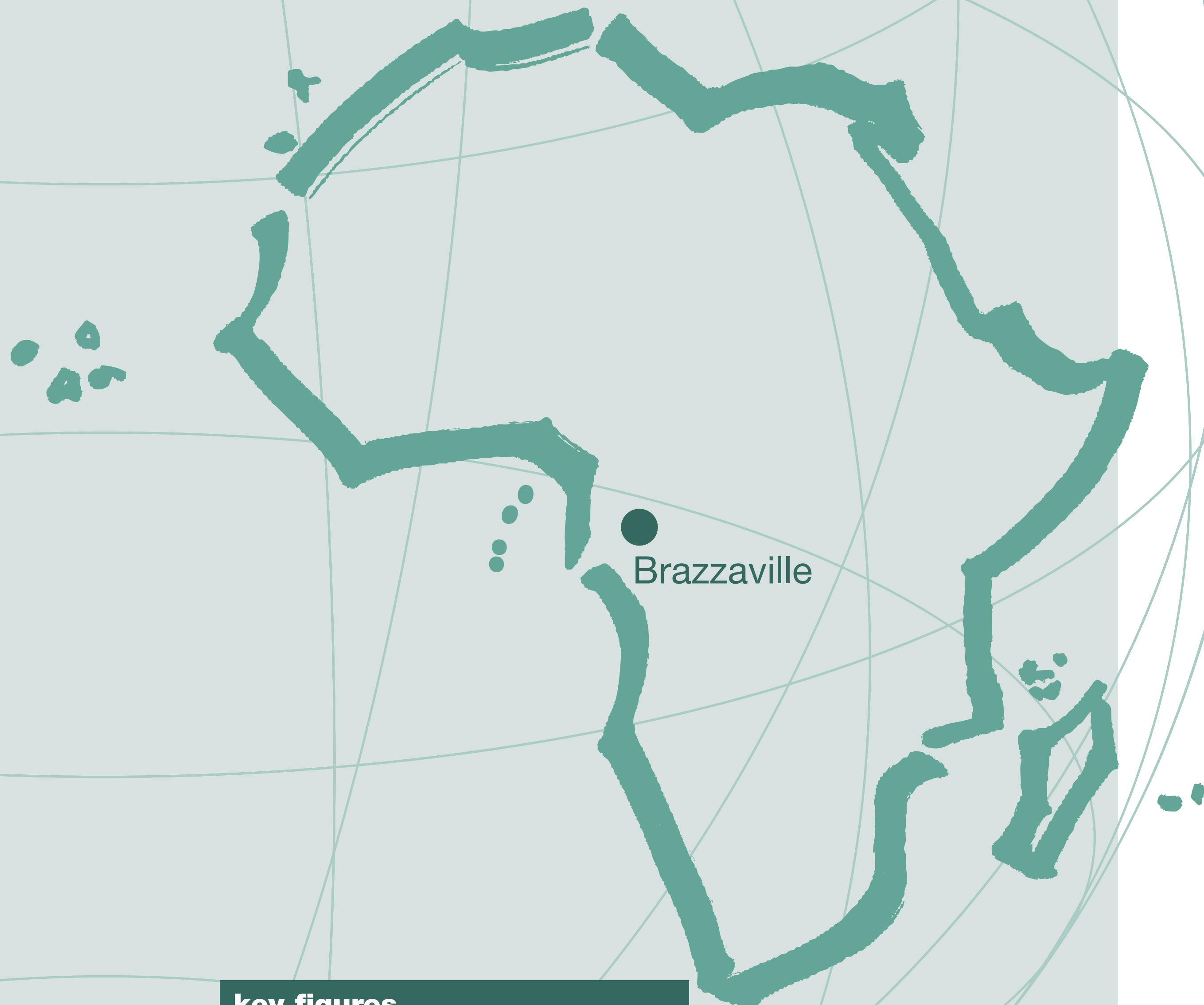
Congo Republic



key figures

• Land area, thousands of km²	342
• Population, thousands (2007)	3 768
• GDP per capita, USD at constant 2000 prices (2007)	1 100
• Life expectancy (2007)	55.3
• Illiteracy rate (2007)	12.6

Congo Republic

Congo

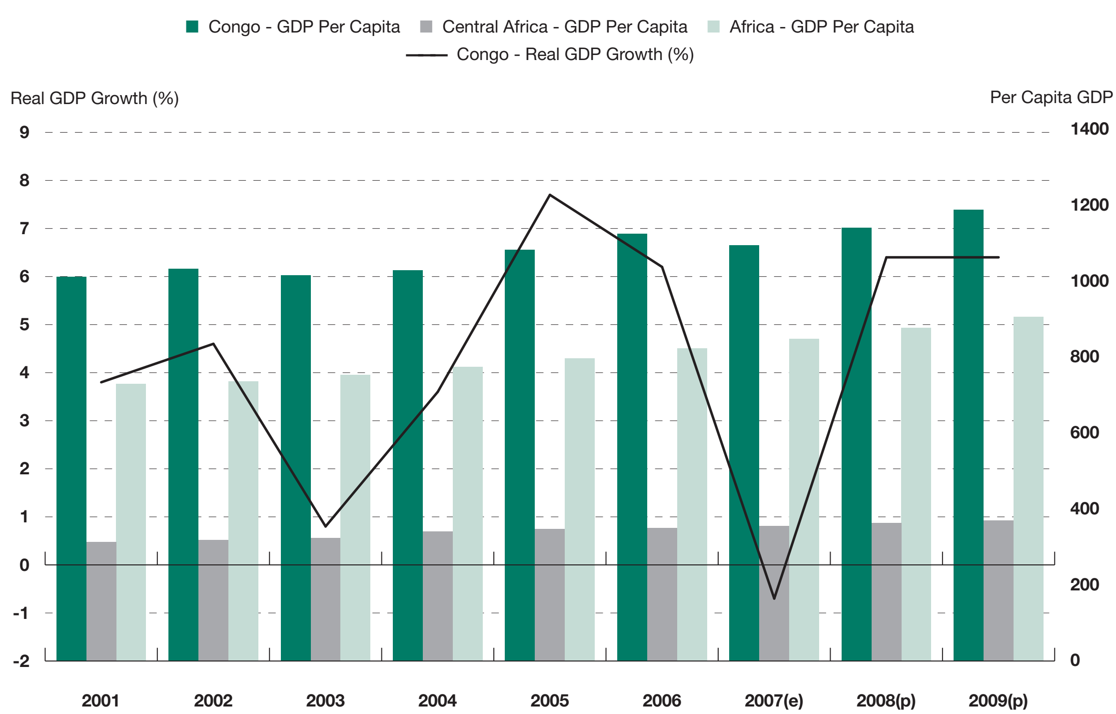
ALTHOUGH THE DAMAGE CAUSED by recurrent civil wars is still evident, the Republic of Congo has reached a crossroads. Skyrocketing oil prices and the prospect of debt relief under the augmented Heavily Indebted Poor Countries (HIPC) Initiative have created favourable financial conditions for greater sustainable growth over the medium term as well as for achieving the Millennium Development Goals (MDG). Still, rapid growth and high levels of government expenditure in the context of low absorptive and administrative capacity risk compromising macroeconomic stability, the sustainability of public finances and foreign competitiveness.

