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Staff Country Reports

Republic of Congo: Joint Staff Advisory Note on the Poverty Reduction Strategy Paper

This joint staff advisory note on the Poverty Reduction Strategy Paper on the Republic of Congo was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on April 23, 2012. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of the Republic of Congo or the Executive Board of the IMF.

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International Monetary Fund
Washington, D.C.

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THE INTERNATIONAL MONETARY FUND

REPUBLIC OF CONGO

**Joint Staff Advisory Note on the
The Poverty Reduction, Growth, and Employment Strategy Paper 2, 2012–2016**

Prepared by the Staffs of the International Development Association and
the International Monetary Fund

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April 23, 2012

I. OVERVIEW

1. This Joint Staff Advisory Note reviews the Republic of Congo's Poverty Reduction, Growth and Employment Strategy Paper (PRSP-2), which was completed on January 31, 2012. PRSP-2 follows Congo's first PRSP (PRSP-1), which covered the years 2008–11, and was adopted in April 2008. The PRSP-1 was part of the "New Hope" Plan to reconstruct the country after years of conflict, to consolidate the peace process, and to put the Republic of Congo on the path of sustainable development. The goals of the PRSP-1 were five-fold: (i) the amelioration of governance and the consolidation of peace and security; (ii) the promotion of growth and macroeconomic stability; (iii) the improvement of universal access to basic social services; (iv) the improvement of the social environment and the integration of vulnerable groups; and (v) the fight against HIV/AIDS.

2. The PRSP-2 is part of the Government's National Development Plan, and its goal is to modernize and industrialize the country. The strategy rests on the same pillars as the PRSP-1 but reinvigorates two aspects that had unsatisfactory results in the PRSP-1: (i) the promotion of diversified, inclusive, employment-creating and value-added growth; and (ii) the equal distribution of the benefits and security of growth throughout the country. Also added to this PRSP is the priority of respecting and protecting the environment to slow down climate change and reduce the harmful extraction of natural resources.

3. The process of preparing the PRSP-2 was officially launched in March 2011 during a workshop attended by participants from all parties and regions. The workshop formalized the six thematic groups that worked on the detailed background documents for each sector, which were: (i) governance; (ii) the economy; (iii) infrastructure; (iv) development and social inclusion; (v) education, training, and scientific research; and (vi) balanced and sustainable development. Major think tanks around the country also contributed to the preparation process. After the thematic reports were adopted in July 2011, the permanent technical secretariat of the National Committee for the Fight against Poverty produced a draft of the PRSP. Despite efforts at inclusiveness throughout the process, however, many participants, including civil society representatives, expressed concern that their views were not taken into account.

4. *Overview of developments during the PRSP for 2008–11.* It has been a decade since the Republic of Congo emerged from a cycle of conflict and poverty. Today, peace and security have been restored throughout the country, and rapid yet sustainable development is gradually reducing poverty levels. In the past few years, high growth rates have coincided with appropriate fiscal policies and efforts to improve governance. In addition, the demobilization and reintegration program for ex-combatants has helped to create business opportunities and has engaged local communities in the infrastructure rehabilitation program. The Government's decision to organize the 52nd Anniversary of Independence in the Malebo Pool region in August 2012 underscores that peace and security are improving. Along those lines, political reconciliation and normalization continues apace. Most political leaders exiled during the conflict have been allowed to return to the country and have been invited to participate in the reconciliation process. In addition, legislative elections are scheduled for 2012. In 2010, the Government adopted a Military and Police Forces Programming Law, which covers the period 2012-2021 and, supported by French military cooperation, aims to professionalize the Public Forces.

5. *Recent events.* On March 4, 2012 explosions at an ammunition depot caused hundreds of casualties and significant material damage. In response a supplementary budget was submitted to Parliament on April 6, 2012, increasing expenditures to US\$6.5 billion up from US\$5.3 billion, the increase being financed mostly by domestic resources. The impact of these expenditures on the PRSP and its priority action plan will be reported in next year's progress report.

