

**Republic of Congo: Joint Advisory Note on the Poverty Reduction Strategy Paper—  
Annual Progress Report**

The attached Joint Staff Advisory Note (JSAN) on the Poverty Reduction Strategy Paper Annual Progress Report for the Republic of Congo was prepared jointly by the staffs of the World Bank and the IMF, was distributed with the member country's Poverty Reduction Strategy Paper (PRSP) Annual Progress Report to the Executive Boards of the two institutions. The objective of the JSAN is to provide focused, frank, and constructive feedback to the country in progress in implementing its Poverty Reduction Strategy (PRS).

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REPUBLIC OF CONGO

**Joint Staff Advisory Note on the Poverty Reduction Strategy Paper:  
Annual Progress Report**

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

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**I. OVERVIEW**

1. **This Joint Staff Advisory Note (JSAN) reviews the first annual progress report (APR) on implementation of the Poverty Reduction Strategy (PRS) of the Republic of Congo (Congo).** Congo's first full PRS was adopted in April 2008 and circulated to the IMF Board on August 8, 2008 (for information), and discussed at the IDA Board on October 2, 2008. The APR takes stock of the first year of PRS monitoring and implementation. It was prepared through a participatory process, with inputs from actors across the public administration and from outside the government.

2. **The adoption of Congo's first full PRSP was an important step towards consolidating macroeconomic stability and improved political and economic governance.** The PRS is Congo's first comprehensive national development plan since the end of civil war in 2001, and has been instrumental in guiding ongoing reform efforts. The PRS orients government's actions towards sustained and broad-based growth, which is critical for improving the standard of living. The main strategic pillars involve: (i) strong governance and consolidation of peace and security; (ii) moderate growth and macroeconomic stability; (iii) improved access to basic social services; (iv) a better social environment, which includes the integration of vulnerable groups; and (v) combating HIV/AIDS.

3. **Economic reform has progressed during the first year of PRS implementation, despite the adverse effects of the global financial crisis, which led to a weakening of external demand.** A positive element of the crisis has been to further strengthen the authorities' resolve to diversify the economy, accelerate efforts to rebuild the economic infrastructure, and consolidate the fiscal position. Progress on public financial management reform has been particularly noteworthy, with the main achievements being the introduction of a new procurement code, a medium-term expenditure framework (MTEF), and a simplified expenditure chain.

4. **The APR takes note of these advances and incorporates a number of refinements made to the PRS in the past months.** Staffs welcome the exhaustive account in the APR of reform measures conducted in the first year of PRS implementation. Since most of the achievements relate to institutional strengthening (including new laws, action plans, and organizational reforms), it is important for the authorities to focus their efforts on implementing these measures. The APR also made a step towards further concentrating government action on key priorities, and it lays out a program for improving the strategy, in particular as regards enhancing sector strategies, the monitoring and evaluation framework, and the statistical basis for poverty monitoring.

5. **This JSAN reviews the APR and provides the staffs' advice on implementation and improvements in the period ahead.** Section II provides an update on the poverty diagnosis, section III elaborates on the central aspects of the strategy, while section IV comments on implementation progress, and section V addresses monitoring and evaluation. Some conclusions are drawn in section VI, together with proposed issues for Executive Directors' discussion.

## II. POVERTY DIAGNOSIS

6. **Updating and improving demographic and social data remains a critical challenge for Congo and only limited progress has been achieved thus far due to serious capacity constraints.** Statistical information on the causality, extent, and distribution of poverty continues to be based on the poverty assessment of 2006—which itself is based on survey data from 2005. The data revealed that 50.7 percent of Congolese households live below the poverty line, that the highest incidence of poverty occurs in semi-urban and rural areas, and that almost 60 percent of poor households are headed by women.