Based on revised data obtained in September 2007 (from the oil sector in particular), the rate of real GDP growth for 2007 is expected to be negative, at -1.2 per cent. This clear decline compared with the 6.2 per cent rate posted in 2006 is due mainly to the dramatic fall-off in oil production caused by the maturation of some oil fields and the fire that broke out in May 2007 on the Nkossa platform, interrupting pumping. In 2008 and 2009, annual GDP growth should pick up again to a rate of 6.4 per cent as oil production recovers.

Activity in the non-oil sectors is picking up, but hydrocarbons still predominate.

In 2007, Congo remains confronted with the following challenges: *i)* implementing the Poverty Reduction Strategy Paper (PRSP) which is financed mainly by foreign resources mobilised by the World

Figure 1 - **Real GDP Growth and Per Capita GDP**
(USD at constant 2000 prices)



Source: IMF and national sources data; estimates (e) and projections (p) based on authors' calculations.

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Bank and the European Union (EU) targeting priority sectors (such as combating HIV/AIDS, the emergency community rehabilitation and support programme (PURAC), and a basic education support project); *ii)* reducing the Congolese economy's heavy dependence on the oil sector, production in which will continue to increase until 2010; and, *iii)* consolidating socio-political stability by better redistribution of the oil windfall.

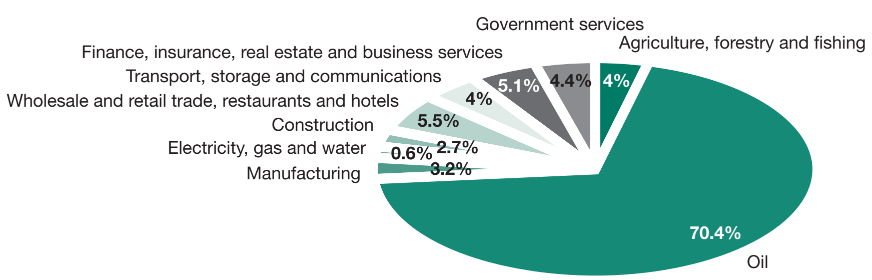
For 2007 and the coming years, moving from the HIPC decision point (reached in March 2006) to completion point is the authorities' overriding objective. In light of this, and in order to strengthen dialogue with the international community, Congo must respect the criteria enabling this transition.

Recent Economic Developments

The Congolese economy is characterised by weak diversification and high dependence on the oil sector, which generates the greater part of its tax and export income. In 2006, the oil sector accounted for 70.4 per cent of GDP. After reaching 98.7 million barrels in 2006, production dropped by 17.2 per cent to just 81.7 million barrels in 2007, following the fire at the Nkossa field. Nonetheless, as the Moho-Bilondo offshore field with estimated reserves of 1 billion barrels comes on-line production is expected to grow more quickly over the coming years. China and Chinese Taipei were the main recipients of Djeno Melange crude oil in 2007, while production from Nkossa was sent to Korea and the United States. Domestically, 541 703 metric tonnes of crude oil went to supply the Congolaise de Raffinage (CORAF) as against 497 945 metric tonnes the previous year, representing an 8.79 per cent increase. The Société Nationale des Pétroles du Congo (SNPC) plays a key role in the oil sector: it is responsible for commercialising the Congolese share of oil produced under partnership agreements with oil companies (Total E&P Congo, ENI Congo, Zetah M&P, Chevron Congo, CMS Nomeco); it represents the government in its contractual dealings with foreign partners; and, it is partly responsible for exploration and exploitation of several oil fields through subsidiary companies and/or organisations.

Although the oil sector dominates the Congolese economy, renewed activity can be observed in non-oil sectors, particularly agriculture and forestry, manufacturing industries, electricity, gas and water, construction, transport and telecommunications. These early signs of economic diversification have been furthered by a combination of factors including: public and private-sector investment, the renovation of basic infrastructure and by gradual implementation of budget consolidation measures and reforms under the Staff-Monitored Program. These efforts were required for opening discussions for a new agreement under the Poverty Reduction and Growth Facility (PRGF). In 2007, stronger economic activity in the non-oil sector resulted from increasing domestic demand caused particularly by sustained investments at the national level.

Figure 2 - **GDP by Sector in 2006** (percentage)



Source: Authors' estimates based on IMF data.

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Despite Congo's enormous potential for vegetable and animal production, the total contribution of agriculture, husbandry and fishing to GDP was 4 per cent in 2006. With vast natural reserves, a national reforestation policy, and the development of fast growing fuelwood plantations, forestry and logging offer real potential for growth and diversification. They represented just 0.6 per cent of GDP in 2006, however, a sharp decline. Still, the forestry sector could be boosted in the coming years from the application of the forestry code enacted in 2002, which requires companies to process 85 per cent of their logs locally, as well as from high demand from Asian countries.