II. POVERTY DIAGNOSTICS

6. The poverty report based on the 2011 Living Standards Measurement Survey (ECOM 2011) is not yet available, and the 2010 MDG statistical report's estimate of a 1.7 percent annual poverty reduction rate cannot be evaluated at this time. While consumption-based poverty comparisons are not currently feasible, the survey does present a positive trend between 2005 and 2011, with the significant increase in the sample size able to better disaggregate poverty across the country. Subjective understandings of the main cause of poverty have remained relatively unchanged over time, comprising: unemployment, poor public sector management, and lack of household financial resources.

7. The Republic of Congo's high urbanization rate puts a premium on urban jobs and living conditions. Available information suggests that the rate of employment rose slightly (58 percent in 2011 up from 56 percent in 2011) but youth unemployment and under-employment remains high. The rise in formal, particularly private, sector jobs in major urban areas (10 percentage points for heads of households) suggests an improvement in welfare, which is mirrored by the rise in the ownership of consumer durables such as televisions (65 percent of households in 2011 up from 34 percent in 2005). Access to social services in general remains a problem, although the increased concentration of the population, combined with free primary education, has led to a five-percentage point rise in primary school access.

8. The situation in rural Congo is less clear. Heads of households are increasingly self-employed agricultural workers (70.5 percent of households up from 25 percentage points since 2005) and over 10 percent of household heads are unemployed. However, there is a rise in ownership of televisions (8.8 percent of households in 2011 up from 3.3 percent in 2005) and canoes (means of production; 13.5 percent in 2011 up from 8.7 percent in 2005). The majority of internal migrants (41.6 percent) move from rural areas towards urban ones, with the aim of rejoining family or seeking a job.

9. The staffs encourage the authorities to broaden and deepen the analytical agenda laid out in the PRSP by preparing the planned poverty trends assessment. The ECOM 2011 should serve to produce a detailed poverty analysis taking into account strata not covered in the 2005 survey, and additional analyses on national health accounts, benefit-incidence analysis, and public expenditures could benefit from these data. The construction of poverty maps based on the 2011 household survey and the 2007 population and housing census could support the ongoing decentralization process. The Gender Inequality Index, with a score of 0.628 for 2011, highlights the gender challenge. As is done in the PRSP, gender deserves to be not only a cross-cutting, but a specific area of analysis, with the linkages between gender, access to opportunities, vulnerability (e.g. an HIV/AIDS rate twice as high for women as men), and poverty explored in greater detail to support development of policies to implement the National Gender Plan.

III. IMPLEMENTATION PROGRESS AND REFORM PERSPECTIVES

A. Macroeconomic Performance

10. The government presents three macroeconomic scenarios, which recognize the importance of macroeconomic stability, policy commitment and external conditions in achieving poverty reduction and growth. The scenarios comprise (a) a baseline, (b) a trend scenario of "business as usual", and (c) a large and protracted external shock scenario. The trend scenario of policy inertia and procrastination implies almost no reduction in poverty, while the unchanged expenditure under the shock scenario delivers relatively favorable social outcomes due to higher debt.

11. While staffs recognize the challenges to projecting growth in the context of structural change, further refining the underlying assumptions could increase the realism—and therefore the robustness—of the scenarios. The baseline scenario reflects desired—as opposed to likely—social policy outcomes, while the staffs were unable to reconcile some of the outcomes of the downside alternative scenarios.

12. The Staffs would have preferred basing the poverty reduction strategy on a more centrist baseline scenario. While the growth projections appear attainable, the social outcomes appear overly ambitious. Real GDP is projected to grow at about 8 percent per year (average) over 2012–16 driven initially by rising natural resource production (oil, minerals and timber) and strong public investment. This new infrastructure together with steadfast implementation of policy measures, including measures to improve the business climate, is assumed to support double-digit non-oil growth by the end of the medium term. The foundation of the poverty reduction strategy would be strengthened by greater discussion of how robust growth, including in the natural resource sector (which by its nature is not inclusive), will contribute to a reduction in poverty by over 15 percentage points in less than 5 years and more realistic assumptions regarding the social impact of structural reform given persistent implementation risks.

13. The fiscal cost of investment priorities appears to be broadly consistent with the resource allocation of the Medium Term Expenditure Framework (MTEF) and natural resource revenue sufficient to finance development through domestic resources, but spending is subject to various pressures. The strategy of closing the infrastructure gap through a scaling up of public investment financed by domestic resources while continuing to save a share of oil revenue is sound. However, spending on education and health will remain below that of their peers with similar levels of income per capita in a context where non-wage current expenditure is very high even before maintenance costs start to kick in. Moreover, the projected low and unchanged budget allocation to Governance and Promotion of Democracy is not consistent with the objective of improvements in this area, which are crucial for the diversification of the economy and the success of the overall strategy.

