

THE INTERNATIONAL MONETARY FUND AND  
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

DEMOCRATIC REPUBLIC OF THE CONGO

**Joint Staff Assessment of the PRSP Preparation Status Report**

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

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July 8, 2003

**I. INTRODUCTION**

1. The Government of the Democratic Republic of the Congo (DRC) prepared an Interim Poverty Reduction Strategy Paper (I-PRSP) (IDA Report No. 24216, 5/24/02 and EBD/02/81, 5/28/02), which was presented to the Executive Boards of the IMF and IDA on June 11–12, 2002. The two Boards concurred with the Joint Staff Assessment of that paper (IDA Report No. 24216 and EBD/02/87, 5/28/02), which found the interim PRSP framework to be sound, providing an adequate basis for the development of a participatory full PRSP, as well as for IMF and IDA concessional assistance. As the PRSP process has not been completed within one year of the I-PRSP's publication, the authorities have drafted a Preparation Status Report (PSR) on the first year of implementation of the I-PRSP framework and the preparation of the full PRSP.

**II. PROGRESS WITH RESPECT TO THE IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY, AS SET FORTH IN THE INTERIM I-PRSP**

2. The PSR appropriately points to the progress made in implementing the measures to promote economic growth and poverty reduction, as set forth in the I-PRSP, especially the restoration of peace and improvements in governance and economic management. It thus highlights the good performance under the Government's Economic Program (PEG), which has been supported by the IMF's PRGF, as well as IDA's Economic Recovery Credit (ERC) and Emergency Reconstruction and Rehabilitation Project (EMRRP). The first review under the PRGF was completed by the IMF Executive Board on March 24, 2003 and IDA has released all tranches of the ERC, supporting reforms in the forestry and mining sectors, as well as activities designed to produce visible results for the population at large. The staffs consider that the poverty reduction and growth measures set forth in the I-PRSP have been implemented in a broadly satisfactory manner. Notwithstanding the difficult political situation, good progress has been made in stabilizing the macroeconomic situation and in improving the business environment. The elimination of hyperinflation has had a positive

impact on the purchasing power of the population, especially of the poorer segments. In addition, the return to normal budgetary procedures, including the adoption of a new budget nomenclature, will improve the monitoring and tracking of poverty-related expenditure in the budget. However, because of a shortfall in foreign financed investment and social outlays and an increase in security- and sovereignty-related expenditure associated with the security vacuum that developed following the withdrawal of foreign troops, the anticipated shift in the composition of expenditure toward pro-poor spending has not materialized. In this connection, the staffs note that the PSR does not explicitly refer to expenditure management. However, this is a central feature of the PRGF-supported program, as is the promotion of an outward-oriented policy environment. The latter also has not been taken up in the PSR.

### III. PROGRESS IN DEVELOPING THE FULL PRSP

3. The PSR notes that owing to delays in the preparation process and a management void, completion of the full PRSP is now likely to take until the third quarter of 2005, although a first draft would be available in March 2005, which was the original completion date. The PSR particularly attributes the delay in the preparation of the full PRSP to weak administrative capacity, exacerbated by the change at the Ministry of Planning in November 2002. Under the revised timetable, the completion point under the HIPC Initiative could be reached in the third quarter of 2006, assuming one year of effective implementation of the full PRSP.

4. **The staffs are of the view that the revised timetable is feasible, but keeping to it will require firm management and coordination, as well as significant financial and technical assistance** regarding (i) the institutional and management framework; (ii) the participatory consultations; (iii) the thematic and sectoral studies; (iv) the poverty surveys; and (v) the drafting and validation of the final document. Following the example of the I-PRSP, every effort should be made to ensure that the final PRSP, and key-related documents, are made available in the main national languages.

5. **Strengthening the institutional and management framework.** This section of the PSR contains a summary of the strengthened institutional framework for the preparation of the PRSP, but it should have put more emphasis on how the process will be managed and coordinated from now on, including who will be responsible for ensuring that the revised timetable is respected. The staffs urge the authorities to ensure that the strengthened institutional and management framework is fully in place by end-August 2003, as indicated in the attached chronogram. The new all-inclusive government will need to pay particular attention to inter-ministerial coordination. In this connection, it will be important to ensure that the PRSP team develops strong links to line ministries, as well as the Ministries of Finance, Budget, and Planning, in order to ensure that key policy and budgetary decisions reflect PRSP priorities, and the participatory nature of the PRSP process. Close coordination with the inter-ministerial committee in charge of the implementation and monitoring of the PEG is also essential.

