vector for achieving development goals and security in the DRC, is a major challenge for the country. In view of its special geographic position and considering its economic and political interests, the DRC is expected to play a crucial role in the Central African regional integration process. In assuming the chair of ECCAS in 2008, it now has a good opportunity to initiate and direct an integration process for the country and the entire region.

3.2.15 Support for regional integration is an integral part of the mission of the Bank, for which it has in recent years undertaken to enhance its policy. Furthermore, the Bank has been appointed a strategic partner for the implementation of NEPAD. To improve the impact of its operations on growth and poverty reduction, the complementarity of the two levels of assistance, namely, national and regional, should be optimized. In view of this concern, the Bank's ongoing regional integration strategy is aimed at the following three strategic areas: (i) capacity building and support for regional economic integration; (ii) regional infrastructural development; and (iii) support for regional cooperation in the management of regional issues, laying emphasis on HIV/AIDS control, food security and the environment. Consequently, it is such regional initiatives of the Bank in Central Africa that will address some of the concerns of the RBCSP, particularly in the area of conservation of natural resources and protection of forestry ecosystems, which constitute a central issue for the growth and economic development of the country. The Bank will provide support within a regional framework for the implementation of the Convergence Plan of the Central African Forestry Commission (COMIFAC). The International Conference on mechanisms for financing the sustainable management of forestry ecosystems in the Congo Basin hosted by the Bank in February 2008 will contribute to formulating an institutional support project to build the capacities of the various stakeholders in the management of the natural resources of the Congo Basin. In the area of transport infrastructure, the Bank will contribute to the financing of priority operations; as regards energy, it will contribute to the financing of operations stemming from the study on the interconnection of ECCAS grids, approved in 2003. In all these areas, the principles of complementarity, optimization and subsidiarity will guide the interventions of the Bank Group in the DRC and in the ECCAS zone. Concerning multinational operations involving the DRC, the Bank hopes to finance, during the 2008-2012 period, the Inga hydroelectric site development study approved in April 2008, the study on the road-railway bridge between Kinshasa and Brazzaville, the Congo Basin biodiversity conservation project, the African onchocerciasis control programme, and the interconnection of the grids of countries of the Nile Equatorial Lakes.

Non-Project Activities:

3.2.16 These activities are intended to support the implementation of the Government's strategy and programme during the RBCSP. The assistance aims at: (i) helping the DRC to reach

the HIPC-I completion point through support for debt management and the Congolese Poverty Observatory. The support to the Observatory will also contribute to gathering updated data to be used in establishing the country's gender profile. The national strategy for gender promotion to be approved in July 2008 will help to identify areas that the Bank could support in order to promote economic opportunities for women and reduce their vulnerability; (ii) improve capacities for analysis and advisory services to the Government through strategic studies on energy, water (rural areas) and decentralization; and (iii) intensify the mobilization of resources for the implementation of the action plan for the protection of the ecosystems of the Congo Basin. Some of these activities are undergoing implementation as part of ongoing projects, while the others will be carried out in 2008 using the ordinary budget of the Bank's operations complex. Lastly, assistance and improvement of services for the portfolio will be provided thanks to the presence of the Bank's country office and its qualified staff in Kinshasa.

3.2.17 In order to assist the DRC in its efforts to address the food crisis, the Bank also envisages to reallocate some uncommitted resources of active projects or restructure some ongoing projects to enable the Government to meet urgent agricultural input needs and so as to boost production. The medium and long-term measures will help the country to reinforce food security through other measures designed to improve rural infrastructure and promote agricultural research.

3.3 *Performance Benchmarks of the Strategy*

3.3.1 The performance benchmarks of the strategy have been defined in three areas considered to be criteria for the effectiveness of the Bank's intervention strategy in the DRC during the ADF XI cycle, namely: the results of the operational programme; portfolio performance; and harmonization and dialogue with the country. The assessment of the country's performance is based on the Country Policy and Institutional Assessment (CPIA) and the performance of the Bank's portfolio. The results of this exercise conducted in 2007 ranked the DRC in the "weak" quintile despite the progress made in the area of macroeconomic management in 2007. Under ADF XI, the DRC's allocation will be reviewed annually in line with the CPIA evaluation.

3.3.2 At the operational level, the Bank will continue to pay special attention under ADF XI to improving efforts in areas deemed to be unsatisfactory, namely: (i) fiscal discipline; (ii) transparency and the fight against corruption in the public sector; and (iii) equity in the use of public resources for the disadvantaged segments of the population.

3.3.3 The performance of the portfolio will also be monitored and assessed on the basis of progress in the implementation of projects and rate of disbursement. With regard to portfolio performance, the review of ongoing operations conducted by the Bank in March 2007 led to the formulation of an action plan whose implementation will constitute one of the criteria for assessing the effectiveness of the Bank's strategy. The Bank has already begun to implement this plan through the increased rate of its supervisions and assistance to implementation agencies, with the support of the Regional Office in the DRC. A training seminar on procurement and disbursement rules and procedures was organized in Kinshasa in July, December 2007 and in January 2008. At the end of this CSP, the Bank hopes to reduce the effectiveness period, the age of the portfolio and the number of projects at risk.

3.3.4 The reference framework for harmonization remains the country assistance framework presented at the Consultative Group meeting in November 2007. With regard to harmonization and dialogue, coordination between the donors is ensured through the work of the advisory

groups. Roundtable meetings are also held to coordinate the interventions of donors in accordance with their respective priorities. The Bank has been participating, together with the IMF, the World Bank and the European Union, in the harmonization of reforms under the evaluation of structural adjustment programmes and joint PRGF reviews in which the Bank has been participating regularly. Assistance in the area of capacity building is coordinated by the national capacity building programme which is managed and evaluated periodically by the National Secretariat for Capacity Building (SENAREC).