14. Achieving the benign external debt profile under the baseline may require additional efforts to sustain an overall fiscal surplus. Capping external public debt at 30 percent of the GDP is a welcome objective, which would allow for further scaling up of development expenditure while maintaining a negative net external debt position. Targeting an overall surplus through redoubled efforts to raise non-oil revenue (broadening the tax base, improvements in tax administrative) and implementation of spending control measures is appropriate. Nevertheless, while sustainability does not appear to be at risk given sizable oil wealth, there are significant risks to the fiscal scenario stemming from volatile oil prices and strong spending pressures. Policy measures to contain non-wage current spending and raise non-oil revenue collection would serve to safeguard development objectives, mitigate potential risks to fiscal sustainability and avoid a negative feedback loop to external debt.

15. Congo's abundance of natural resource wealth calls for improvements in governance, transparency and natural resource management. Growth in mining is assured, with large-scale mineral production scheduled to come on stream in 2017, while forests cover over 60 percent of the country's landmass. The outlook for oil is also positive, with the changes to the fiscal regime currently under discussion aimed at attracting production in deep water. Yet, by their nature, natural resource revenue streams are volatile and pose significant risks to policy implementation and sustained growth as a result of ad hoc policy responses to shocks. Staffs encourage the authorities to develop a natural resource management framework encompassing both revenue and expenditure to ensure that the revenue from natural resource wealth is efficiently and transparently channeled toward human development and growth-enhancing expenditure and savings. The natural resource wealth management framework could use the Bank of Central African States (BEAC) institutional framework as a reference, which provides for both a stabilization fund as well as a Fund for Future Generations.

16. In the staffs' view, deterioration in the terms of trade and slow progress on structural reforms constitute the main downside risks to the poverty reduction strategy. External risks call for prudent policies and a further buildup of fiscal buffers. Mitigating domestic risks requires sustained policy actions to: (i) raise the quality of spending by further strengthening public financial management; (ii) promote inclusive growth by swiftly implementing the action plan to improve business climate; and (iii) address labor market demand and supply issues, including the labor skills mismatch by raising the quality of education and increasing focus on vocational training. Without such actions, the spending of oil wealth will not reach its potential impact on poverty reduction.

B. Infrastructure

17. Infrastructure represents an important input for each of the key productive sectors. The infrastructure sectors (including power, transport, communications, finance) contributed 0.5 percentage points to per capita growth over the past decade in the Republic of Congo, as compared to the Sub-Saharan African average, which was a contribution of 0.99 percentage points (Pushak and Briceno-Garmendia). In Congo, infrastructure has the potential to contribute more than 3 percentage points a year to per capita growth, compared to on an average of 2.3 percent in all of Africa. Upgrading Congo's dilapidated infrastructure, particularly the power sector, is a prerequisite for economic development, specifically economic diversification, and the improved provision of social services. The PRSP recognizes this challenge noting the importance of transport infrastructure, and the need for a regional strategy to develop roads and fluvial transport corridors.

18. Staffs commend the report for stressing the importance of infrastructure investment for the development of important growth sectors. Still, the report offers an incomplete picture of the country's infrastructure needs, most notably with regards to the energy sector. Staffs advise the government to present a more thorough analysis of each infrastructure sector, investment needed, and associated growth expected in sectors using the infrastructure. This approach would allow

for the an assessment of the investment budget based on project cost, as compared to an approach based on the available budget, currently presented in the PRSP. Staffs also recommend the creation of specific, attainable targets, supported by concrete, evidence-based justifications for these targets. In line with the Economic and Monetary Community of Central Africa's (CEMAC) Regional Development Strategy for 2025, the government should ensure that these targets are compatible with goals to build infrastructure, most notably transport, electricity and modern telecommunications, at a regional level by 2025. Finally, for better monitoring and evaluation of progress, staffs note that quantitative result benchmarks are necessary.