Other manufacturing industries, which represented 3.2 per cent of GDP in 2006, experienced strong growth in 2007 due mainly to the development of transportation infrastructure, improved energy supply and the ongoing industrialisation of the wood industry. The energy, water and gas sectors represented 0.8 per cent of real GDP, while construction increased from 2.7 per cent of GDP in 2006 to 3.5 per cent in 2007. Despite this growth, the construction sub-sectors are still experiencing difficulty in procuring materials because of the dilapidated transportation infrastructure, particularly between Brazzaville and the northern areas of Congo.

The transport and telecommunications sector contributed 5.1 per cent to GDP in 2007, up from 4 per cent in 2006. This improvement is the result of substantial investments in transportation with the acquisition of engines following the awaited concession of the Chemin de Fer Congo-Océan (CFCO), and the increasing operational capacity of the port of Pointe-Noire. The network expansion activities of Celtel, a Kuwaiti mobile telephony company, and the South African company Mobil Telecommunication Network (MTN) are also notable. These will be bolstered by the installations currently being set up by Warid, a new Saudi Arabian company. Furthermore, the government has committed to connecting Congo to the SAT-3 fibre optic cable, at a cost of XAF 3.1 billion (CFA franc). The GDP share of the trade, restaurants and hotels sector in 2007 reached 10.5 per cent, compared with 10.3 per cent in 2006.

Volume demand grew at an accelerated pace in 2007, driven mainly by investment, which was up 19.6 per cent between the public and private sectors. This increase in investment, combined with public investment and expenditures for oil-field development, altered the composition of domestic demand such that investment's contribution to GDP jumped from 23.3 per cent in 2006 to 29.5 per cent in 2007. This

Table 1 - **Demand Composition**

	Percentage of GDP (current prices)		Percentage changes, volume			Contribution to real GDP growth		
	1999	2006	2007(e)	2008(p)	2009(p)	2007(e)	2008(p)	2009(p)
Gross capital formation	**27.8**	**23.3**	**19.6**	**8.8**	**8.8**	**7.5**	**4.1**	**4.2**
Public	6.4	5.0	13.0	12.0	12.0	1.1	1.1	1.2
Private	21.3	18.3	21.3	8.0	8.0	6.4	3.0	3.0
Consumption	**54.0**	**33.1**	**3.3**	**1.7**	**2.7**	**2.1**	**1.2**	**1.7**
Public	17.0	9.1	3.1	-0.6	-0.6	0.4	-0.1	-0.1
Private	37.0	24.0	3.3	2.3	3.5	1.7	1.2	1.8
External sector	**18.2**	**43.6**				**-10.3**	**1.2**	**0.5**
Exports	72.4	81.3	-5.2	5.8	5.4	-4.0	4.3	4.0
Imports	-54.2	-37.6	7.8	3.5	4.1	-6.3	-3.1	-3.5
GDP growth rate, volume			**-**	**-**	**-**	**-0.7**	**6.4**	**6.4**

Source: Director General of the Economy data; estimates (e) and projections (p) based on authors' calculations.

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trend could continue with the installation of infrastructure to work potash deposits in the Kouilou region, the development of oil fields, construction on the road between Pointe-Noire and Brazzaville and works to install mobile telephony equipment.

Macroeconomic Policy

Fiscal Policy

As a member of the Economic and Monetary Community of Central Africa (CEMAC), Congo must adhere to a common budgetary discipline and convergence criteria. In 2007, fiscal policy aimed at controlling expenditure while meeting basic needs in the social sector and infrastructure. The budget act promulgated in early June 2007 calls for an increase in non-oil revenues and limited growth of primary expenditure, to be achieved through: *i)* strict payroll controls; *ii)* reducing shared expenses; *iii)* a significant reduction in subsidies on oil products, with fuel prices being increased by 15 per cent and being indexed in the future to international market prices.

Fiscal receipts rose from 44.4 per cent of GDP in 2006 to 44.9 per cent in 2007, while oil revenue rose from 37.9 per cent of GDP to 38.2 per cent. Meanwhile, tax rates in the forestry sector dropped off slightly, falling from 6.8 per cent of FOB value in 2006 to 6.2 per cent in 2007. It should be noted that Congo was not in line with the CEMAC tax rates of the forestry sector. Furthermore, upgrading measures in the customs sector helped to increase customs revenue from XAF 42.7 billion in 2005, 53.5 billion in 2006 and 62.1 billion in 2007.

In 2007, no significant improvements were registered in structural reforms. The practice of depositing all revenue in the Treasury before redistributing it to the Ministries is helping to improve control and boost revenue. This reached XAF 23.8 billion in 2006 and nearly 20 billion in 2007. In 2006 and 2007 a certain weakness could be observed in the management of current and capital expenditure, which was characterised by a level of growth not aligned to the objectives set by the IMF programme. In 2006, current expenditure reached XAF 342.8 billion, increasing to XAF 352 billion in 2007. At the same time, investment expenditure represented XAF 360 billion in 2006 and XAF 400 billion in 2007. The realisation rate on domestic finance, which was 1.9 per cent in 2006, jumped to 14 per cent in 2007. Despite this increase in total spending, the primary balance in 2006 was positive, coming out at 21.5 per cent of GDP. This high balance was due to the combined effects of rising prices and production of oil, which led to a sharp jump in oil revenue. The overall positive balance was calculated at 17.2 per cent of GDP in 2006, and is at the level of 15.1 per cent of GDP for 2007, which allowed Congo to continue paying off its foreign debt and to regularise its position with donors.

Congo's fiscal deficit excluding oil is one of the highest in Africa (-18.7 per cent of GDP in 2007). It is higher than the deficit in Cameroon, Chad and Gabon, and it was even higher that the deficit in Nigeria in 2006. For the 2006 fiscal year, a total of XAF 1.5305 trillion in non-oil revenue was collected, higher than the projected figure of XAF 1.3674 trillion. In 2007, start of the year projections called for XAF 1.038 trillion, but these were later revised to XAF 1.329 trillion to account for changes in international oil prices. The primary balance excluding oil has deteriorated considerably since 2003. Given that oil production will begin to drop off in 2012 and will be exhausted in 20 years at the current pace of extraction, such high deficits are not viable.