3.4 *Risk Management*

3.4.1 Five major risks may be identified in the implementation of the Bank's strategy. The first risk relates to: (i) *the fragility of the political transition due to the persisting political insecurity prevailing in parts of the country, and in general, in the sub-region*. The elections held in 2006 constitute a major landmark in the peace consolidation process. Furthermore, pursuance of the UN "MONUC" peace mission in the DRC is a mitigation factor of this risk, as well as ongoing national and regional initiatives aimed at restoring peace (DRC Task Force - Rwanda, Goma Conference). Lastly, the commitment of political stakeholders to the implementation of the Government's programme and the establishment of a special reconstruction fund for the Great Lakes countries are to be viewed as mitigation measures of this first risk. Ownership of the Government programme as well as the governance compact binding all the political stakeholders is also a mitigation factor of the second risk which is related to the fragile macroeconomic situation that could lead to *slackening of the reform efforts thereby creating difficulties in the mobilization of external resources*. This risk is also mitigated by the interventions of the Bank with other donors to provide technical assistance and develop the capacities of the Government in adopting macroeconomic measures, improving public finance management and control, and contributing to the establishment of the complex decentralization process. Furthermore, the Government has on several occasions renewed its commitment to pursue the reforms in order to keep the programme on track and continue to benefit from the financial support of its development partners.

3.4.2 The third risk relating to *the need to pursue efforts to combat corruption* will be managed as part of donor dialogue with the authorities, the private sector and the civil society to carry out structural change and pursue transparency and good governance in the management of public affairs, particularly mining and public expenditure. Under the RBCSP, the Bank will participate in public expenditure reviews and expenditure tracking surveys in sectors where it is active. The aim will be to ensure proper use of resources provided for projects through regular or where necessary, *ad hoc* supervisions and auditing. Lastly, the fourth risk is related to *weak capacities and lack of coordination of the interventions of development partners*. This risk is mitigated by pursuance of capacity building efforts in the strategic Ministries and the Central Bank designed to improve macroeconomic management and the capacities of sector Ministries to formulate and implement coherent strategies within the framework of medium-term expenditures. To remedy the inadequate capacities in project supervision in the Ministries in charge of infrastructure and social and rural sectors (education, health, social protection and agriculture), the Government has put in place, with the support of the World Bank and the ADB, executing agencies and provided them with technical and managerial capacities. Other support is provided under the national capacity building programme, which has the financial support of several donors, including the Bank, the ACBF, the UNDP and the European Union. In addition, bilateral partners also support specific capacity building actions (Belgium, France and Canada). The scale of the weak capacities and its impact on the implementation of the Government's programme justify the priority given to this area in the Bank's assistance strategy. The building of capacities will make for better coordination of donors, which is necessary for a country such

as the DRC, to ensure the effectiveness of aid. Efforts should be geared towards the full implementation of the Paris Declaration aimed at the harmonization and the use of common intervention instruments in any given sector, through fiduciary funds and monitoring mechanisms. These should be coordinated with the strengthening of coordination and monitoring capacities of donor programmes at the Ministry of Planning and sector Ministries, and the implementation of regular coordination and dialogue mechanisms between donors and Government.

3.5 Monitoring-Evaluation of the Strategy

3.5.1 The RBCSP is based on the PRGSP strategic areas. In this regard, the results of the monitoring of the Government's programme and the Bank's performances will be analyzed in relation to the poverty reduction indicators defined in the PRGSP and the PRGSP progress report. *The Bank will focus on three criteria for the monitoring of the RBCSP: execution of the annual budget in line with the themes of the PRGSP, progress made in the implementation of structural reforms, and the performance of its portfolio in the DRC.* The indicators reflecting the country's performance will be monitored on an annual basis; the monitoring will make it possible to take the necessary corrective measures in case of discrepancy in the results in relation to the set objectives, notably in the rural development and social sectors. To this end, periodic reports will be prepared using a monitoring and participatory evaluation mechanism that involves all the poverty reduction stakeholders. A three-pronged information system comprising implementation, monitoring, impact monitoring and participatory monitoring-evaluation will be used.

3.5.2 The monitoring system will also draw on the findings of several ongoing surveys. These include the first demographic and health survey (EDS) with a component on HIV/AIDS to be conducted jointly with a multi-indicator cross-survey (MICS), the 2nd national 1-2-3 type of survey on employment, the informal sector and household living conditions, the 2nd general population and housing census, a national agricultural survey, and the collection and updating of data on the educational system. To this end, the Bank will continue to provide assistance to statistical services under our sectoral projects or the policy-based lending programme to build capacities for the collection and analysis of national statistical data in the priority sectors. The assistance, which will be built into the PRGSP monitoring-evaluation, will be coordinated with the other donors in the implementation and monitoring of the CAF. The civil society, as well as private sector structures, will also be involved, upstream in the participatory project formulation and downstream in the monitoring-evaluation of the strategy.

IV. CONCLUSION AND RECOMMENDATION

4.1 Conclusion

4.1.1 The consolidation of the peace process as well as the existence of a Government recognized by the major political stakeholders following the democratic elections of 2006 are assets for the Democratic Republic of Congo in the promotion of sustainable growth aimed at reducing poverty which affects over 70% of the population. Consequently, the challenges of the current Government concern the restoration of security throughout the country and continuation of reforms that remain a prerequisite for the free movement of goods and services, a guarantee for sustainable economic growth. To meet these challenges, the Government formulated a PRGSP whose priorities helped define in June 2007 a medium-term priority programme (2007-2011) based on the major projects defined by the President of the Republic. Consequently, the Government and the country's development partners have agreed on a Country Assistance

Framework (CAF) in line with the PRGSP priorities. The CAF was presented at the Consultative Group meeting of November 2007 and the development partners of the DRC confirmed their support for the implementation of the action plan, which is the reference framework for their interventions.