7. **Advancing on the planned poverty survey program is critical for measuring progress on PRS implementation.** In this context, ensuring the comparability and consistency of data will be particularly important. This survey program is well described in the APR, but is somewhat behind schedule owing to capacity constraints. It has been further hampered by delays in finalizing the 2007 census, which would be critical to provide an updated and reliable statistical basis for the surveys. The survey program aims at updating the 2005 household survey and amplifying it to enable a region-by-region analysis of poverty and social outcomes.

The program also contains surveys on employment and agricultural production, as well as an update of the 2005 Demographic and Health Survey. New statistical information produced by these surveys will help clarify the evolution of poverty over the past several years, identify the extent of regional disparities and enable more effective monitoring of PRS implementation. For this purpose, it is critical that the methodologies applied to the new surveys will allow for comparability with previous surveys.

8. **Knowledge on how major policies and public spending affect income, employment, and social outcomes in Congo remains weak, even though some efforts have been undertaken in this regard.** In the forestry sector, for example, procedures for conducting environmental and social impact assessments for new concessions are being put in place. Likewise, the ongoing public investment management reform introduced a project appraisal system that will evaluate the expected social impact of large public investment projects. Also, a survey on living standards in urban areas was recently completed, producing baseline data for a new urban development project supported by the World Bank. Despite these efforts, staffs believe that it would be beneficial for the full PRS to undertake (on a pilot basis) assessments of the poverty and social impact of key public spending initiatives and structural reforms.
9. **As mentioned in the JSAN for the full PRS, staffs believe that poverty monitoring would be enhanced by an increased effort to produce administrative data.** This refers to data that measure outputs from public or private sector entities (e.g., wood production and exports, mining titles, road construction and maintenance, and textbook distribution). Such data continue to be used in a limited way, despite being relatively easy to collect and having important informational content, such as for measuring the impact of government actions and policies (e.g., school enrolment).
10. **Looking ahead, staffs highlight the importance of intensifying efforts to strengthen the availability and quality of poverty and social data.** Without more and better data, refining the PRS will be difficult and unproductive. In this regard, it would be important to complete and publish the 2007 census as soon as possible and to conduct the second poverty survey using a method comparable to that used in the first survey.

### III. STRATEGIC ORIENTATION, REFORM PRIORITIES AND RESOURCE ALLOCATION

11. **The PRS's five strategic pillars remain generally valid, although they were recast slightly and sharpened in the APR.** Within the already existing PRS pillars, the APR emphasizes the following priority reform efforts: (i) developing economic corridors, such as between Pointe Noire and Brazzaville; (ii) promoting a dynamic private sector and improving the investment climate; (iii) accelerating decentralization and local development; (iv) further improving the quality and transparency of public financial management; and (v) enhancing institutional and administrative capacity.

12. **Staffs believe that the PRS would benefit from focusing even further on a few key reform objectives with very clearly formulated expected results, as noted in the previous JSAN.** Such focus is critical, given that institutional and administrative capacity remains weak in Congo and that most reforms are of a long-term nature and as such will require a strong and sustained approach. Section IV provides suggestions on how to strengthen the results framework in this regard. The recent reorganization of the government structure into four pillars (economy, basic infrastructure, socio-cultural, and sovereignty) led by four senior ministers could also help the government achieve this stronger focus. One aspect that could be reinforced in the PRS is a clearer delineation of roles between the public and private sector, which could provide more space for the latter in provision of basic services.

13. **Through the MTEF, Congo now has an instrument in place for allocating its resources in line with government priorities, yet this is only fully effective for the few sectors with well developed sector strategies.** As part of the MTEF development, priority action plans with cost estimates were prepared in all key sectors. In sectors that already have a sound strategy like transport, education and health, this allows for the allocation of resources to priority programs linked to the main strategic objectives. For the full PRS, it would now be important to refine these important achievements and extend them to other sectors, most notably by preparing solid sector strategies in agriculture, water and energy, as a well functioning MTEF requires sound planning in a number of sectors.