C. Economic Diversification and Private Sector Development

19. Since 2000, Congo has become increasingly dependent on the oil sector in the wake of the rapidly rising international oil prices. The oil sector's share of GDP reached 68 percent in 2010. Although the contribution to employment generation may be limited compared to other economic sectors, Congo's petroleum sector remains vital to the economic growth of the country and could potentially contribute substantially to the overall development of the country if developed through a more sustainable framework. More specifically, the sustainable development of petroleum resources is critical for achieving the "Modernization and Industrialization program" proposed by the Government.

20. While oil has historically been the main driver for revenues in the Congo, the role of natural gas is poised to become more prominent moving forward. According to the Ministry of Hydrocarbons, Congo contains about 3.5-4 trillion cubic feet (Tcf) of proven natural gas reserves, the third largest gas resource base in sub-Saharan Africa. An estimated 2.0 Bcm of natural gas is currently flared, which represents a lost opportunity for the country's economic growth. In an effort to address this issue, a new plant has recently been commissioned that will utilize natural gas previously flared from the Djeno field. This plant adds to the already considerable effort to strengthen the power sector in Congo, bringing generation capacity to approximately 500 MW up from 89 MW in 2003. A more reliable distribution network and the production of affordable energy will serve as the basis for the Government's ambitious economic diversification program. Staffs advise that attracting private sector investment in energy generation and distribution should be a policy priority. To this end, staffs recommend that the Government develop an attractive legal and regulatory framework that includes incentives for the use of domestic natural gas, and design policies to maximize local development opportunities arising from the petroleum sector.

21. While the strengthening of the petroleum sector remains important, a diversification of the economy towards other sectors is necessary to secure the country against the long-range consequences of a reliance on the petroleum sector. As such, the PRSP presents the diversification of the Congolese economy as well as the development of a robust private sector as critical to the development of a sustainable economy. With respect to the diversification of the economy, the PRSP places a particular emphasis on the need to strengthen sectors with

employment creating and growth potential, including the mining, agriculture, forestry, construction and tourism sectors.

- *Mining.* Since the creation of the 2005 mining code, mining exploration has increased. As referred to in the PRSP, the Mengo potash mine near Pointe Noire, the Nabeba and Zanaga iron-ore projects are examples of large-scale capital-intensive projects that could be developed in the short term and could have a transformational effect on the local economy and infrastructure. More modest projects could complement the existing, mainly informal, gold and diamond artisanal mining. In undertaking the strategy outlined in the PRSP, the government should ensure that proper linkages between the mining sector and other sectors are maximized. While mining is not known to generate massive direct employment, the potential exists for the creation of indirect jobs by local content, training, and ancillary infrastructure development policies. Finally, sound, efficient and transparent management of mineral resources for a sustainable contribution to diversification will require significant institutional strengthening.
- *Agriculture.* Agricultural production, which is important for poverty alleviation and employment creation in the country, is currently far below potential, and the country relies extensively on imports for its food consumption. The strategy to boost the agricultural sector laid out in the PRSP aims to address sectoral gaps, which include the rural exodus phenomenon, the provision of inputs, the financing mechanisms of the farmers, and land tenure/use issues. The PRSP suggests that these gaps can be addressed through: (i) pre-financing the purchase of inputs ahead of the farming season as well as to wholesalers to ensure marketing; (ii) more structured financing that links producers to buyers and agro-industries/supermarkets; (iii) the development of public-private partnerships (PPPs) for financing infrastructure projects such as irrigation systems, roads, storage and cooling facilities, etc; and (iv) the introduction of warehouse receipts to protect producers. Staffs recommend the adoption of a more precise and detailed comprehensive action plan that can be realized by 2016 to monitor the implementation of the proposed measures.
- *Forestry.* Congo's forestry sector could potentially create employment and evenly distributed growth. Currently, there are about 60,000 hectares of plantations, with plans for planting 1 million hectares in the coming decade. The PRSP acknowledges the need to enhance the competitiveness of the sector and lays out the following goals: (i) bring all timber production concessions and protected areas under sustainable management plans, (ii) ensure the legality of timber both for exports and for wood traded domestically, and (iii) reforest or afforest 1 million hectares of savannah land that has limited suitability for agriculture. Staffs encourage the authorities to define a specific pathway to achieve these goals. To overcome the obstacle of a weak domestic market for forestry products, a key constraint to the development of the sector, staffs recommend using heavy hardwoods for railway sleepers and river transport infrastructure and mandating that certain categories of government buildings be made of wood. Moreover, Staffs recommend strengthening

associations between large timber industries and small and medium enterprises, which serve as key mediums for upgrading technical and business skills in the wider population, and which represent an important path for generating employment in the sector. Staffs advise that improving the capacity of the Ministry of Sustainable Development, Forest Economy and Environment will be key to addressing these gaps and challenges.