4.1.2 Specifically, the implementation of the Bank's strategy for the 2008-2012 period will contribute to achieving the objectives contained in the CAF. This strategy is mainly aligned with the three priorities of the PRGSP, namely promotion of good governance and consolidation of peace, consolidation of macroeconomic stability and economic growth, and lastly, improvement of access to basic social services and reduction of vulnerability. The Bank's intervention pillars identified in the present RBCSP concern the MDGs and the PRGSP strategic themes, and are also based on lessons drawn from the previous CSP and the management of the Bank's portfolio in the DRC. The Bank has opted to concentrate its support on the PRGSP pillars which contribute most to poverty reduction and are also in line with its vision and strategic plan. On this basis, its intervention during the 2008-2012 period falls within the overall framework of the two priorities, namely *(i) support for good governance, and (ii) promotion of pro-poor growth*. In this context, the first pillar of the Bank's intervention strategy has set as its objectives the broadening of social inclusion and equity, transparency in the management of public and natural resources, and the improvement of the business environment that has been hampering the competitiveness of the Congolese economy. With regard to the second pillar, the Bank's intervention will be geared towards strengthening basic infrastructures to improve urban and rural road network, sanitation and access to drinking water and electrification. This strategy is a follow-up to the 2005-2007 strategy in a post-conflict country; its results will be consolidated by new targeted actions aimed at supporting accelerated and sustainable growth.

4.2 Recommendation

4.2.1 The Boards of Administration are invited to approve the Bank's proposed strategy in the DRC for the 2008-2012 period on the basis of an allocation of ADF XI resources not exceeding to UA 177.33 million in the form of a grant. The amount of the allocation is based on the country's performance in 2007. The allocation will evolve in line with the country's performance under the CPIA. The financing of the strategy also includes UA 60 million from the resources of the Supplemental Support Window of the Fragile States Facility (FSF). Furthermore, the Boards are invited to approve the assessment appended to this report by which the DRC, as a fragile state, meets the criteria required to be eligible for the resources of the Supplemental Support Window of the Fragile States Facility.

DEMOCRATIC REPUBLIC OF CONGO

ELIGIBILITY FOR SUPPLEMENTAL SUPPORT UNDER THE FRIGILE STATES FACILITY (FSF)

Context

Nine countries, including the Democratic Republic of Congo (DRC) are classified by the Bank as Fragile States. The DRC meets the criteria of the first stage of selection, namely (i) commitment to consolidate peace and security, and (ii) unmet social and economic needs. The purpose of this note is to determine whether the country fulfils the criteria of the second stage of selection detailed below, and its eligibility for the supplemental support window SSW.

Criterion 1 : Improvement of macroeconomic conditions and pursuance of a sustainable debt policy.

Following the process of consolidation of peace, the DRC has made significant strides since 2001 that enabled it reach the HIPC-I decision point in July 2003. However, progress made towards the completion point were eroded in 2005-2006, as a result of a slackening of the reform efforts, notably monetary and fiscal, during the transition period and the political and social tension in the country during the electoral period. The last PRGF review was not concluded and the facility was suspended and replaced in April 2006 by an IMF monitored programme up to 2007, and which was maintained because of budgetary slippages at the end of 2007 and beginning of 2008.

However, at the end of May 2008, the implementation of the government's economic agenda was deemed to be satisfactory. The stringent monetary and fiscal policies at the start of 2008 contributed to easing the pressure on the exchange rate as well as inflationary pressures resulting from budgetary slippages at the end of 2007. The pursuit of these policies, as the government has undertaken to do, should help contain the annual inflation rate at around 24%, build up foreign exchange reserves of at least US\$ 200 million at the Central Bank and achieve a 10% growth.

With respect to the external debt, loans contracted by the Government should attract a level of concessionality defined in the Technical Memorandum on Implementation of the Government Economic Programme. The IMF has been closely monitoring this condition, which is one of the factors impeding the finalization of a new PRGF in 2008. Doubts persist on the terms of the financial agreement between the country and Chinese enterprises. This calls for further clarification particularly in terms of explicit and implicit guarantees to be provided by the Government and their effects on the concessionality of the country's debt. In view of the desire of the authorities to arrive at an agreement with the IMF and reach the HIPC completion point, the Government commissioned a feasibility study to assess the increase in value of concessions granted to Chinese enterprises and determine the compatibility of the financial amounts with the debt sustainability.

Criterion 2 : Good practices in financial management

Significant progress has been made in the last 5 years in public financial management. However, the budget control system is still inadequate, and there have been notable overruns in wage and security spending. There is frequent recourse to exceptional budgetary commitment

procedures. Also, there is an over-centralization of budgetary preparation, with little involvement of ministries. The expenditure chain, particularly with regard to authorization is inadequate. Efforts need to be scaled up in this regard, but the commitment of the new government to implement the needed reforms and the expected support from donors indicate that effective progress would be made. Indeed, under the governance compact, the government's actions in the area of public financial management focuses on controlled public spending through a harmonized commitment plan at the treasury, publication of budgetary monitoring statements harmonized with the Central Government table of financial operations (TOFE), definition and compliance with quantitative objectives concerning budgetary allocations for increasing essential and pro-poor expenditures, and strictly limiting the use of exceptional procedures in ordinary situations. With the support of the World Bank and donors, the Government also conducted a public expenditure review (PER) in March 2008 to identify budgetary and fiscal policy reforms required for pro-poor spending. The resultant recommendations aim at improving the public financial legal and regulatory framework and enhancing the institutional framework as well as the budgetary preparation process.