14. **As part of the ongoing public investment reform, the authorities have launched a new system to select new publicly-financed projects.** This could lead to more rigorous, objective, and transparent criteria for appraising and selecting new projects with the goal of ensuring that public investments are aligned with the PRS and achieve adequate economic and social rates of return. The reform also aims at instituting an effective system of monitoring and evaluating the impact of public investments. An important input in this exercise is the spatial analysis on infrastructure, prepared with support from the World Bank, which could help the authorities prioritize investments according to where they have the greatest impact on growth and social outcomes. This would support the government’s objective—as stated in the APR—to rebuild its main economic corridors for developing the country as a transit hub for the region.

#### IV. IMPLEMENTATION PROGRESS AND REFORM PERSPECTIVES

##### A. Macroeconomic Policies

15. **Staffs support the updated macroeconomic framework presented in the APR.** This framework and the fiscal stance were elaborated as part of the MTEF process, in discussions between Fund and Bank staff, and the authorities. Formulation and implementation of the macroeconomic and fiscal frameworks are supported by the PRGF arrangement. Work is also ongoing with Bank support to improve the quality of oil revenue projections, which is a key variable influencing the stance of fiscal policy.

16. **Staffs commend the authorities for the significant fiscal consolidation efforts over the last two years.** The non-oil basic primary deficit is projected to fall to about 37.3 percent of non-oil GDP in 2009, from 55.7 percent in 2007, reflecting expenditure discipline and revenue enhancement. The authorities have made notable efforts to tighten current expenditure to 38 percent of non-oil GDP in 2009, from 56 percent two years earlier.

17. **Mobilizing more domestic revenue and better controlling public spending are still necessary to achieve the envisaged fiscal consolidation, as the previous JSAN had pointed out.** The authorities plan to reduce the non-oil basic primary balance to 27 percent of non-oil GDP by 2012 to ensure long-term fiscal sustainability, as they committed to under the PRGF arrangement. To do so, they have embarked on an ambitious reform of tax and customs administration and tax policies, and are committed to controlling spending.

18. **The introduction of the MTEF is an important achievement for Congo.** The authorities managed to put in place the main elements of an MTEF, including the macroeconomic and fiscal framework mentioned above, a central MTEF, which determines allocations of the overall envelope across sectors in line with PRS priorities, and sector MTEFs for all priority sectors. These elements were critical inputs in the preparation of the 2010 budget. Staffs point out, however, that fully implementing an MTEF system will require a sustained effort of institutional reform and capacity building, in particular in elaborating detailed strategies in all major sectors with cost estimates and results frameworks. With concerted efforts on this, it should be possible to prepare the 2011 budget using a fully-fledged MTEF approach. In addition, full implementation of the new oil revenue projection model is important to enhance the quality of macroeconomic and fiscal projections that underlie the MTEF.

19. **Progress was also made on other important aspects of public financial and expenditure management.** Implementation of the public financial management (PFM) reform plan has advanced significantly in recent months, with the following highlights: (i) a new functional budget classification system was introduced with the 2009 budget; (ii) a new procurement code was made effective in October 2009, providing the legal basis for establishing competitive and transparent bidding practices; (iii) a new streamlined expenditure chain was adopted and will be launched with the 2010 budget; and (iv) the program aimed at linking all customs agencies through specialized software (SYDONIA) has advanced according to plans.

20. **Nonetheless, many of these reforms are at the early stages of implementation and they would benefit from being complemented by further reforms to reach high levels of effectiveness and transparency of public spending.** In particular, it is important to follow through with and utilize the measures under the public investment management action plan, in light of the relatively large resources available for capital spending and the vast needs for infrastructure rehabilitation. Likewise, the computerization of the reformed expenditure chain

could be complemented by the ongoing efforts to enhance internal and external controls, and an overhaul of treasury management and public accounting.

