

DRC: Prioritization of reforms and actions to promote inclusive growth

1. Consistency with DFSG objectives:

In a complex fragile state such as the Democratic Republic of the Congo (DRC) constraints to growth are both evident and numerous, the key challenge is to prioritize actions to respond to these constraints while ensuring that actions are properly targeted for poor to benefit from and contribute to economic growth. The primary objective of the proposed study is to conduct a synthesis and prioritization exercise of the recommendations made in the 15 background studies being prepared for the DRC Country Economic Memorandum (CEM). The study, which will be prepared in consultation with the DRC authorities, will help the government to pinpoint priority actions to promote shared growth. Further, the outcome of the study would also serve as an input to the on-going preparation of the PRSP.

The background studies, the majority of which have already been drafted, focus on: (i) macroeconomic constraints to growth; (ii) sector studies for agriculture, mining and construction; (iii) cross-cutting issues such as infrastructure, trade facilitation, skills and labor markets, financial sector, and business environment issues; (iv) governance and political economy questions; (v) scoping of constraints to growth on the provincial level. The wealth of information produced in these background studies will only be useful insofar as their recommendations can be put in the wider context of the country as a whole.

The DGSG would also provide funds to create a forum to discuss the main findings of the CEM conducted for the DRC. Given that the report seeks to provide practical policy relevant suggestions, it is important that the report be discussed and disseminated in a public forum to assure that it does not become “just another report” on the shelves of policy makers. Insofar as the report attempts to prioritize actions which would ensure that the poor are included in economic growth, the dissemination of the report aims to reach not only the policy community, but also the wider population through the use of radio and/or other media outlets.

2. Technical soundness and originality:

IEG's 2005 review of the effectiveness of Bank support to low-income countries under stress (LICUS) notes the importance of selectivity and prioritization of reforms. In a fragile country such as the DRC it is difficult to rely solely on out-of-the-box models to analyze growth, as the success of any reform effort is highly contingent on delicate political economy considerations. Broadly, the report will measure potential interventions on the basis of its : (i) effect on economic growth; (ii) poverty reduction impact; (iii) technical feasibility; and (iv) feasibility in light of political economic considerations. The report will attempt to provide a classification of interventions into a 3 level scale (high, medium, low), and interventions should be classified, where possible, into interventions which are appropriate to be taken by the state, and interventions better taken on by the private sector or civil society.

The study will also draw on good practice from a number of sources to conduct its analysis. First the WB Good Practice Note *Fragile States: Good Practice in Country Assistance Strategies* (CAS GPN) suggests the following criteria for prioritization of reforms: (i) actions necessary to lock in promising reforms or lay the basis for future improvements in state delivery; (ii) actions necessary to prevent potential instability; (iii) actions necessary to build popular momentum for reform by generating visible results. Second, the study will draw inspiration from other regional case studies (ie Rwanda, Zambia). Thirdly, the report will take into consideration the suggestion of the recommendation of the Commission on Growth and Development to look for policies to promote accumulation, innovation, allocation, stabilization, and inclusion.

Given the complexity of this assignment, the report will rely heavily on the quality of the consultants selected to conduct the prioritization exercise. The team will include both local and international consultants with a significant experience working in the DRC.

The team plans to disseminate the report in a manner that is both appropriate to the on-going policy dialogue and innovative. First, the timing of the report will feed into the policy discussions for the preparation of the new PRSP. Second, the strategy will use a number of different types of media (particularly radio and print media) to ensure that key messages are communicated to a diverse audience (policy makers, donors, civil society, citizens). This later measure is meant to help build the national consensus for key reforms to ensure that the population has adequate information to enter into the policy dialogue. The above mentioned CAS GPN underlines the value of demand-side reform: "A vibrant civil society and private sector are critical for effective governance: indeed, without a strong private sector to generate jobs, incomes and tax revenues, or without popular and civil society demand for accountable services, public sector reforms are unlikely to be sustained" (pp.5-6).

3. Relevance to country priorities:

The Government of the Democratic Republic of the Congo (DRC) has requested a Country Economic Memorandum (CEM). The last CEM for DRC was concluded in the 1980s and due to the difficult political environment has not been updated. The CEM will provide the analytical basis for identifying key actions to support the DRC's vision for growth and poverty reduction. Focusing on opportunities and constraints to growth in DRC's key sectors, results from the CEM will inform measures to support growth across the country and help to build political support for the implementation of economic reforms. Such measures will also receive attention in the political debate that is expected in the run up to the 2011 elections and may inform the next full PRSP. Further, the specificity of the recommendations will help to bolster donor financing, either in the form of grants or concessional loans. In addition, the CEM will set the stage for the preparation of the next CAS.

4. Knowledge sharing, dissemination and capacity building plan:

The strategy of the approach taken in this proposal is to disseminate “from below” as well as “from above.” The task team working on the production of the report will aim to hold a high-level workshop to discuss the findings of the report with policy makers in Kinshasa. In addition, the task team will develop a series of radio programs about the findings of the growth diagnostic for each province to be broadcast on Radio Okapi and published on their website. This combination hopes to promote informed policy making not only by providing information directly to policy makers, but also to the wider population to support improved demand driven governance.

5. Client and donor engagement:

The various teams involved in the drafting of the background papers have conducted field visits where researchers met with local government officials, representatives of civil society, and private sector actors. The present proposal seeks to deepen and expand the engagement with the client to ensure that the main messages of the report enter into the policy dialogue. This will be done both by the inclusion of local consultants in the team involved in the prioritization exercise, and workshop events to discuss the preliminary results of this exercise with key stakeholders.

Other donors have also been actively involved in the background papers which will feed into this report. The report on provincial constraints to growth was commissioned with the support of SIDA, who has also provided useful technical input. The AFDB and EU have acted as discussants in the review of a number of the background papers.