- *Construction & Tourism Sectors.* The construction and tourism sectors are modern sectors, which if properly managed have important job-creating and growth potential. Staffs commend the PRSP for addressing the critical nature of human capital development within these sectors, as well as the need to adopt industry-wide standards for the construction sector. Staffs note, however, that industry-wide standards need to be adopted and enforced for the tourism sector as well. Overall, staffs caution that basic infrastructure to develop both sectors remains lacking and building the infrastructure to appropriate standards could take the country at least a decade.

22. Overall, staffs commend the PRSP for its identification of the key sectors with growth potential. Staffs recommend the prioritization of sectors that require less complexity to develop and sectors where the country has a comparative advantage. Those sectors include agriculture, forestry, and services particularly related to the operations of the port of Pointe Noire. Such a strategy, in particular, could have a larger, more direct impact on poverty alleviation, and provide more opportunities for employees to move up on the skills ladder, hence developing an industrial base for the development of other sectors. Moreover, staffs recommend these sectors be developed in coordination with those of regional partners, in line with CEMAC's Regional Development Plan for 2025, in order to allow for both cross-country regional learning and growth on a larger scale.

23. Furthermore, staffs advise that the strengthening of the private sector depends on an amenable environment to small and medium-size enterprises. The creation of such an environment would require a particular focus on improving the efficacy of the support structures (including access to credit and legal protection) for creating and launching enterprises and on reducing the high regulatory burdens on business entrepreneurship in the country, which ranks 181 out of 183 countries on the Doing Business Index¹. These burdens include multiple taxation, customs duties and overall government bureaucracy throughout the business lifecycle. The growth of small and medium-size enterprises is critical to the creation of a sustained and diversified economy, which is integrated with rapidly growing regional markets for food and services. Moreover, the reductions of regulations and the improvement of the support structure would pave the way for a formalizing of the large informal sector. As it currently stands, not only are the costs of starting a business in the country very high, but the costs of formalizing

¹ The low ranking is particularly a result of the high rates of taxation (ranked 181) and the difficulty of trading across borders (ranked 182) as a result of customs and other border regulations. In addition, the number of procedures and the amount of time involved in starting a business are large (ranked 175), the provision of electricity is poor (ranked 152) and the registration of property is difficult (ranked 156). Moreover, credit is difficult to come by (ranked 98) and investments are poorly protected (ranked 155). Finally, the costs of enforcing contracts (ranked 159) and resolving insolvency (ranked 134) are also high.

businesses are as well. As such, the informal sector is extremely important to poverty alleviation as it employs individuals and households, most notably households headed by women, in an environment free of extreme regulations often carried out in the form of harassment. Reducing the costs of entering the formal sector would allow these informal businesses better access to credit and a formal support structure. The strategy to address these issues should be developed in consultation with the business community, both formal and informal, so that it adequately prioritizes and targets the elimination of the most important barriers.

D. Education

24. Congo's education sector has continued to improve since the end of the Civil War. According to a recent study by the Ministry of basic education and the National Office teams on sector indicators, the gross enrollment rate in primary education increased to 114.9 percent in 2010 up from 110.9 percent in 2005, while the girl to boy ratio rose slightly to 95.0 percent, up from 93.5 percent. Increases in enrollment were also observed in secondary and tertiary education. However, achieving the MDG of universal completion remains a challenge because of high internal inefficiency and the low quality of education in the country. Primary completion rates reached only 77.4 percent in 2010 up from 67.7 percent in 2005. Furthermore, external efficiency is low and that the skills acquired by the graduates do not meet labor market needs.