21. **Concerted efforts are also needed to ensure that more resources are allocated to priority PRS areas and that they are used more effectively.** The finalization of the Public Expenditure Review (PER) should help better align budget allocations with PRS objectives, in particular by reducing distortions resulting from the execution process, as well as ensuring that an adequate balance between capital and recurrent spending is maintained. One important factor in this was the under-execution in HIPC-financed capital spending, which was caused by technical and procedural difficulties delaying and complicating the use of these resources. This issue was resolved in mid-2009. Staffs also welcome the progress on reforming the petroleum subsidy scheme and the commitment of the authorities stated in the APR to decentralizing resources for delivering health and education services, to make them more responsive to the needs of the population, as well as to restructure the state-owned enterprises responsible for running the main utilities of the country.

22. **Debt management has improved further, particularly with respect to debt recording and reporting.** The government's debt agency (CCA) has continued to publish quarterly reports on external debt stock and debt service projections, as well as arrears clearance on the government's website. This being said, the government has identified further measures to strengthen debt management, including producing annual debt strategies, enhancing coordination within the government and with the regional central bank on treasury and debt management, as well as improving debt data security, auditing procedures, and analysis of costs and risks of new borrowing. Staffs are of the view that these measures would be adequate to strengthen debt management and build institutional and administrative capacity. The CCA is closely collaborating with technical assistance providers, including the World Bank, Central AFRITAC, and the regional central bank (BEAC).

## **B. Post-Conflict Stabilization and Good Governance**

23. **Congo made further important steps towards consolidating peace and rebuilding the state, as the disarmament of the last remaining rebel group is well underway.** In June 2008, the government reached a political settlement with the rebel movement based in the Pool region, the only remaining rebel element of the country's civil war, which ended in 2000. A major disarmament effort has been completed and the reintegration of an estimated 14,000 rebels started in February 2009. The APR rightly recognizes that prospects for the full restoration of peace offer Congo a unique opportunity to concentrate efforts on strengthening its institutions, supporting economic growth, and combating poverty.

24. **Staffs commend the authorities for progress made on strengthening the institutional framework for fighting corruption and improving governance.** The governmental Anti-Corruption Commission and the independent Anti-Corruption Observatory were both established in 2007, the former with a mandate to propose policies on governance

and anti-corruption, and the latter to review government initiatives in this area, including reviewing all audits of state-owned enterprises and procedures for issuing concessions for natural resource extraction. Since 2007, both institutions have increased their capacity and have become actively involved in a number of important reform processes, such as the preparation of the procurement code, the action plan on oil marketing, and the financial audits of the national oil company (SNPC). Staffs encourage the authorities to ensure that going forward, these two organs will be provided with adequate resources and facilities, and that their access to information and their legal authority is safeguarded. Furthermore, an Anti-Corruption Action Plan was approved by government in August 2009, and the new Anti-Corruption Law was adopted by Parliament in August 2009, providing a sound legal basis for fighting corruption and improving governance.

**25. Yet oversight of government and public access to information need to be further enhanced.** The APR acknowledges that checks and balances of government actions need to be enhanced, including by increasing the exposure of government to public scrutiny and building necessary capacity of non-governmental actors to access and understand information on these actions. It emphasizes the need to: (i) build oversight capacity in legislative and judiciary branches of government; and (ii) increase involvement of women, minority groups, civil society and the media in policy formulation and implementation. Staffs are encouraged by the reports in the APR of capacity building measures to enhance public accountability.

**26. Congo has further enhanced effectiveness and transparency in the oil sector but an ambitious reform agenda remains.** The adoption of the first EITI report on Congo by the national EITI committee, comprised of representatives of government, oil companies and civil society, reflects progress made in recent years on rendering oil sector management more open to the public and more effective. The continuation of quarterly certification of oil revenue posted on the Ministry of Finance's website would allow for the monitoring of this progress. The audits of SNPC's 2007 and 2008 accounts have revealed that while there are still important reservations, they mostly relate to the limited capacity of its accounting system. Most of these reservations have been addressed through introduction of an analytical accounting system at SNPC, which has helped bring accounting and financial management closer to international standards. In addition, significant progress was made in implementing an oil commercialization action plan. These efforts to move to more transparent and market-oriented practices in oil sector management will have to be deepened and sustained over time.