As previously, and with IMF approval, surplus revenue was allocated first and foremost towards financing internal and external debt. A large part of the surplus revenue is in an account at the Central Bank. In the framework of its membership in the Extractive Industries Transparency Initiative (EITI), Congo also respected the criteria of centralising all public revenue in the Treasury, of executing public payments, as well as oil-sector transparency, including quarterly certification of oil revenue by an internationally respected auditor. An EITI national committee was set up at the beginning of September 2007. The members of this committee are appointed by presidential decree and include representatives of both the government and civil society, as pressure is increasing to boost government spending. Recently, relations between the government and civil society have deteriorated after an action was brought against two activists demanding transparency in the oil sector.

Non-budgeted expenditures were observed in 2007 in the areas of current expenditure (to cover electoral operations and border security) and investment expenditure (to finance the additional costs of infrastructure and urban road works in the regions chosen to host the touring independence celebrations). These investments raise the most questions in terms of transparency and effectiveness. The stumbling block for discussions between the government and the IMF was the excessively high level of spending and its low quality with regard to the PRSP requirements. The high level of projected public investment calls into question the country's capacity to absorb these expenditures. In an attempt to adapt to the Staff Monitored Programs, the IMF also recommended the implementation of a Medium-Term Expenditure Framework (MTEF) to take pro-poor expenditures into account. The 2006 budget, which was elaborated in co-operation with the IMF, reflects the priorities already defined in the 2005 budget and contained in the Interim PRSP, namely combating poverty and concentrating spending in the social sectors.

Since 2003, in agreement with the IMF, SNPC no longer has the right to contract debts or to make payments on behalf of the government. It is also required to transfer its revenues to the Treasury within eight days of receiving them. Nonetheless, although exploitation in the oil sector has improved remarkably, refining and distribution are still areas of concern. This observation pushed the government to draw up legislative texts to manage how the oil windfall is used and to create a regulatory body. With the privatisation of Hydro-Congo, which possesses a lubricant manufacturing unit whose operation has not yet been restarted, the refining and distribution sector must now rely on the Société Commune de Logistique (SCLOG) for supply and transport of fuel, on Total, Puma, X-oil and Texaco for its distribution, and on liquefied petroleum gas companies for the sale of gas.

The fiscal surplus is causing overspending as the authorities deviate from the objectives of the Staff Monitored Programs set with the IMF. In 2006, there was a substantial surplus, leading to increasingly heated debates as to its use; the government then decided to allocate part of the surplus to increasing the salaries of government employees, which had been fixed since 1994. In fact, since 2006, base salaries for government employees have risen by 5 per cent following negotiations which began in 2002 between the government and union organisations. As a proportion of GDP, salaries fell consistently between 1999 and 2007, dropping from 6.9 per cent to 3.5 per cent.

Table 2 - **Public Finances** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Total revenue and grants[a]	**27.0**	**30.4**	**38.8**	**44.4**	**44.9**	**43.8**	**43.6**
Tax revenue	6.8	8.1	6.6	5.9	6.1	5.7	5.7
Oil revenue	19.6	21.6	31.8	37.9	38.2	37.5	37.4
Total expenditure and net lending[a]	**32.8**	**26.7**	**23.2**	**27.3**	**29.8**	**27.1**	**27.0**
Current expenditure	26.7	20.2	17.9	18.3	19.3	16.8	15.8
Excluding interest	*15.1*	*15.0*	*13.0*	*13.9*	*15.0*	*13.1*	*12.5*
Wages and salaries	6.9	5.0	4.0	3.3	3.5	3.1	3.1
Interest	11.6	5.2	4.9	4.4	4.3	3.7	3.4
Capital expenditure	6.1	6.5	5.3	8.9	10.5	10.3	11.1
Primary balance	**5.7**	**8.9**	**20.5**	**21.5**	**19.4**	**20.4**	**20.1**
Overall balance	**- 5.9**	**3.6**	**15.6**	**17.2**	**15.1**	**16.8**	**16.7**

a. Only major items are reported.
Source: IMF data; estimates (e) and projections (p) based on authors' calculations.
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Monetary Policy

Because Congo belongs to the franc zone and to CEMAC, monetary policy remains subject to regulation by the Bank of Central African States (BEAC), which focuses maintaining stability of prices and exchange rates. In 2007, net external credit as of June 30 totalled XAF 1.072 trillion, up from 859.8 billion in 2006. Official reserves represented 88.3 per cent of total net external credit, having increased by more than 10 per cent in 2007. Money supply, after an upward climb of 40.9 per cent in 2006, rose approximately 11 per cent in 2007. Inflation remained stable at 4 per cent between 2006 and 2007. Projections place inflation at between 3.6 per cent in 2008 and 3.8 per cent in 2009.

External Position

Crude oil exports were 91.466 million barrels in 2006, valued at XAF 2.9017 trillion. They fell slightly in 2007, with a volume of 71.612 million barrels valued at XAF 2.5489 trillion. Exports of refined oil products, mainly composed of heavy fuel oil, reached 260 100 tonnes in 2006 after a sustained volume decrease since 2003, due mainly to the difficulties encountered by CORAF. They increased to 281 000 tonnes in 2007, however, and are posting higher value because of rising oil prices.

Wood exports increased in volume in 2006, due largely to a slight rise in raw wood production as operation of the pine and eucalyptus plantations in the Pointe-Noire region restarted. In 2006, wood exports were valued at XAF 104.6 billion for a volume of 632 700 cubic metres of rough lumber, 188 300 cubic metres of processed wood (rough lumber, plywood and veneer) and 135 300 cubic metres of eucalyptus logs. In 2007, the value of exports dipped to XAF 91.7 billion for a volume of 461 900 cubic metres of rough lumber, 214 300 cubic metres of processed wood and 130 000 cubic metres of eucalyptus logs. The fall in natural wood exports continued as the provisions of the 2002 forestry code were applied, requiring companies to process their production locally. In 2006, to meet this requirement, Asian companies installed and upgraded production units for plywood with a total annual capacity of 96 000 cubic metres.

