

Democratic Republic of the Congo



PEACE – JUSTICE – WORK

POVERTY REDUCTION AND GROWTH STRATEGY PAPER

PROGSP

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ACRONYMS AND ABBREVIATIONS

ADQ	: <i>Association de Développement de Quartier</i> [neighborhood development association]
ADV	: <i>Association de Développement de Village</i> [village development association]
AfDB	: African Development Bank
AIDS/HIV	: Acquired Immune Deficiency Syndrome/Human Immunodeficiency Virus
APNURC	: <i>Appui au Programme National d'Urgence pour le Renforcement des Capacités</i> [support for the emergency national capacity building program]
APRM	: Accelerated Participatory Research Method
ATI	: African Trade Insurance Agency
BCC	: Central Bank of the Congo
BCMI	: <i>Bureau de Coordination des Marchés d'Infrastructures</i> [infrastructure contract coordination office]
BUNADER	: <i>Bureau National de Démobilisation et de Réinsertion</i> [National Office for the Demobilization and Reintegration of Combatants]
CADECO	: Savings Bank of Congo
CAMI	: <i>Cadastre Minier</i> [mining registry]
CEDAW	: Convention on the Elimination of All Forms of Discrimination Against Women
CENAREF	: <i>Cellule Nationale des Renseignements Financiers</i> [financial intelligence unit]
CEPLANUT	: Nutrition Planning Center
CGF	: Congolese franc
CIAT	: International Committee in Support of the Transition
CI-SNLCP Strategy	: Interministerial Commission on Implementation of the National Poverty Reduction Strategy
COMESA	: Common Market for Eastern and Southern Africa
CONADER	: <i>Commission Nationale de Démobilisation et de Réinsertion</i> [National Commission for the Demobilization and Reintegration of Combatants]
CPCM	: <i>Comité Permanent de Cadrage Macroéconomique</i> [standing committee on the macroeconomic framework]
CPLP	: Provincial poverty reduction committee
CTSRP	: Poverty Reduction Strategy Technical Committee
DBC	: Distribution of Contraceptives at the Community Level
DEME	: Macroeconomic Research Directorate
DEP	: Research and Planning Directorate
DFID	: Department for International Development
DRC	: Democratic Republic of the Congo
DTO	: Treasury Management and Payment Authorization Directorate
EAD	: Decentralized administrative entity
EFA	: Education For All Program
EITI	: Extractive Industries Transparency Initiative
ENHAPSE	: National Survey of Housing and Socioeconomic Profile of Households
FGT	: Foster-Greer-Thorbecke
FNRP	: National Poverty Reduction Fund
FONAREM	: National Household Rehabilitation Fund
FRP	: Poverty Reduction Fund
GDP	: Gross Domestic Product
HC	: Health Center
HIPC	: Heavily Indebted Poor Country
HLI	: Highly labor-intensive
HPI-1	: Human Poverty Index for developing countries
ILO	: International Labour Organisation
IMF	: International Monetary Fund
INS	: National Statistics Institute
I-PRSP	: Interim Poverty Reduction Strategy Paper
IPU	: Informal Production Unit
MASF	: Ministry of Family and Social Affairs
MCT	: Mother to Child Transmission
MDGs	: Millennium Development Goals
MTEF	: Medium-Term Expenditure Framework
MWR/FP	: Maternity Without Risk/Family Planning

NHDR	: National Human Development Report
NICT	: New Information and Communications Technologies
OCPI	: Congolese Poverty and Inequality Observatory
OGEDEP	: Public Debt Management Office
PAR	: Rehabilitation Support Program
PCDSP	: Private Sector Development and Competitiveness Program
PDR	: Ex-Combatant Demobilization and Reintegration Program
PEG	: Government Economic Program
PEV	: Expanded Vaccination Program
PHC	: Primary Health Care
PIDR	: Interim Demobilization and Reintegration Program
PIR	: Enhanced Interim Program
PMPTR	: Minimum Partnership Program for Transition and Recovery
PNAG	: National Program to Improve Governance
PNC	: Prenatal care
PNLT	: National Program to Combat Tuberculosis
PNMLS	: National Multisectoral Program to Combat AIDS
PONC	: Postnatal care
PPA	: Participatory Poverty Assessment
PPP	: Purchasing power parity
PRGF	: Poverty Reduction and Growth Facility
PRGSP	: Poverty Reduction and Growth Strategy Paper
PROCER	: Job Creation Program
PRONANUT	: National Nutrition Program (former CEPLANUT)
PRONAREM	: National Household Rehabilitation Program
PRS	: Poverty Reduction Strategy
PSC	: Preschool care
PUSPRES	: Emergency Support Program for the Economic and Social Reunification Process
REGIDESO	: Water Distribution Authority
RESEN	: Status Report on the National Educational System
RESP	: Health and Poverty Status Report
RH	: Reproductive Health
RVA	: Risk and Vulnerability Assessment
SADC	: South Africa Development Community
SENAREC	: National Capacity Building Secretariat
SMIG	: Guaranteed Minimum Wage
SNEL	: <i>Société Nationale d'Electricité</i> [national electric power company]
SNHR	: <i>Service National d'Hydraulique Rurale</i> [rural waterworks department]
SNSA	: <i>Service National des Statistiques Agricoles</i> [agricultural statistics department]
SOPPPOC	: Opinion Poll on the Congolese People's Perception of Poverty
STIs	: Sexually Transmitted Infections
UCOP	: Coordination Unit for the Emergency Support Program for the Economic and Social Reunification Process
UN	: United Nations
UND	: <i>Unité des Naissances Désirables</i> [desirable births unit]
UNDP	: United Nations Development Programme
UNICEF	: United Nations Children's Fund
UPPE-SRP Process	: Steering Unit for the Poverty Reduction Strategy Preparation and Implementation
VG	: Vulnerable Group
WB	: World Bank
WHO	: World Health Organization