Criterion 3 : Public accounts transparency

In February 2007, the new Government outlined its programme, backed by a governance compact between the authorities and the Congolese people. The compact is a key stage in the implementation of reforms relating to transparency and public financial management. To promote transparency in the area of public finance, the expenditure chain was strengthened and computerized, as well as the double entry public accounting. The Ministry of Finance and Budget intends to post annual commitment and forecast plans on the internet. Half-yearly reports on the budget execution are expected to be submitted to Parliament and a public procurement reform put in place. With regard to the management of natural resources, the DRC has made progress in the implementation of the Extractive Industries Transparency Initiative (EITI) with the holding in January 2008 of the first international conference in the country. There is greater supervision in the mining industry through more transparency in the review and granting of mining rights in accordance with the law. Mining contracts were revisited and the report of the commission has been posted on the Website of the Ministry of Mines. Also, in the area of forestry, the DRC has been pursuing policies aimed at greater equity in the management of the sector. A new forestry code has been passed guaranteeing the protection of traditional rights and introducing the principle of profit sharing, management plans and environmental services. In this area also, efforts need to be boosted and the DRC's development partners have undertaken to provide support in this regard.

On the basis of the foregoing, the DRC may be considered to be eligible for resources the Supplemental Support Window of the Fragile States Facility.

RB-CSP 2008-2012 RESULT FRAMEWORK		
PILLAR	AREA	Result Indicators
SUPPORT TO GOOD GOVERNANCE	1.1. PROMOTING ACCOUNTABILITY AND BROADENING SOCIAL INCLUSION AND EQUITY	1.2. The public expenditure chain is operational in 2008 1.3. Publication by the Audit Court of a biannual review of budget execution in 2010 1.4. Increase primary expenditures from 7.5% in 2006 to 12,9% in 2008 in the health sector, 1.5. Increase of primary expenditures from 12.2% in 2006 to 16.7% in 2008 in the Education sector.
	2.1 TRANSPARENCY	2.1.1. Public enterprises that publish their operating results which increases from 25% in 2008 to 75% in 2010 2.1.2. Forestry and mining management contracts increase from 50% in 2008 to 75% in 2010 2.1.3. Increase in the number of reports published by the Audit Court and the General Inspectorate of Finance 2.1.4. Implementation of training programme for members of Parliament, local elected officers, civil society actors and journalists 2.1.5. Increase in tax revenues of 75% in 2009 2.1.6. Adoption of strategic frameworks for at least two priority sectors (health and education) by 2010 2.1.7. Formulation of a public expenditure review in 2009 and adoption and implementation of an action plan to improve public financial management 2.1.8. At least 50% of logging permits are based on international standards by 2010 2.1.9. Nearly 65% of mining contracts reflect the reality of the international market in 2011
	3.1 IMPROVING CIVIL SERVICE MANAGEMENT	3.1.1. The pay department issues pay vouchers to 90% civil servants in 2012 3.1.2. 50% of decentralized entities in 2008 and 90% in 2012 3.1.3. Increase in local incomes by 70% by 2011
	4.1 BUSINESS CLIMATE	4.1.1. Enforcement of OHADA in 2008 4.1.2. Putting in place of an ant-corruption system and publication of conclusions and recommendations in 2008 4.1.3. An action plan is formulated to eliminate obstacles to private sector activities based on ECI and business report, implementing orders passed in 2008 4.1.4. New investment code passed and published in 2009 4.1.5. ADVANS microfinance bank created in 2008 and operational in 2009 4.1.6. Private sector credit increases 4.1.7. FDI's increased 4.1.8. An action plan to improve the private sector environment is implemented.
PRO-POOR GROWTH PROMOTION	1.2 ROAD NETWORK	1.2.1. Reconstruction of 300Km of national roads by 2010 1.2.2. A priority investment programme for the rehabilitation of rural earth roads implemented in 2010
	2.2 DRINKING WATER AND SANITATION	2.2.1. Improve access to potable water (from 22% in 2005 to 27% in 2008 and 49% in 2014) 2.2.2. Improvement of sanitation (from 9% in 2005 to 15% in 2008 and 45% in 2015).
	3.2 ELECTRICITY	3.2.1. Increase energy consumption from 90 kWh in 2000 to 185 in 2012
	4.2 STRENGTHENING BASIC INFRASTRUCTURES IN THE AGRICULTURAL SECTOR	4.2.1. The % of producers supplied with seeds, small ruminants and tools increase to 35% in 2010 4.2.2. The % of agricultural inputs increases by 100% in 2010 4.2.3. Investments in seeds multiplication centres increase by 100% in 2010 4.2.4. 50 % of rural farmer associations receive micro-credit in 2010 4.2.5. 80% of high risk zones benefit from income generating projects targeting women, young people and other vulnerable groups in 2010

**DRC: DISTRIBUTION OF PROPOSED ADF XI ALLOCATION
AND FSF RESOURCES**

	2008	2009	2010	TOTAL*
Policy-based lending programme of the Government	70			70
Institutional support			20	20
Rehabilitation and extension of electricity infrastructure		69		69
Inga site development study	4			4
Rural and semi-urban WSS**			69	69
DRC-Congo railway bridge	1			1
NELSAP interconnection project	4			4
TOTAL	79	69	89	237

* The total 237 comprises country allocation of UA 177.33 million and 60 million under Fragile States Facility