Non-oil exports accounted for XAF 83.4 billion in 2006 and 130 billion in 2007. The current account balance posted substantial surpluses in 2006 (15.1 per cent of GDP) due to increasing oil export income. This surplus fell to 11.2 per cent of GDP in 2007 but is expected to rebound in 2008 and 2009 (with projections of 20.5 per cent and 18.6 per cent of GDP, respectively).

Congo's debt situation has improved markedly due to the more favourable attitude of bilateral and multilateral foreign creditors. Relationships are focusing on support for efforts to consolidate peace, governance and transparency, actions combating poverty and the rehabilitation of infrastructure in rural areas (prefecture roads, renovating educational buildings and health-care centres).

The December 2004 approval of the Poverty Reduction and Growth Facility (PRGF), following the

Table 3 - **Current Account** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Trade balance	44.1	53.0	57.8	56.7	50.1	53.7	52.7
Exports of goods (f.o.b)	66.3	73.9	77.9	79.3	74.2	75.3	73.8
Imports of goods (f.o.b)	22.2	20.8	20.1	22.6	24.1	21.7	21.2
Services	-30.7	-17.6	-19.2	-18.0	-21.5	-13.1	-14.3
Factor income	-22.9	-20.4	-26.8	-23.3	-17.0	-19.7	-19.4
Current transfers	-0.2	-0.5	0.5	-0.3	-0.4	-0.3	-0.4
Current account balance	**-9.8**	**14.5**	**12.2**	**15.1**	**11.2**	**20.5**	**18.6**

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

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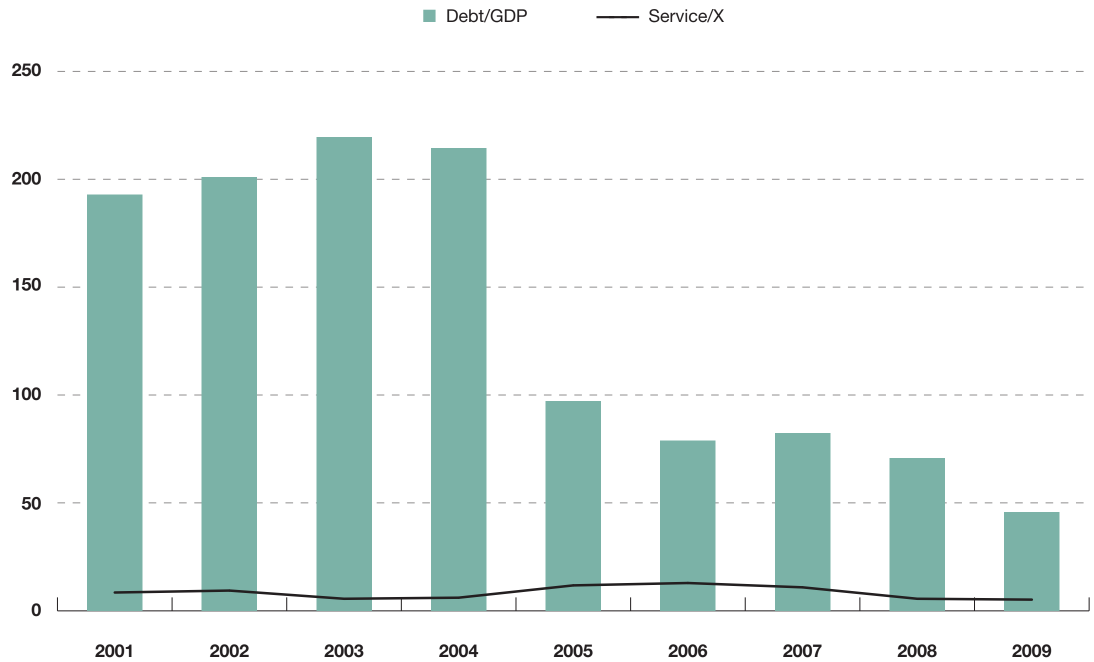
Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

StatLink http://dx.doi.org/10.1787/318571347808

reopening of discussions between Congo and the donor community, helped improve the country's situation in terms of external debt. However, unlike most countries in sub-Saharan Africa, Congo's PRGF programme has not yet been approved. The IMF considers that this is unlikely to happen before the end of 2008, because a conclusive examination of the Staff Monitored Program must first be carried out.

New loans have somewhat marred Congo's external debt indicators, which had been improving recently. This indebtedness, which is considered unsustainable, is well above CEMAC's multilateral monitoring criteria, whose threshold is set at or below 70 per cent. Public debt totalled XAF 3.658 trillion at the end of 2006 and had reached 3.459 trillion by the end of September 2007. In 2006 and 2007 respectively, external debt totalled XAF 3.2938 trillion (81.5 per cent of GDP) and 3.166 trillion (86.9 per cent of GDP). External arrears represented 47.2 per cent of current external debt in 2006, and 46 per cent in 2007.

The majority of the new foreign debt was contracted with China, valued at USD 829 million, or 12 per cent of GDP as of the end of 2006, and was directed mainly to the electricity sector. In June 2006, the authorities also signed a framework co-operation agreement with China in the areas of oil exploration, infrastructure and social development. The financial terms and conditions of this agreement are not yet available. The majority of external debt was contracted with official bilateral and private lenders, representing 42 and 50 per cent respectively of current debt, whereas loans from multilateral creditors represented only 8 per cent.