25. Staffs commend the PRSP for presenting a candid and complete assessment of the Government's education policy relative to equity and inclusion. However, the proposed strategies omit certain specifics that could contribute to improving the education system performance. More specifically, the staffs recommend the following: (i) Better targeted policies and programs are needed to curb the exclusion of minorities and disadvantaged groups within the education system. A particular emphasis should be placed on the inclusion of women and girls in the system who have an important potential to foster growth and human development in the country; (ii) The education quality agenda should be fostered throughout the system and anchored in an improved results-based management system; (iii) Priority should be given to improving external efficiency so as to avoid a mis-match between skill supply and demand. External efficiency could focus on the development and implementation of technical training programs that respond to labor market needs.

26. Staffs also note that the necessity of empowering the youth population should not be underestimated. Since impoverishment and disillusionment among Congolese youth significantly contributed to the violence of the civil war, the empowerment of youth is an essential factor for the future development of the country. Staffs recommend that youth empowerment take the form of: (i) education, vocational and technical training; (ii) job creation; and (iii) the provision of opportunities for leisure-time activities. Strengthening youth competences in key sectors mentioned above is essential so that they can develop the skills that will allow them to respond to the demand of the evolving labor market.

E. Health and HIV/AIDS

27. Substantial room for improvement remains in the Congolese health sector. According to the 2005 Demographic and Health Survey, life expectancy at birth is only 53 years; under-five mortality is approximately 117 per 1,000 children; maternal mortality is estimated at 781 per 100,000 live births; and immunization coverage is at only 65-70 percent of the population. With respect to primary care, the utilization of health services has decreased slightly from 26.7 percent in 2005 to 23.8 percent in 2010—perhaps as a result of financial barriers, or of a negative perception of the quality of health services, or both. By contrast with these modest achievements, the fight against HIV/AIDS has seen significant results: the overall prevalence has decreased from 4.2 percent of the population in 2003 to 3.2 percent in 2009, as a result of the good management of available resources and a sound strategic framework. However, women remain disproportionately vulnerable to the disease.

28. Staffs commend the health strategy as outlined in the PRSP but recommend reinforcement of the following issues: (i) the completion of a sectoral Middle Term Expenditure Framework (MTEF) that aligns the budget with health priorities; (ii) the completion of a specific analysis of children's and reproductive health, in addition to the general national health accounts, to offer a clear picture of the respective shares of public, private, and household health expenditures; (iii) a detailed analysis of the Government's health budget to assess the efficiency of public financing for the health sector, focusing in particular on primary care and coverage of the peripheral levels; (iv) the creation of a strategic framework for establishing a partnership with the private health sector; (v) the collecting of baseline information and the monitoring of progress. The health information system must be significantly strengthened and routine data supplemented with community-based surveys; (vi) the identification of incentives to make redeployment attractive to health workers.

29. Moreover, the provision of primary care is poorly covered in the PRSP. CSIs are not prioritized and gaps exist with regards to the tracking of resources allocated to primary care. Staffs recommend a stronger commitment to community-level health care programs. These programs would enable the Government to more efficiently reach vulnerable communities and provide those communities access to prevention-based care they might not otherwise have. The success of this type of project is demonstrated by a current World Bank funded project in the Congo aimed at combating the spread of HIV/AIDS: through education and training, local NGOs have been able to reach 176,944 vulnerable people with prevention-based education. This model could be used to target other health priorities and combat the spread of other diseases.

30. Finally, the provision of the basic social services, clean water and sanitation, remains extremely important to the health of the country's population, yet the population's access to these services remains limited. Within the PRSP, the government has laid out its commitment to improving access to such services. However, staffs recommend the development of a more detailed and targeted plan to improve the provision of these services.

F. Provision of Social Protection and Reduction of Vulnerability

31. Although political awareness about social protection issues has increased in recent years, the social protection sector represents only 0.63 percent of the 2012 national budget. Moreover, the scope and content of the existing programs are weak, mostly targeting civil workers and private sector employees in the form of contributory social insurance schemes. These programs are insufficiently developed to respond to the needs of the sizable poor and vulnerable populations. According to the 2005 Household Survey, one out of two Congolese is living under the poverty line, as defined by living on less than \$1.25 per day. In addition, while the urban rate of unemployment was 16.1 percent in 2009, it was as high as 25 percent among Congolese youth between the ages of 15 and 29 years.