**27. During the past year, the government has completed a comprehensive and participatory forest sector review and revised legal texts accordingly—an achievement that now will have to be followed by implementation.** A package of legal and regulatory instruments to improve sector transparency and social and environmental performance has been adopted. This includes a forest taxation package, passed as an amendment to the Forest Law, aimed at improving sustainability of the forest resource base and fiscal revenue. Staffs are encouraged by these developments, as they highlight the importance of addressing these matters across all forestry zones in the country. This is critical for enabling this sector to realize

its potential to contribute to the economy in a sustainable way. In this sense, independent reports show that only 5 out of about 50 Forest Management Units currently have Forest Management Plans and comply with the Forestry Law. Other laws, such as the one on the minimum diameter of trees felled and minimum levels of industrial transformation of timber are often not respected, particularly in the south of the country. This calls for close monitoring and enforcing of legislation including by revoking concessions in case laws are not respected.

28. **The APR notes some progress on reforming public administration.** Important progress has been made on the priority actions highlighted by the PRS for improving civil service management. The census of the public service has been completed and recommendations are being reviewed. Furthermore, the recommendations of the separate census of education staff, conducted in 2006–07, have been fully implemented as of June 2009. This has freed up some 2,000 positions in the education sector, which were found to be occupied by ghost workers or by education staff working in other ministries, and which are now being filled by newly recruited teachers. Finally, progress has also been made on the computerization of the payroll and pension database, expected to be completed in 2010.

29. **Staffs welcomed the renewed emphasis in the APR on the need to revitalize efforts towards political and administrative decentralization.** The first draft of the 2010 budget foresees some increase in transfer payments to departmental administrations for recruitment and management of health workers and teachers in their area. This is critical, as without progress on this issue, it is unlikely that the widening gap in poverty levels between urban and rural areas can be bridged. This budget announcement and the constitution of a mixed commission for elaborating legal texts on transferring authority and responsibilities to local governments (*collectivités locales*) have revived expectations on decentralization reforms more generally. This could have important benefits, considering that Congo remains one of the most centrally-run governments in sub-Saharan Africa.

### C. Economic Diversification and Private Sector Development

30. **The APR confirms the creation of a more competitive and diversified economy as the PRS's primary objective.** Staffs agree that growth of the non-oil economy is essential to counter the finite character of oil reserves, as well as to reduce the macroeconomic risks created by the volatility of oil revenue. The strong fluctuations of world oil prices in recent months have been a strong reminder of this. Such diversification is also critical for realizing the much larger potential of non-oil sectors to generate stable income and employment opportunities and add value to the economy.

31. **Despite the difficult international economic situation, Congo has made progress in developing its non-oil sector.** The non-oil economy grew by 5.4 percent in real terms in 2008. This deceleration in comparison to 2007 (6.6 percent) needs to be seen in the context of the global international crisis, which affected in particular the forestry sector. Demand for Congolese timber exports has contracted by more than 50 percent from its mid-2008 level. But

other sectors were relatively unaffected by the crisis, mostly because local demand (public and private) has remained strong, supported by positive developments in the oil sector and activity related to public investment. Measures undertaken to boost the non-oil economy have certainly also contributed to maintaining non-oil growth at relatively high levels.

**32. The APR restates the sectors with the largest potential for growth and provides an overview of the reform efforts undertaken in this regard since the adoption of the PRS.**

These potential growth engines are:

- The development of transport and transit services, in the form of construction, logistics, trucking and other activities. But Congo will only regain its competitive advantage as a regional transport hub once its transport infrastructure is substantially rehabilitated and extended.
- The considerable potential for agricultural production, which is highly underexploited today as only 2 percent of the arable land is cultivated. This sector has in recent months gained more attention of policy makers, as reported in the APR. But there is still no coherent and comprehensive strategy for the sector, particularly as regards lifting commercial agriculture from its embryonic state.
- The development of the forestry sector, which has strong medium- and long-term export prospects; these forests could also be attractive for tourism.
- The extraction of mineral resources, including prospective reserves of magnesium, gold, diamonds, and iron ore. The APR explains that several implementation decrees for the 2005 mining code have been issued in recent months. The growing number of mining licenses (most of them for exploration) issued in 2008 testifies that this sector might emerge strongly in the coming years.