The cancellation of debt of approximately USD 1.7 billion, as well as the rescheduling of outstanding arrears carried out in accordance with the agreement signed in 2004 with the Paris Club creditors made it possible to reduce the burden of external debt from 213 per cent of GDP in 2004 to 78 per cent of GDP in 2006. The proportion of debt due to Paris Club creditors fell from

55 per cent of the total in 2004 to 35 per cent in 2006 due to the effect of traditional debt relief and temporary aid mechanisms granted by some creditors after reaching the decision point for the HIPC Initiative. In 2006, the public creditors of the Paris Club had granted Congo a cancellation of 90 per cent of its debt, rescheduling the loans granted under public development aid over 40 years (including 16 grace years), with the result that a sum of EUR 1.4 billion due to the Paris Club creditors had already been cancelled. In exchange, the country agreed to pay the arrears that could not be rescheduled over 3 years, at a pace of EUR 40 million per quarter, through to September 2007. At the termination of the HIPC Initiative, the Paris Club creditors will cancel another substantial additional portion of Congo's debt.

On 15 November 2007, the private creditors of the London Club relieved Congo of XAF 927 billion of the total XAF 1.19 trillion owed to them. Then, as recommended by the IMF, the Club eventually cancelled 80 per cent of the remaining debt and rescheduled the balance that had not been cancelled (USD 500 million) by issuing an obligation for the same amount in Luxembourg. The agreement with the London Club normalises relations with the foreign banks, complying with the principle of equal treatment by all creditors.

Still, these arrangements by the London and Paris Clubs do not affect outstanding payments due to private creditors. Estimated at XAF 88.5 billion on 31 December 2005, these had fallen to 30.1 billion by 30 September 2007. By the end of 2006, XAF 150 billion in debt had been settled with the Paris Club, and 94.8 billion by the end of September 2007. Debt owed to private lenders had been calculated at XAF 1.2248 trillion at the end of 2006, including 1.190 trillion in debt to London Club creditors as of 15 November 2007, when the latter cancelled 80 per cent of the debt, or XAF 927 billion. Debt owed to multilateral lenders, calculated at XAF 220.4 billion at the end of 2006, totalled XAF 213.9 billion at the end of June 2007. Payment of arrears totalled 113 billion in 2007. Relative debt was estimated to represent 18.8 per cent of private debt at the end of September 2007, down from 26.6 per cent at the end of 2006.

Structural Issues

Recent Developments

The diversification of the Congolese economy depends heavily on a substantial reduction in transaction costs. As the World Bank's *Doing Business* report states, Congo ranks among the lowest in the world in terms of business environment. The most worrisome difficulties concern creating companies, employing workers, registering property, obtaining credit, paying taxes, international trade and respect for contracts. In all of these criteria, Congo ranks lower than the majority of African countries. The World Bank data shows that Congo must make a great deal more progress overall in order to attract private investment. *Doing Business* also highlights the need to simplify the tax payment process, as Congolese companies pay 2.3 times more in tax than companies in other African countries.

The hydroelectric sector has benefited from a number of advances. The rehabilitation work on Moukoukoulou, Congo's largest hydroelectric plant, located in the south of the country, was completed. *Jeune Afrique* wrote that, "The work was led by Chinese technicians thanks to XAF 6 billion in funding released by the Congolese government. The hydroelectric plant produces 74 MW each day and supplies power mainly to the port city of Pointe-Noire, along the Atlantic coast. This output remains insufficient, however, and power outages are frequent."[1] The Djoué dam was also extended; the feasibility study for this project was carried out by the Czech consortium Agile-Mavel at a cost of XAF 26 billion and it calls for the construction of an additional 31 MW plant, compared with the 14 MW already installed. Dam feasibility studies have been carried out for the following sites: Mpama (Plateaux), Kandeko (Likouala), Etoumbi (Cuvette) and Sounda

1. Jeune Afrique (May 2007), *"Moukouloulou retrouve du jus"*.
http://www.jeuneafrique.com/partenariat/article_jeune_afrique.aspart_cle=LIN06057moukosujude0&part=35. Viewed on 4 March 2008.

(Kouilou).[2] A water and electricity infrastructure rehabilitation programme (PRIEE) adopted by the Congolese authorities and the World Bank was to be performed before these two sectors were privatised, but it was stopped after the privatisation process was frozen.

The Congolese government attempted to privatise CORAF in the hopes of increasing exploitation of the refinery's production capacity. However, a lack of interest by private investors forced the government to work on expanding and modernising CORAF to make it more attractive. The IMF recommended an audit on the company's management in light of the magnitude of consumer subsidies, which exceeded XAF 130 billion in 2007, in comparison with XAF 65.8 billion in 2006. The effective dissolution of Hydro-Congo and the transfer of its assets and activities to the logistics companies (SCLOG) and distribution companies (Total, Texaco, X-oil and Puma) was a decisive step in the process of privatising the company; its employee redundancy payments remain outstanding.

A programme for installing electric meters was executed in Brazzaville and Pointe-Noire following an operation to identify points of medium and low-voltage electric consumption and another to implement digital cartography in 2004. Installing meters has helped the Société Nationale d'Electricité (SNE) to increase its turnover. There was no subsidy programme or special treatment provided for the most destitute or in response to the claims triggered by rising electricity prices. It should be noted that current prices were set in 1994 and that, due to war damage (lost meters), more than 75 per cent of households in Brazzaville were being temporarily billed a fixed sum. In 2006, electricity production reached 453 GWH. While this marked a 4.3 per cent increase over 2005, it only represented 43.4 per cent of capacity due in particular to poor performance by the Djeno gas plant, which ran at only 27 per cent of capacity in 2006. Insufficient gas supply from the Kitina oil field was the cause of this situation. In 2007, gas supplies from the Mboundi field boosted this rate to 85 per cent in two months.

Imports from the Democratic Republic of the Congo (DRC) for the same year totalled 411 GwH, a slight dip of 1.6 per cent in comparison with 2005. The SNE's debt to the DRC's Société Nationale d'Electricité (SNEL) is estimated to be of the order of XAF 35 billion. The governments of the two countries have agreed to set up a payment schedule. The electricity network had 115 213 subscribers in 2006, 3 600 of them in rural areas. Construction is continuing for the 120-MW Imboulou dam; more than 50 per cent of the work has been completed, and the objective is to begin producing electricity in 2009. Construction on the Brazzaville thermal station was completely finished in the third quarter of 2007. The Liouesso and Sounda dams are currently the subject of feasibility studies.