32. While the report provides a relatively thorough description of its plan to address the vulnerability of women, more attention should be given to other vulnerable groups. These other groups include the elderly, indigenous populations, those afflicted with specific post-conflict vulnerabilities, stigmas and traumas including war widows, orphans, ex-combatants, amputees and war-wounded persons and the large percentage of impoverished Congolese children and youth. The PRSP does not adequately elaborate on the various social protection strategies that it does outline. In terms of defining priority actions, staffs recommend that the government rely on analytical work not only to identify the source of vulnerability and target populations, but also to assess the effectiveness of already existing programs and protection laws (e.g. social insurance schemes, Child Protection Code, indigenous people protection law, etc), as well as to devise better targeted and efficient mechanisms to cater to each of the identified priority vulnerable groups. Based on this kind of analysis, a social protection strategy could define specific outcomes/results and prioritize interventions to achieve those outcomes/results in order to maximize the impact of available resources. Community organizations could play an important role in providing basic community services and protections, mostly with the support of development partners. Their capacity is currently weak, and there are cultural constraints to fostering associative activities, but their access to vulnerable populations remains unparalleled.

G. Good Governance and Consolidation of Stability through Strengthened Institutions

33. Considerable efforts and reforms have been made in recent years with respect to governance and the strengthening of institutions. The increased institutional capacity of the Government and the fight against corruption has improved the governance, transparency, and effectiveness of public financial management. Nonetheless, more work remains.

34. With respect to the PRSP, staffs caution that the individual strategies to improve governance and strengthen institutions are too general and lack specific goals or steps to achieve those goals. Furthermore, important governance issues have been overlooked, such as (i) the poor salaries of public servants; (ii) the persistence of corruption in public administration; (iii) the lack of resources and limited access to information for the fight against corruption;

(iv) concerns that an increase in oil revenues could contribute to poorly selected and over-budgeted investment projects; and (v) poor oversight of the public administration.

35. Staffs recommend that the Government prioritize public administration capacity building, good governance and civil society participation and oversight within their strategy. With respect to public administration capacity building, staffs advise that the Government: (i) pursue and extend all ongoing or pending structural reforms for increasing the management efficiency of the public financial management system, particularly the rationalization of the public expenditure chain for improving governance, accountability, and transparency (mainly in the area of treasury operations and control) in line with the new PFM directives adopted by CEMAC countries on December 19, 2011; (ii) effectively execute the procurement code; (iii) dedicate the funds to support the new procedures of identification, evaluation and selection of public investments; (iv) clean up the management of all state-owned enterprises before changing their legal status; (v) establish systematic results based management to ensure performance and promotion.

36. The decentralization process will be important to achieving good governance and better service delivery. Staffs recommend the government establish timetables and benchmarks for meeting objectives set out for in the process and delineate the responsibilities of the decentralized entities. Moreover, a stronger focus should be placed on supporting community participation in the decentralization process. This includes direct participation and representation of different community groups, especially women, within local governance. Furthermore, with respect to fiscal decentralization, staffs advise the authorities to provide technical assistance to local authorities to ensure that technical complexities do not impede the fiscal management process.

37. Finally, staffs recommend that measures to supply good governance and accountability be balanced by the public's demand for good governance. Weak parliamentary oversight and low citizen participation in public policy making, implementation and monitoring are important obstacles to improving the quality of governance in Congo. There is an important need for increasing the exposure of government to public scrutiny and building necessary capacity of non-governmental actors to access and understand information on these actions. Staff recommended particular emphasis be placed on: (i) strengthening of Parliament's information on, and control over, budget preparation and execution with the support of an independent Court of Accounts, through the implementation of the new CEMAC directives; (ii) enabling access to public information by civil society, through "access to information" laws, the use of information communications technology (e.g. publishing budgets online, and open administration practices) in combination with more traditional methods such as radio programs; (iii) increasing involvement of civil society and the media in policy formulation and implementation, through creating processes that enable citizen participation in policy decision-making and budgeting- such as systematic citizen consultations before formulating reforms, civil society organization participation in service delivery, citizen representation in decision committees, participatory budgeting (especially at the local level), etc.; and (iv) building oversight capacity of civil society through mechanisms that strengthen monitoring of the executive's actions- such as citizen report

cards, beneficiary assessments, public expenditure tracking surveys in key sectors, and third party monitoring of budgets, procurement, and contracts.