**33. However, these potential engines of growth remain constrained by the underdeveloped physical infrastructure, as efforts in this regard are only beginning to bear fruit.** While Congo is still far from overcoming its main infrastructure bottlenecks, budgetary resources provided to strengthen infrastructure, in particular for the transport and energy sectors, have increased significantly over the past several years. As stated in the APR, large scale investments have been implemented for construction of the road between Brazzaville and Pointe Noire, the airport of Brazzaville, as well as infrastructure in major cities, as part of the urban modernization program. Major investments are also underway to increase electricity generation and transmission, to meet the ambitious targets of increasing access to electricity from 45 to 60 percent for urban areas, and from 5 to 15 percent in rural areas, by 2011.

**34. Staffs believe, however, that the PRS could help further concentrate public investments in infrastructure on the most pressing priorities.** Such priorities were identified by the recent Bank-supported spatial infrastructure analysis (multi-mode transport connection between Pointe Noire and Brazzaville and upriver, as well as energy generation, transmission,

and distribution). This analysis also reveals that savings realized from increasing efficiency in infrastructure service provision (particularly in energy) could provide a substantial share of the additional resources needed to cover the infrastructure gap. This prioritization effort would benefit from progress on parallel public investment management and utility reforms.

35. **Restructuring the main utilities and enhancing their management, as well as increasing the involvement of the private sector are key elements of the government's infrastructure program.** A recent study conducted by the World Bank shows that by addressing inefficiencies (distribution and collection losses, sub-tarification), a large part of Congo's resource needs for covering the infrastructure gap could be filled. But structural reforms have advanced only slowly, particularly as concerns the railway company (CFCO) and the road fund, which is still far away from operating as a second generation road fund as envisaged. It is therefore encouraging that the government has announced in the draft 2010 budget the restructuring of utilities as a key reform priority. Looking further ahead, the authorities might improve their capacity through an enhanced participation of the private sector in managing and developing Congo's infrastructure.

36. **There have been further efforts to identify the main impediments to private sector developments.** The 2010 Doing Business Report presents an unchanged, bleak picture about private initiative remaining seriously stifled by cumbersome regulations and legal hurdles to establish and operate businesses. The APR reflects a growing awareness and reform appetite to change this. Also, recent analytical efforts and enterprise surveys supported by the World Bank and the EU have improved the understanding of how to address constraints to private economic activities. The survey results identified the main constraints to Congolese businesses as follows: (i) the lack of reliable access to electricity; (ii) political instability; (ii) corruption, combined with a weak judiciary; (iii) competition from the informal sector; (iv) limited workforce skills; (v) underdeveloped transport infrastructure; (vi) a cumbersome and predatory tax and customs system; and (vii) limited access to finance.

37. **Staffs recommend that the authorities take swift reform actions, focusing first on a few critical constraints to create a better environment for private economic activities.** As other countries in the sub-region have shown, decisive action can lead to substantial improvement in the business environment within a relatively short time. The new economic diversification project, which is under preparation with the assistance of the World Bank, the African Development Bank, and the EU offers an opportunity to this end. Also, the launch of concrete measures in the financial sector and on taxation are particularly promising in this regard, as detailed reform plans have been adopted in this two areas, with support of the IMF.

#### **D. Provision of Social Services**

38. **The basic findings of the PRS about Congo's poor social outcomes and weak human capital remain valid, despite recent improvements.** Most social indicators are low compared with other countries in sub-Saharan Africa with similar income levels, most notably

on maternal and child health, access to safe water and sanitation, food security and nutrition. Administrative data and perception surveys indicate that access to health, education, and public utilities (potable water, sanitation, electricity) is limited, particularly in rural areas. But there are recent indications of positive trends, such as recent improvements in enrollment and completion rates at the primary and secondary levels, as well as the gradual increase in budgetary allocations to education (primary education in particular) and health since 2007, which is the authorities' commitment to continuing according to the draft MTEF for 2010–12. As regards health policy implementation, there is no new data that would allow measuring progress.