LIST OF BANK GROUP PROJECTS

JUNE 08

ANNEX IV

Project name	Status	Source of Finance	Approval Date	Closing Date	Last Disb. Date	Approved Amount	Total Disbursed	% Disb.
Sector : Agriculture								
SE REHABILITATION SUPPORT PROJECT	OnGo	ADF Loan	19.05.2004	31.03.2011	12.09.2007	18,000,000.00	2,198,716.59	12.22
SE REHABILITATION SUPPORT PROJECT	OnGo	ADF Grant	19.05.2004	31.03.2011	23.10.2007	7,000,000.00	799,223.71	11.42
LAKE TANGANYIKA (DRC) DEVELOPMENT	APVD	ADF Loan	17.11.2004	31.01.2012		6,790,000.00	0	0
AGRI & RURAL PROV 3K REHABILITATION	OnGo	ADF Grant	12.12.2005	31.01.2013	22.02.2008	35,000,000.00	3,970,641.97	11.34
AGRIC SECTOR STUDY	OnGo	ADF Grant	28.06.2006	31.12.2009	14.02.2008	1,850,000.00	27,356.41	1.48
SUB-TOTAL : Agriculture						68,640,000.00	6,995,938.68	10.19
Sector: Ind/Mini/Quar								
Tenke Copper Cobalt	APVD	ADB Loan	03.10.2007			100,000,000	0.00	0
SUB-TOTAL: Ind/Mini/Quar						0	0.00	0
Sector : Transport								
NSELE – LUFU ROADS REHABILITATION	OnGo	ADF Grant	19.12.2005	31.01.2010	21.02.2008	52,450,000.00	194,067.95	0.37
SUB-TOTAL : Transport						52,450,000.00	194,067.95	0.37
Sector : Water Sup/Sanit								
RURAL WSS PROGRAMME	OnGo	ADF Grant	06.06.2007	31.07.2012		70,000,000.00	547,108.70	0.78
SUB-TOTAL : Water Sup/Sanit						70,000,000.00	547,108.70	0.78
Sector : Power								
INGA Dis Hydro Project (PMEDE)	APVD	ADF Grant	18.12.2007			35,700,000.00	0	0
SUB-TOTAL : Power						35,700,000.00	0	0
Sector : Social								
Health I Support to PDDS in Eastern Province	OnGo	ADF Loan	17.03.2004	30.09.2010	26.02.2008	20,000,000.00	415,972.67	2.08
Educational system rehab. Inst. Support	OnGo	ADF Grant	17.03.2004	31.12.2009	13.02.2008	5,230,000.00	3,285,310.45	62.82
Health I Support to PDDS in Eastern Prov.	OnGo	ADF Grant	17.03.2004	30.09.2010	19.02.2008	5,000,000.00	844,611.08	16.89
Support to Post Conflict Socio-Eco Reintegration	APVD	ADF Grant	24.07.2007	31.12.2009		15,000,000.00	0	0
SUB-TOTAL : Social						45,230,000.00	4,545,894.20	10.05
Sector : Multi-Sector								
Socio-ec rehab. Multisect project (PMURIS)	OnGo	ADF Loan	20.12.2002	31.12.2008	06.02.2008	27,000,000.00	7,062,530.13	26.16
Multisector institutional support project	OnGo	ADF Grant	13.11.2002	31.12.2007	18.02.2008	3,230,000.00	1,907,037.76	59.04
SUPPORT TO ECO AND REUNIFICATION REVIV.	OnGo	ADF Loan	10.12.2003	31.12.2006	27.12.2005	44,500,000.00	44,500,000.00	100
SUPPORT TO ECO AND REUNIFICATION REVIV.	OnGo	ADF Grant	10.12.2003	31.12.2007	18.02.2008	3,000,000.00	1,373,659.68	45.79
ADVANS BANK CONGO	APVD	Equity	23.01.2008			1,100,000.00	0	0
SUB-TOTAL : Multi-Sector						77,730,000.00	54,843,227.57	70.56
TOTAL STATUS On-Going						350,850,000.00	67,126,237.10	19.00

Congo (DRC) - Development Indicators

Social Indicators	Congo (DRC)		Africa	Developing countries
	1990	2007 *		
Area ('000 Km ²)	2,345		30,323	80,976
Total Population (millions)	37.9	62.6	963.7	5,448.2
Population growth (annual %)	3.4	3.2	2.3	1.4
Life expectancy at birth, total (years)	46	46	54	65
Mortality rate, infant (per 1,000 live births)	119.0	113.5	85.3	54.1
Physicians per 100,000 People	6.9	10.2	39.6	78.0
Births attended by skilled health staff (% of total)	...	61.0	50.4	59.0
Immunization, measles (% of children ages 12-23 months)	38.0	73.0	75.4	78.0
School enrolment, primary (% gross)	70.0	60.9	96.4	91.0
Ratio of girls to boys in primary education (%)	62	78	91	84
Illiteracy rate, adult total (% of people ages 15 and above)	52.5	29.5	33.3	26.6
Access to Safe Water (% of Population)	43.0	46.0	62.3	80.0
Access to Sanitation (% of Population)	18.0	30.0	45.8	50.0
Human Develop. Index Value (0-1)	0.422	0.411	0.514	0.691
Human Poverty Index (% of Population)	...	...	36.8	...
Economy	1990	2000	2006	2007
GNI per capita, Atlas method (current US\$)	220	80	130	...
GDP (current Million US\$)	9,350	4,303	8,543	10,589
GDP growth (annual %)	-6.6	-6.9	5.1	6.2
Per capita GDP growth (annual %)	-9.7	-9.0	1.9	2.9
Gross Domestic Investment (% of GDP)	9.1	3.5	13.4	14.7
Inflation (annual %)	...	550.0	13.2	9.5
Budget surplus/deficit (% of GDP)	-10.9	-6.0	-0.7	2.2
Private Sector Development & Infrastructure	1990	2000	2006	2007
Time required to start a business (days)	...	...	155	155
Investor Protection Index (0-10)	...	...	3	3
Main telephone lines subscribers (per 1000 people)	1	0	...	...
Internet users (per 1,000 people)	...	0	...	...
Roads, paved (% of total roads)	...	...	...	...
Railways, goods transported (million ton-km)	1,732	429	...	...
Trade, External Debt & Financial Flows	1990	2000	2006	2007
Export Growth, volume (%)	0.1	-6.1	3.8	9.8
Import Growth, volume (%)	-17.6	38.8	9.0	1.6
Terms of Trade (% change from previous year)	-12.3	-4.6	6.1	-1.8
Trade Balance (mn US\$)	584.5	68.3	-421.0	-64.9
Trade balance (% of GDP)	6.3	1.6	-4.9	-0.7
Current Account (mn US\$)	-715.4	-62.9	-644.0	-677.9
Current Account (% of GDP)	-7.7	-1.5	-7.5	-6.9
Debt Service (% of Exports)	12.8	83.6	9.3	11.9
External Debt (% of GDP)	108.6	293.0	61.4	53.0
Net Total Inflows (mn US\$)	1,409.2	191.8	1,201.7	...
Net Total Official Development Assistance (mn US\$)	895.8	177.1	2,055.7	...
Foreign Direct Investment Inflows (mn US\$)	-14.5	23.4	180.0	...
External reserves (in month of imports)	1.3	...	...	...