IV. MONITORING AND EVALUATION

38. The move to managing for development results in the Republic of Congo is ambitious, but feasible. Linking budgets to results through a medium-term expenditure framework will require the sector strategies with results frameworks, underlying data, and evaluation elements. Without the strategies, the Government risks a reoccurrence of the alignment problems between budgets and objectives/results. To support these strategies, additional human, technical, and financial resources will be required in the *Direction des Etudes et de la Planification* units in the ministries so that they provide the necessary linkage between the budgets and the progress.

39. The Government has responded to the data challenge of the previous PRSP with a 2012 budget allocation of 815 million FCFA for a number of surveys. However, if the rural employment surveys and the mobile telephone surveys are not linked with the 2011 survey, the analytical value of the surveys would be significantly reduced. The *Conseil supérieur de la statistique* was created in 2010 to provide greater coordination, but the council has yet to meet. The focus on surveys to the exclusion of routine data raises reduces the periodicity and geographic precision of updates. Additional benefits can be derived through greater use of the data. For example, the 2007 census data are underutilized both for demand (population) projections and for the administrative data systems that require the data for population-based indicators. The authorities could consider to strengthen capacity of the Congolese Statistical institution. This will be important going forward, both in terms of evaluating progress towards the objectives and better understanding poverty across Congo.

40. The Government's focus on increased quality of resource utilization should be complemented by a framework that supports the monitoring of resource utilization and progress towards objectives. Staffs are aware that work is underway to prepare the results framework and monitoring plan and recommend that its preparation be accelerated to serve as the basis for discussion with sector ministries on budgetary allocations and sector performance. As with the MTEF, the development of a central M&E framework should be complemented by sector M&E frameworks that articulate the lower-level steps to reach the objectives assigned to the sectors by the PRSP. The link between the two will increase alignment and will need to be supported by the ongoing National Statistical Development Strategy process.

41. An opportunity exists to involve civil society in the monitoring of the implementation of the PRSP and its development outcomes. Staffs advise that Congolese civil society organizations and think tanks could be engaged in impact assessment of reforms and the government could pilot the use of social accountability mechanisms, such as community scorecards to track progress on the delivery of a range of public services including infrastructure, health and education.

V. CONCLUSIONS AND ISSUES FOR DISCUSSION

42. The staffs of the World Bank and the International Monetary Fund believe that the PRSP outlines a comprehensive framework for the reduction of poverty in the Republic of Congo. Specifically, staffs are encouraged by the emphasis placed on diversifying the economy away from the oil and mining sector to generate employment, providing social services and reducing the vulnerability of its citizens, and strengthening good governance.

43. Staffs caution that risks to the implementation of the strategy exist. These include (i) the lack of commitment to the implementation by the relevant parties; (ii) constraints on institutional and technical capacity to implement the strategy; and (iii) the vulnerability of the country and its budget to natural resource price shocks if the economy does not diversify.

44. Staffs commend the government for the thorough and methodical analysis, but note that the consultative process to develop the PRSP could have been more inclusive. Further, staffs advise the government to consider drafting a more concise and reader friendly version, more accessible as a tool for civil society and the international community to work with the authorities. In addition, staffs recommend that the government rebalance the core of its strategy from a detailed presentation of development objectives to a more focused and realistic set of interventions that will be properly prioritized, sequenced and monitored.

45. Looking ahead, staffs consider that the overall strategy could be strengthened in three priority areas: (i) setting clear, realistic targets that allow all stakeholders to work toward the same goals; (ii) prioritizing and sequencing goals and plans to achieve those goals so that resources can be allocated to the most important projects, especially in annual budgets and medium-term expenditure frameworks; (iii) integrating civil society and the demand for good governance within the strategies as a means of adding social accountability to the projects; and (iv) creating systems for monitoring and evaluating the specific projects undertaken. Staffs recommend that an independent PRSP consultative committee be created to monitor the Government's overall progress with respect to the PRSP.

46. In considering the PRSP and the associated JSAN, staffs would like to consult Executive Directors' views with respect to:

- The areas identified by the staffs as priorities for strengthening the PRSP and its implementation.
- The areas identified as key implementation risks.

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