The health of the banking system is improving, in part because of the recapitalisation and privatisation of a struggling bank. Privatising this bank, which had a negative value, cost the Treasury XAF 14 billion (0.4 per cent of GDP). However, the privatisation process was not transparent and the operation could easily cost the government at least XAF 6 billion (0.2 per cent of GDP) more than the value of the bank, according to an independent consultant.

The Banque Marocaine Pour le Commerce Extérieur (BMCE) gained a 25 per cent equity in the capital of La Congolaise des Banques, while the Compagnie Financière des Participations (COFIPA) was taken over by the French group Banque Populaire to create the Banque Commerciale Internationale (BCI) in October 2006. The Congolese banking system had four banks as of 30 June 2007: the BCI, BGFI-Congo (Banque Gabonaise et Française Internationale), Crédit du Congo (formerly Crédit Lyonnais Congo) which became a subsidiary of Crédit Agricole in 2007, and La Congolaise des Banques. In terms of respect for prudential standards, all four banks comply with the provisions on capital reserves and, since October 2006, have posted with

2. Mokili (March 2005) "L'Electricité au Congo". http://mokili.free.fr/congo/secteur.php?idtext=8. Viewed on 4 December 2007.

Natexis Banques Populaires a weighted risk coverage ratio on net equity higher than or equal to the minimum of 8 per cent. New establishments could move into Congo, particularly the Ecobank group.

The legal system does not always succeed in settling disputes equitably. During the third quarter of 2007, a national anti-corruption committee was set up, with representatives of the government and civil society. A national anti-corruption surveillance body will also be established. According to *Transparency International*'s 2007 Corruption Perception Index, Congo ranks 40th among African countries, with a score of 2.1 out of 5.

Technical and Vocational Skills Development

The introduction of technical and vocational education in Congo occurred during the colonial period. In 1930, more specifically, several vocational training centres were founded, the most important of them being the Brazzaville vocational school. Over the years, this establishment became a college, and eventually a secondary in the early 1950s. Technical and vocational education was thus intended to prepare students to practice a given trade.

Long attached to other ministerial organisations, the sub-sector of technical and vocational education was set up as its own independent ministry in August 2002. Currently, this sub-sector falls under the umbrella of the Ministry of Technical and Vocational Training (MTVP), one of the three ministerial departments in the Congolese educational system.

Technical and vocational education is offered in establishments located in every region of the country. There is a distinction between secondary and higher level establishments. At the secondary level, technical and vocational education is provided in two types of establishments: trade centres and technical pre-secondary or secondary schools. Trade centres are organisations for vocational pre-training with the main objective of helping students acquire the skills to manufacture basic objects, perform minor repairs and master the cultivation process (particularly for agricultural courses). The courses available are general mechanics, automobile mechanics, electricity, sheet metal, masonry, carpentry, domestic arts, agriculture, secretarial work, accounting and agricultural mechanics.

Dominated by the administrative and business courses, the *collèges d'enseignement technique* (vocational colleges, or, CET) also offer training in the following areas: sheet metal, general mechanics, automobile mechanics, automobile electricity, carpentry, masonry, accounting, secretarial work and agriculture (in vocational and agricultural colleges, CETA).

Despite the importance placed on technical and vocational training, it is still the poor relation of the formal education system in terms of the number of establishments, staff and the resources available. According to MTVP statistics, these establishments developed in a relatively stable manner between 2002 and 2006. From a total of 101 for the entire country in 2002/03, their number increased to 104 in 2006/07. In terms of the number of pupils, over the same period enrolment increased from 40 716 (including 22 071 girls) to 37 040 (including 21 291 girls). Class sizes are highly disparate from one region to the next, with Brazzaville, Kouilou and Niari being home to 90 per cent of students.

The human and material resources provided to technical and vocational training are modest, and have consistently decreased over the years. Teachers are not always appropriately qualified, and several courses lack the necessary equipment. All of these factors present serious handicaps to learning.

Irrespective of their subject, graduates of technical and vocational training generally face the same problems when they try to join the working world. Their training proves to be relatively impractical and not adapted to the immediate needs of the productive sector. One of the weaknesses of TVET (technical and vocational education and training) is its relative incompatibility with the employment needs of private operators. The dated nature of the courses and training offered has caused a gap between the training provided and jobs available, which is detrimental not only to the young graduates who end up joining the ranks of the unemployed, but also to companies, which cannot find the skills they need in the labour market.

The problem of financing for technical and vocational training is often cited as a major obstacle to its development. Less than 1 per cent of the national budget is devoted to TVET. Although current expenditure on education rose by 13.8 per cent from 2003 to 2005, increasing from XAF 56.76 billion to 65.88 billion, only 7.13 per cent of this expenditure in 2003 and 10.03 per cent in 2005 was directed towards TVET.

Currently, joint financing for TVET provided by the government and the production sector is envisaged. Several proposals have been put forward in this regard: i) creating a national vocational training development fund as a mechanism that should be able to mobilise all necessary resources combining state funding with that of companies seeking to develop trades and hubs in certain high-potential fields, and financing provided by donors and the apprenticeship tax; ii) having companies participate in financing TVET in order to facilitate employment through a new work/training approach and the promotion of promising sectors; and iii) resorting to bilateral and multilateral aid and financing.

Since TVET is at the heart of the training and human resources qualifying mechanism that Congo needs to ensure its sustainable development and fight endemic poverty and unemployment among young people, the Ministry for Technical and Vocational Education and Training has decided, as part of the "*La Nouvelle Espérance*" (New Hope) social project, to undertake a radical overhaul of technical and vocational training. This will be based on necessary and urgent reforms designed to ensure and guarantee the qualitative recovery and sustainable development of TVET. These reforms will act to quantitatively and qualitatively improve the training offered and the mechanism for general TVET management.