Source: ADB Statistics Department, based on various national and international sources

* Most recent year

Last Update:
April 2008

Table of Macroeconomic Framework

	2006	2007			2008		
	Prot.	Base	Alt.	Diff	Base	Alt.	Diff
	(Annual percentage change, unless otherwise indicated contraire)						
Real Sector							
Real GDP	7.0	7.7	7.1	-0.6	8.4	7.3	-1.1
IPC (annual average)	9.2	7.0	7.0	0.0	6.0	6.0	0.0
IPC (end of period)	8.0	6.0	6.0	0.0	6.0	6.0	0.0
GDP Deflator	6.5	6.5	6.5	0.0	6.5	6.5	0.0
Monetary Sector	(Annual broad money change at start of period)						
Money and quasi-money (M2)	14.0	14.7	14.1	-0.7	15.5	14.2	-1.2
Net external reserves	13.2	7.0	7.3	0.3	6.0	6.5	0.4
Net domestic asset	1.7	8.7	7.5	-1.2	10.3	8.5	-1.8
Public Sector	(In percentage of Gross Domestic Product)						
Revenues and grants	21.8	24.1	23.0	-1.1	26.5	24.7	-1.8
Tax and non-tax revenues	12.3	13.2	13.2	0.0	14.0	14.0	0.0
Total expenditures ^{1/}	24.3	26.9	25.4	-1.5	28.6	27.2	-1.4
Primary expenditures	16.6	24.5	23.0	-1.5	26.6	25.1	-1.5
Current expenditures	11.6	13.3	12.9	-0.4	13.6	13.3	-0.4
Budgetary balance, including grants	-2.6	-2.7	-2.3	0.4	-2.1	-2.5	-0.4
Non-budgetary balance	-12.0	-13.7	-12.2	1.5	-14.6	-13.2	1.4
Savings and Investments							
Gross domestic saving	9.5	10.9	12.1	1.2	11.3	13.1	1.8
Gross domestic saving	8.0	8.8	9.9	1.1	9.3	10.9	1.6
Gross investment	18.1	23.7	22.6	-1.1	25.7	24.6	-1.1
Public sector	7.1	12.2	11.1	-1.1	13.7	12.6	-1.1
Private sector	11.0	11.5	11.5	0.0	12.0	12.0	0.0
Savings - Investment (excluding official grants)	-10.1	-14.9	-12.7	2.2	-16.4	-13.7	2.7
Balance of payments							
Exports of goods and non-factor services	33.9	34.9	36.5	1.6	35.9	39.0	3.1
Imports of goods and non-factor services	42.4	47.8	47.0	-0.7	50.3	50.5	0.2
Trade balance	-4.7	-7.7	-5.2	2.5	-8.1	-4.7	3.4
Current balance, including grants	-4.2	-6.1	-5.0	1.1	-5.3	-4.4	0.9
Current balance, excluding grants	-10.1	-14.9	-12.7	2.2	-16.4	-13.7	2.7
Allocations to Priority Ministries	(In percentage of primary expenditures)						
Public health	7.5	12.3	11.5	-0.8	13.1	11.8	-1.3
Primary, secondary and vocational education	12.2	15.5	16.1	0.7	17.0	16.7	-0.3
Public works and infrastructure	11.2	15.8	13.4	-2.3	16.5	14.3	-2.3
Energy	10.0	10.2	10.4	0.2	10.5	10.9	0.4
Environment	0.9	2.1	1.5	-0.6	2.3	1.9	-0.5
Progress Indicators	(In percent unless otherwise indicated)						
Primary education	72.3	77.7					-11.5
Gross boy enrolment			72.4	-5.3	83.9	72.4	
Gross girl enrolment	56.2	63.8	56.3	-7.5	75.6	56.3	-19.3
Gross enrolment	64.1	70.8	64.2	-6.7	80.0	64.2	-15.8
Pupil/teacher ratio	33.7	33.8	33.8	0.0	34.2	34.2	0.0
Health	111	104	109	5.5	89	107	18.4
Infant mortality ^{2/}							
Maternal mortality ^{3/}	1 276	1 079	1 272	193.3	944	1 267	323.2
Proportion of births attended by skilled health workers	61.6	67.8	61.6	-6.2	75.2	61.6	-13.6
Rate of DTP immunization coverage	29.6	35.0	29.7	-5.3	40.0	29.8	-10.2
Basic infrastructure	12	238	146	-92.0	446	286	-160.7
Kilometres to be paved (in kilometres)							
Kilometres of road to be rehabilitated (in kilometres)	617	2 633	1 614	-1019.1	3 073	1 967	-1106.3
Maintenance of roads and bridges (in kilometres)	227	3 330	2 041	-1288.9	3 980	2 547	-1432.9
Water and Sanitation	22.0	24.0	23.7	-0.4	26.9	26.2	-0.7
Access to potable water							
Access to sanitation ^{4/}	9.0	11.5	10.3	-1.2	15.0	12.5	-2.5
Exchange rate	460.0	484.0	484.0	0.0	491.1	491.1	0.0
Average							
End of period	480.0	488.1	488.1	0.0	494.1	494.1	0.0
Memorandum Item:							
Real GDP (in dollars per capita)	13.7	13.6	13.0	-0.6	14.1	13.0	-1.1

1/Includes change in arrears and the BCC cash deficit.