6. **Participatory consultations.** The staffs are satisfied that a technically credible approach, which is fully in line with established practice, has been developed for the participatory consultations in the 11 provinces of the country. However, the proposed timetable (completion by end-November 2003) remains optimistic. In the staffs' view, the participatory consultations may take longer, possibly lasting into the first quarter of 2004, because (i) the DRC is emerging from conflict; (ii) infrastructure remains in an appalling state; (iii) adequate financing and required technical assistance have yet to be confirmed; and (iv) interviewers need to be trained.

7. **Role of thematic and sectoral groups.** These groups play a vital role in the production of a high-quality PRSP. The staffs encourage the authorities to strengthen this component of the process for preparing the full PRSP, in particular regarding (i) the preparation of a macroeconomic framework that builds on an in-depth assessment of the sources of pro-poor growth and well-costed medium-term sector strategies; and (ii) the preparation of such costed strategies in key sectors (e.g., health, education, rural development, social protection of vulnerable groups, and infrastructure). The composition of the groups, and the issues to be addressed, will need to take account of the particular feature of the DRC as a post-conflict country in the process of reunification. Other key cross-cutting areas that will need to be addressed in the PRSP, and which are not adequately mentioned in the PSR, pertain to (i) the setting of targets and indicators for the full PRSP that take into account the Millennium Development Goals; (ii) alternative macroeconomic scenarios and their likely impact on the attainment of PRSP targets; and (iii) the establishment of participatory monitoring and evaluation mechanisms. The two-year period for completion of the full PRSP should allow adequate time to determine priorities and develop well-costed medium-term sector strategies.

8. **Poverty surveys.** The staffs are satisfied that these are being properly prepared with appropriate assistance from a variety of bilateral and multilateral donors. The time period allowed for the studies, namely, one year following the effective mobilization of financing, is reasonable. The proposed timeframe for the household survey (September 2003–August 2004) should have been explicitly mentioned in the chronogram.

9. **Drafting, validation, and diffusion of the PRSP.** The PSR provides an adequate description of the different components of this part of the process. The timeline for completion of this activity (July 2004–August 2005) is feasible.

10. **Development of national and international partnerships, and budgetary support.** The PSR recognizes the importance of building partnerships, but it could have described in more detail the efforts made to date to systematically develop international partnerships, particularly with bilateral and multilateral donors. The government has developed a PRSP budget that is more modest than that proposed in the I-PRSP. This budget is now directly linked to the I-PRSP's objectives and outputs, which should make it easier for donors to finance the PRSP process. Of the budgetary needs of US\$5.8 million, financing assurances have been obtained only from the DRC Government, the African Development Bank (AfDB) and IDA, although expressions of interest have been made by several other donors, in

particular with respect to supporting the operations of the Permanent Secretariat. **The staffs encourage the authorities and donors to urgently address this issue to avoid further delays in completing the PRSP.**

11. **Risks.** The staffs agree with the risks set forth in the PSR, which could delay the completion of the PRSP, particularly (a) resurgence, even if episodic, of violence that could interrupt the peace process; (b) still insufficient understanding and internalization of the PRSP process; and (c) delays in the provision of external financial and technical support for the PRSP process. In this connection, delays in completing the full PRSP could also result from the need to make up for the relative lack of institutional and technical capacity that has emerged over the last four decades. Finally, it is fair to recognize that the scope and timeframe for the full PRSP remains rather ambitious, given that the DRC is emerging from a conflict situation. The staffs will periodically review the situation with the authorities and make recommendations accordingly.

#### IV. CONCLUSION

12. The staffs of the World Bank and IMF consider that progress in the development of the full PRSP, as evidenced by the PRSP Preparation Status report, while slower than programmed, is satisfactory and provides a sound basis for continued access to Fund concessional assistance and IDA adjustment lending. The staffs recommend that the respective Executive Directors of IDA and the IMF reach the same conclusion.