This overhaul of technical and vocational training has the following key objectives: i) improve and increase the effectiveness and performance of institutional, public and private training mechanisms by strengthening their operational capacity and performance; ii) respond locally and nationally, in both the public and the private sectors, to the massive and varied demand for vocational and technical qualifications under administrative, regulatory, pedagogical and budgetary conditions that are high quality, accessible to all and fair; iii) ensure that there is a better balance between training and jobs by taking needs, labour-market demand, and the constantly changing social, economic and technological environment all into account; and, iv) facilitate the professional and economic integration of individuals or social groups through income-generating activities: salaried jobs, individual employment and company creation.

In order to maintain TVET in step with quantitative and qualitative changes in employment, an employment and training supervisory body is envisaged. This permanent mechanism would be used to identify employment needs, to specify which trades and profiles are sought by economic actors and to define the job profile that meets the needs of the sectors and operators. This supervisory body could cover the various levels of the education system, particularly the conditions required at higher levels, rather than limiting itself to jobs and corresponding training courses prior to the leaving certificate.

Political Context

After a decade of instability marked by civil wars (1993, 1997 and 1998/99) that had harmful consequences for the country, Congo has experienced a stabilisation of the socio-political climate. The return of peace took hold gradually, starting with the ceasefire in 2000, continuing with the peace accord signed in March 2003 with the last rebel group active in the Pool region, and finally with promotion of the reintegration of former combatants supported by the National Disarmament, Demobilisation and Reintegration Programme (PNDDR). The consolidation of peace continued with the adoption of a new constitution in 2002, facilitating the organisation of general elections that served to confirm the mandate of President Denis Sassou-Nguesso and to set up the democratic institutions provided for in the new constitution (parliament and senate). The 2007 legislative elections were expected to consolidate these efforts to stabilise the political climate, but they did not achieve massive participation because of serious failures that were decried by the opposition parties, international observers and civil society.

Social turmoil was triggered in October and November 2007 by strike notices in the health-care and education sectors. The demands included taking into account promotion of ranks and grades, increasing the value of the index used in calculating the base salary, paying seniority bonuses and back pay and improving working conditions as well as recruiting teachers (referred to as volunteers) in the public service.

Social Context and Human Resources Development

In 2006, the results of the Congolese household survey (ECOM) carried out in 2005 across the entire country estimated the incidence of poverty at 50.11 per cent of the population. This poverty went hand in hand with insufficient health-care, sanitation and basic education services, as well as a high prevalence of HIV/AIDS.

Congo was a model country in terms of enrolment in education before the decade of conflict when enrolment in primary education plummeted. Enrolment rates have shown a marked improvement since then, however, increasing from 72.7 per cent in 2000 to 87.7 per cent in 2005, but with class sizes exceeding 100 students in public education. The shortage of schoolbooks is alarming, with 1 reading textbook for 27 students and 1 maths book for 32 students. The lack of qualified teachers can be explained by the number of volunteer teachers, who represent 31 per cent of the teaching force for primary education. The national student-teacher ratio worked out to 49.7 in 2006 (61.2 in public education and 37.4 in private education).

Work stoppages have been observed by teachers both in higher education and in primary and secondary education. In 2006, with the support of donors, the government began to renovate school buildings and, to a lesser degree, to build new infrastructure. The results are tangible but still insufficient in comparison with the expectations of citizens, and decidedly insufficient in landlocked regions where many schools suffer from a serious lack of qualified teachers, which forces the parents of students to contribute their own resources to recruit volunteers.

In 2006, public investment intended to combat poverty reached XAF 38.8 billion, or 10.8 per cent of all public investment, which was below the 30 per cent objective. Nearly three years after the implementation of the basic education support project, some of its main accomplishments include: i) supporting the collection of statistical data on general primary and secondary education and for publishing statistical directories; ii) setting up 711 community management and development committees for educational establishments; iii) training 7 058 teachers, of which 3 151 were volunteers; and, iv) training 520 young people who had dropped out of school in a variety of trades.

In terms of health, the results of the Congo Democratic and Health Survey (EDSC-1) helped to identify the main problems affecting the health of mothers and children, and reproductive health in general. Child and infant mortality remain high, although they have declined slightly. The mortality rate has dropped from 81 deaths per 1 000 live births in 2002 to 75 deaths per 1 000 live births. The low quality of medical treatment, the lack of health facilities and the difficulty of accessing medical treatment are resulting in high rates of maternal mortality: in 2002, the risk of maternal mortality for a Congolese woman was 1 in 26. These mortality rates are linked most strongly to malaria (the cause of 51.5 per cent of hospitalisations), then to the resurgence of tuberculosis, diarrhoea-related illness, the predominance of other infectious diseases that are not treated properly and HIV/AIDS. In 2007, 10 168 orphans were taken into care under a project financed by the World Bank and implemented by the National Committee for Combating AIDS. These orphans are particularly vulnerable given the proliferation of "revival churches" which distribute information that is often incorrect, if not dangerous, particularly in terms of prevention.

The rate of HIV/AIDS prevalence in major cities is 4.2 per cent among individuals between 15 and 49 years of age. Among individuals older than 30 (35 to 49 years of age), prevalence rates are 10 per cent for men and 7 per cent for women. As of 30 November 2007, the World Bank has disbursed USD 12.2 million (of USD 19 million promised) enabling more than 80 NGOs to develop activities for HIV/AIDS prevention in five regions covered by the project, and to take 5 432 orphans and vulnerable children into their care through basic health-care, psychological, educational, and vocational training assistance as well as supporting them in starting or consolidating income-generating activities. This sum is in addition to the USD 45 million offered over a five-year period by the Global Fund to Fight AIDS, Tuberculosis and Malaria.

In 2007, 7 426 patients including 4 900 women suffering from AIDS were receiving antiretroviral treatments as part of the project financed by the World Bank. This figure is an increase of 1 530 patients over 2006. The government made the decision to ensure that antiretrovirals would be available free of charge to all those suffering from the disease in 2008.

The epidemic of Ebola, a fatal disease that breaks out in highly virulent episodes in the northwest of the country, was brought completely under control with the support of the World Health Organization. This situation suggests that the surveillance system in place is functioning effectively.