39. **As regards infrastructure and staffing, and provision of resources more generally, the APR registers significant efforts in the first year of PRSP implementation.** Most notable is the continued progress in rebuilding and rehabilitating infrastructure and facilities, provisioning of textbooks and pedagogic materials, and hiring and training of teachers, including the elimination of over 1,000 “ghost” teachers. The APR also mentions achievements in upgrading the health infrastructure, such as construction and rehabilitation of hospitals and integrated health centers. On water supply, staffs note positively the progress on the construction of a new water treatment plant in Brazzaville and the launch of program to build 500 water access points in rural zones, financed by HIPC resources.

40. **Staffs caution, however, that increasing inputs alone will not be sufficient to improve performance of social services.** Administrative quality remains weak, particularly in rural areas. Staffs therefore welcome ongoing efforts to build institutional capacity in health and education. For example, in the education sector the introduction of a management information system, and the enhancement of the decentralized resources management and curricula development are notable. In health, the APR notes the internal reorganization of the Ministry of Health, Social Affairs and Family, formalized by a decree, and some measures to improve health outcomes. For example, the introduction of free malaria treatment for children younger than 15 years and the contribution of a large number of bed nets stand out. However, the record on improving availability of generic medicines has been rather mixed over the past months, as the functioning of the institution in charge of this has been interrupted repeatedly, due to capacity problems and lack of funding. As mentioned above, the announced decentralization of recruitment and management of health workers and teachers should help improve access to these services, particularly in rural areas.

41. **There was progress on clarifying sector priorities in education and health and estimating resource needs, most notably through the preparation of sector MTEFs.** The three ministries in charge of education have agreed on the broad outline of a sector strategy encompassing all sub-sectors, and work is ongoing on finalizing comprehensive education sector strategy, with support from development partners. As the forthcoming PER shows, the health and education sectors appear still as substantially underfunded relative to other public expenditure categories, and regional averages. The PER also finds that changes in intra-sectoral allocations could improve the pro-poor orientation of public spending, such as by shifting more

resources to basic education and skills development. The indicative MTEF allocations for 2010–12 show a positive trend in this regard.

42. **The APR re-affirms the government’s commitment to strengthening social protection policies, and better targeting policies and public spending on the poor.** A process of drafting legislation for reforming the formal social security and pension institutions is underway. Staffs believe that these reforms should lead to extending the reach of formal social institutions to large parts of the population, particularly citizens in rural areas and marginalized groups. More generally, staffs encourage the authorities to assess the effectiveness of major existing transfer programs, with a view to evaluating their effectiveness in delivering assistance to the poor. In this regard, the implementation of a new fuel pricing mechanism is welcome, since the previous pricing policy had a regressive distributional impact. Finally, staffs welcome the adoption of a new National Action Plan for Indigenous People and encourage its swift implementation.

## V. MONITORING AND EVALUATION

43. **Staffs believe that more progress will be needed in the second year of PRS implementation to strengthen monitoring and evaluation (M&E) of the strategy.** A strengthened M&E framework should allow the authorities to regularly produce a quick snapshot of where they stand on main reforms, spending programs and their impact. More regular publication of monitoring results would increase transparency of the government’s progress towards its strategic objectives. Staffs believe that the efforts on M&E strengthening should focus in particular on the following:

- Assess the functioning of the PRSP monitoring structure, i.e., the National Poverty Reduction Committee and the Permanent Technical Secretariat, and thereby explore options to simplify the structure and to increase its legitimacy and capacity.
- Prepare the new strategy on developing statistical capacity, on the basis of the recently adopted statistics law with a view to enhanced monitoring of implementation of the PRS and of sector policies. Successful implementation of this strategy will improve the quality and availability of relevant data, as well as clarify roles and strengthen capacity of all relevant institutions.
- Strengthen the results orientation by ensuring that all indicators have baselines, targets, and assigned responsibilities for providing and verifying data. Although the APR has information on changes, these changes do not relate to the indicators that appear in the PRS. In general, the PRS indicators are short of data since too much relies on survey data. A broader use of administrative data systems, where possible (e.g., vaccinations, school enrolment), should increase data availability and frequency of provision.
- Focus the monitoring by tracking a subset of core PRS indicators that provide an overview of progress, and more detailed sector monitoring indicator sets that link to the MTEFs and sector strategies. This will make the monitoring more accessible to users

and could strengthen accountability. Linking to the MTEF would allow assessing how public spending relates to tangible results on the ground.

44. **Finally, it would be important for the authorities to re-intensify the dissemination and consultation process on the PRS, in order to further enhance awareness of the strategy.** This could pick up on the structures and mechanisms employed during the preparation of the PRS, which benefited from an extensive consultation process that included representatives of government, civil society, the private sector, and the general population at the national, regional, and local levels. The consultations on the APR were less intense and less broad than for the preparation of the first PRS.

## VI. CONCLUSIONS AND ISSUES FOR DISCUSSION

45. **Staffs believe the APR reflects well the main accomplishments in PRS implementation since April 2008 as well as the ongoing challenges.** Going forward, the authorities could build on these main accomplishments, most notably the introduction of a comprehensive MTEF system, significant advances on key PFM reforms (procurement, expenditure chain and public investment management) as well as the progress on rehabilitating and expanding the reach of basic infrastructure. Staffs believe that after this first phase of institutional strengthening, the challenge now is to implement and sustain reforms. In this sense, staffs encourage the authorities to further strengthen the PRS as a management and monitoring tool for government action, in particular through the following priority measures:

- Strengthen and update data and analysis on poverty and social outcomes, by completing the planned survey program and ensuring comparability of data to better understand the dynamics of poverty since the last poverty survey of 2005, as well as by preparing a solid strategy on developing statistical capacity;
- Further concentrate the PRS on a few key actions in view of the greatest possible impact of using public resources to reduce poverty, and improve health and education conditions, while integrating the PRS strategic pillars with those now defining the new government structure;
- Use the new MTEF system as the main instrument for resource allocation and refine it by strengthening underlying sector strategies with clear objectives, results frameworks and cost estimates;
- Simplify the PRS results framework and make it more transparent to ensure effective and regular monitoring of PRS implementation, accessible to the public; and
- Re-intensify consultation efforts for a broader ownership of the strategy, by reaching out to minority and marginalized groups, and development partners.

46. **The APR identifies the volatile economic environment in the current crisis context as the main risk to PRS implementation.** Continued fluctuations in international oil prices as well as a protracted slump in demand for Congolese forestry exports are the most significant

risks in this regard. Congo is in a good position to mitigate these risks, through its improved fiscal position thanks to prudent fiscal policies and to increasing oil production. Still, the crisis has highlighted the importance of diversifying the economy away from oil and other commodities.

47. **A second key risk could materialize if ownership of PRS reforms weakens in the face of intensifying political economy pressures.** These pressures could emerge as a reaction to the implementation of unpopular yet critical measures such as those related to the announced restructuring of utility companies. There is also a risk of a reform slow-down in the wake of the expected exit from the HIPC initiative, which has provided strong guidance and public support to advance on key structural reforms. The main response to this risk would be to effectively implement the PRS reforms and for them to show early results. In the meantime, efforts would continue to rally the population around the PRS objectives, by intensifying dissemination and consultations on the strategy and by enhancing access of the public to information on government action and use of public resources.

48. **In considering the APR, the staffs would like to seek Executive Directors' views on whether they agree with this JSAN, in particular as regards:** (i) their view of PRS implementation during the first year, and (ii) the suggestions on priority measures for further refining the PRS and strengthening its implementation.