Government Financial Operations 2006-2008

Democratic Republic of Congo : Alternative Scenario – Alternative Scenario – Government Financial Operations, 2006 - 2008

(in billions of Congolese francs, unless otherwise indicated)	2005		2006	2007	2008
	AM 22/10/06	Est,	Budget	Proj,	Proj,
Tax and non-tax revenue	374.8	389	473.3	577.9	700.2
Tax revenue	246.2	256.7	308.9	384.8	473.8
Customs and excise	140.7	145.4	174.0	216.8	266.9
Direct and indirect	105.6	111.4	134.9	168.0	206.9
Non-tax revenue	33.0	34.1	52.4	65.3	80.4
Oil revenue (Production)	95.5	98.1	112.0	127.8	146.0
Production (royalties)	42.0	98.1	49.3	56.2	64.2
Distribution (levies)	53.5	0.0	62.7	71.6	81.7
Total expenditure	549.0	514.9	923.6	1102.3	1350.1
Current expenditure	344.6	330.0	443.9	564.9	663.4
Salaries and wages	134.5	142.0	180.0	205.3	234.4
Military, Police	33.7	36.5	34.8	39.7	45.4
Civil	100.8	105.5	145.2	165.6	189.0
Transfers and subventions	18.0	22.2	26.6	42.9	51.4
MIBA and GECAMINES	0.0	0.0	0.0	0.0	0.0
Associated budgets and other interventions	3.0	2.5	6.3	7.2	8.2
On lending to public revenue agencies	15.0	19.7	20.3	35.7	43.1
Others	112.1	132.6	138.0	221.7	282.7
Institutions	19.0	25.1	21.9	25.0	28.6
Ministries	55.1	64.1	69.5	143.5	193.4
Centralized payments	23.0	25.5	24.2	27.6	31.6
Provincial services and EAD	15.0	17.9	22.3	25.5	29.1
Interests	80.0	33.2	99.3	95.0	95.5
External debt	67.7	15.6	97.3	95.0	95.0
Domestic debt	12.3	17.6	2.0	0.0	0.0
Non-budgetary expenditures	0.0	0.0	0.0	0.0	0.0
Capital expenditure	117.5	112.0	253.2	434.6	578.0
Domestically-financed	16.2	32.3	24.8	48.2	90.0
Foreign financed	101.3	79.7	228.5	386.4	488.0
HIPC Expenditures	19.0	21.2	38.9	102.8	108.7
Exceptional expenditures	52.5	36.2	187.5	0.0	0.0
Domestically financed	18.2	26.3	43.0		
Foreign financed	34.3	9.9	144.5		
Complementary period expenditure	15.4	15.5	0.0	0.0	0.0
Overall balance excluding grants (commitment basis)	-174.2	-125.9	-450.3	-5254.4	-649.9
Overall balance, including grants	-6.6	-73.7	-88.0	-94.1	-114.7
BCC Operating result 1/	-16.0	-15.5	-10.0	-8.0	-8.0
Overall consolidated balance (excluding grants)	-190.2	-14104.0	-460.3	-532.4	-657.9
Overall consolidated balance (including grants)	-22.6	-89.2	-98.0	-102.1	-122.7
Total financing (excluding grants)	190.2	141.4	460.3	532.4	657.9
Variation of arrears	0.0	-0.6	0.0	0.0	0.0
Domestic (net)	-3.8	52.8	-24.7	0.0	0.0
Banking system	-3.8	52.8	-10.0	0.0	0.0
BCC	-3.8	52.8	-10.0	0.0	0.0
Claims on Govt 1 /	-19.8	37.3	-20.0	-8.0	-8.0
BCC cash deficit 1/	16.0	15.5	10.0	8.0	8.0
Commercial banks	0.0	0.0	0.0	0.0	0.0
Non banking	0.0	0.0	-14.7	0.0	0.0
External (net)	194.1	89.1	400.6	468.6	581.7
Grants	72.5	27.2	224.2	283.4	380.0
Project grants	34.4	20.9	211.7	283.4	380.0
Budgetary grants	38.2	6.3	12.5		
Drawings	122.7	114.5	169.4	166.3	174.5
Budget	45.0	50.7	8.4	63.3	66.5
Projects	77.7	63.8	161.1	103.0	108.0
Amortization	-96.3	-77.6	-131.1	-128.0	-128.0
Other financing	0.0	0.0	0.0	0.0	0.0
HIPC Initiative	95.1	25.0	138.0	146.9	155.2
Financing gap (+) / Surplus (-)	0.0	0.1	84.4	63.8	76.2

1/ Provisional situation

2/ Including variation of arrears and BCC treasury deficit

Lessons learnt from 2005-2007 Strategy

1) For the Bank:

For future Bank interventions, the lessons drawn from the analysis of the current portfolio are as follows:

- Better project preparation should help to reduce the conditionalities and delays in start-up. The Project Preparation Facility (PPF) should be used whenever possible.
- Better involvement and ownership of project design and implementation by sector ministries and beneficiaries.
- Need to adapt the project institutional framework and its mode of implementation to be tailored to the country's post-conflict context as well as local capacity constraints.

For the future strategy, the lessons are as follows:

- *Selectivity*: Enhance the selectivity of the Bank's interventions with the aim of optimizing impact in target sectors (section 4.1).
- *Indicators*: Target measurable indicators that are directly influenced by the ADB assistance among the CAP matrix indicators, for the harmonization and concerted monitoring of results together with development partners (section 3.7).
- *Taking into account of differential between strategy projects and the outcomes*: Outcomes expected during the strategy cycle should be related to the impact of outcomes of active projects (§ 3.1.3).
- *Building national capacities* for project management and monitoring and reforms in the area of good governance (section 4.2).

2) For the Government

- The next strategy of the Bank cannot impact fully on poverty reduction in the DRC and the Millennium Development Goals (MDG) without the effective involvement of the Government in its design and implementation. It should reflect the consensus between the Government and the Bank on the objectives, priorities and results expected from the Bank's intervention over the 2008-2012 period.
- Strengthen the statistical apparatus for data collection and analysis in key sectors to facilitate the evaluation of results. This should be backed by donor support.
- The effectiveness of development aid requires the building of the Government's capacities in the coordination of external resources. This coordination effort should improve the monitoring and evaluation of development projects and their contribution to the MDGs.
- Give priority to project counterpart funds to facilitate implementation.
- Consider and assess the risks of macroeconomic issues on the implementation of RBCSP, particularly for the putting in place of budgetary support.

DEMOCRATIC REPUBLIC OF CONGO
Monitoring of Paris Declaration

Indicator		Reference 2005	Objective-target by 2010	ADB Commitments During RB CSP 2005-2007 period
1	Ownership – operational PRS	D	B or A	Done as part of preparation of RBCSP and projects
2a	Quality of public financial management	2.5	3.0	NA
2b	Quality of procurement systems	N/A	NA	NA
3	Aid embodied in national budgets	123 %	85 %	NA
4	Support linked to capacity building	11 %	50 %	Parallel support
5a ⁱ	Use of national public financial management (aid inputs)	13 %	N/A	NA
5a ⁱⁱ	Use of national public financial management systems (donor)	27 % of donors	N/A	N/A – no new budgetary support
5b ⁱ	Use of national procurement systems (aid input)	31 %	N/A non-factor	NA
5b ⁱⁱ	Use of national procurement systems (donors)	20 % of donors	N/A	N/A
6	Parallel project implementation units	36	12	3
7	Predictability of support for current period	83 %	91 %	Yes
8	De-linking of aid	88 %	Over 88 %	No
9	Use of programme approach	54 %	66 %	No
10a	Joint missions	38 %	40 %	Sectors : Transport, DDR
10b	Analytical studies conducted jointly	35 %	60 %	Non
11	Rigorous performance assessment frameworks	D	B or A	Non existent
12	Review of mutual responsibility	No	Yes	No

DEMOCRATIC REPUBLIC OF CONGO**Status of MDGs**

MDG	Status at start of CSP period	Objectives of Government PRSGP	Status at end of CSP period (Likelihood of MDGs being achieved)	Has Bank strategy contributed to MDGs? (Yes/No)
1. Reduce by half the proportion of persons living in extreme poverty between 1990 and 2015	71.3%	45%	< 70	Yes
2. Achieve universal primary education (boys and girls) by 2015	64 %	100%	82%	Yes
3. Eliminate gender disparity in primary education by 2005 and at all levels by 2015	56%	92%	89%	Yes
4. Reduce child mortality by two-thirds and maternal mortality by three quarters between 1990 and 2015	126/1000	54/1000	89/1000	Yes
	1289/100,000	534.8/100,000	944.2/100,000	Yes
5. Halt and reverse the spread of HIV/AIDS by 2015	HIV/AIDS 4.5%	2.5%	3.5%	Yes
				Yes
6. Halt and reverse the spread of malaria and other major diseases by 2015	MALARIA 45%			
7. Ensure better environmental protection and access to drinking water	Water 22%	55%	31.42%	Yes
	Sanitation 9%	84%	53%	Yes
8. Develop a global partnership for development	-	-	-	Yes

Annex

DEMOCRATIC REPUBLIC OF CONGO

RESULTS-BASED COUNTRY STRATEGY PAPER (RBCSP 2008-2012)

CORRIGENDUM

This corrigendum is intended to replace Annex III so as to take into account: (i) the adjustment of the cost of the project for the interconnection of the grids of the Nile equatorial lakes countries (NELSAP); (ii) the adjustment of the amount and the programming year of the Government's policy-based lending programme; and (iii) the need to clearly highlight the use of the resources of the Supplemental Support Window of the Fragile States Facility (FSF).

Consequently, **the Table in Annex III below is replaced by the Table on the next page.**

Annex III

DRC: DISTRIBUTION OF PROPOSED ADF XI ALLOCATION AND FSF RESOURCES

	2008	2009	2010	TOTAL
Policy-based lending programme of the Government	70			70
Institutional support			20	20
Rehabilitation and extension of electricity infrastructure		69		69
Inga site development study	4			4
Rural and semi-urban WSS			69	69
DRC-Congo railway bridge	1			1
NELSAP interconnection project	4			4
TOTAL	79	69	89	237

DEMOCRATIC REPUBLIC OF CONGO
DISTRIBUTION OF RESOURCES (in UA million)

Operation	Year	ADF XI – Performance- based Allocation	FSF – Supplemental Support	Surplus Account of the Bank	Total
Policy-based lending programme of the Government (1)		64.78			64.78
Institutional support	2010	20			20
Rehabilitation and extension of electricity infrastructure	2009	9	60		69
Inga Site Development Study (multinational operation) (2)	2008	4			4
Rural and semi-urban DWSS	2010	69			69
Study on railway bridge between DRC and Congo (multinational operation) (2)	2008	1			1
NELSAP interconnection project (multinational operation) (2)	2008	9.22			9.22
TOTAL		177	60		237

(1) The Policy-based Lending Programme of the Government will be programmed when the discussions between the Government and the IMF for a PRGF are concluded.

(2) The amounts in the table for multinational operations represent the country's contribution from its performance-based allocation.