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DRC – Administrative Map



FOREWORD

1. The preparation of the Poverty Reduction and Growth Strategy Paper (PRGSP) of the Democratic Republic of the Congo (DRC) comes three years after the adoption of the Interim Poverty Reduction Strategy Paper (I-PRSP). The process was carried out in an environment marked by emergence from a devastating conflict, one of the longest political transitions ever in Africa. The current strategy builds upon the efforts to normalize political life in the DRC, in which respect the democratic elections scheduled for 2006 constitute an important turning point.
2. Accordingly, the PRGSP will provide the new Government emerging from these elections not only with a framework for national reconciliation and the consolidation of peace, but also with a frame of reference for government policy and the convergence of cooperation with development partners to revitalize the economy and combat poverty.
3. This PRGSP, as a unified framework for development planning, is deliberately modest in scope and in keeping with the short- and medium-term objectives for 2006–2008 as well as the Millennium Development Goals (MDGs). It will permit an upgrading of the State’s institutions and structures, the introduction of appropriate sectoral policies consistent with program objectives defined by the people, and capacity building with a view to reaching the completion point under the HIPC Initiative.
4. The Government is firmly committed to continuing the reforms initiated since 2001 in order to mobilize the resources needed for the poverty reduction programs in an environment characterized by democracy, justice, and equity.
5. The challenge before the country today is to bring the DRC out of the long period of sociopolitical crisis and return it to the path of sustainable development with justice and wisdom.
6. The preparation of this final PRGSP involved the participation of all, men and women alike, in a spirit of consensus building. In this connection, our thoughts go out to the late Justin Kazadi Tambwe, the Deputy Coordinator of the UPPE-SRP, who passed away unexpectedly on May 16, 2006.

EXECUTIVE SUMMARY

7. **The Poverty Reduction and Growth Strategy Paper (final PRGSP) was prepared in a difficult but much more promising context, characterized by a number of positive effects from implementation of the actions called for under the interim version (I-PRSP).** With the support of the international community, the country is gradually emerging from the conflict, and reunification and peace are being consolidated throughout the national territory. The political process began with the organization of the constitutional referendum in December 2005 and the promulgation of the constitution and the election law in February 2006. Inexorably, the path toward organizing legislative and presidential elections has been mapped out. The efforts to emerge from the political crisis were buttressed by courageous reforms: (i) fiscal and monetary reforms; and (ii) reforms in key sectors of the national economy. Despite several setbacks, which are hard to avoid in such circumstances, the reforms undertaken by the Government brought about clear improvement in the macroeconomic environment. Inflation has been relatively well controlled, the national currency has stabilized, and the country has returned to positive growth rates. To consolidate these gains and, in particular, to improve their positive spillover effects on the lives of the people, the Government intends vigorously to continue to intensify these reforms. This will enable it to rein in the effects of cyclical and structural shocks, whether domestic or external in origin, so as to reach the completion point of the Heavily Indebted Poor Countries Initiative (HIPC Initiative) in 2007.

8. **The process of preparing the final PRGSP was complicated and laborious, but the Government insisted that it be carried out rigorously and systematically.** The objective pursued was to have a high quality PRGSP the contents of which were assimilated, internalized, and legitimized by all stakeholders working in a responsible partnership. From the methodological standpoint, the process combined qualitative and quantitative methods in order to: (i) conduct a poverty diagnosis; (ii) define the long-term vision of development; (iii) formulate the strategy; and (iv) develop the implementation, monitoring, and evaluation framework and mechanisms for the actions called for under the strategy. Participation took the following forms: (i) the organization of sectoral and theme-based consultations and focused studies; (ii) the systematic involvement of civil society organizations in the process, in particular in the organization of participatory consultations with grassroots communities; (iii) the organization of qualitative and quantitative surveys; (iv) the involvement of national experts and the sectoral ministries; (v) the organization of capacity building workshops at the central and provincial levels; and (vi) the participation of the development partners.

9. **The qualitative and quantitative diagnosis clearly underscores the multidimensional nature of poverty.** Some of its dimensions are tangible and can be quantified, while others are intangible and can only be perceived through proxies. The results of the 1-2-3 survey show extremely high rates of monetary poverty (71.34 percent of the poor) and inequality (Gini index of 40 percent) which vary sharply by area of residence (61.49 percent of the urban poor have a Gini index of 40 percent, while 75.72 percent of the rural poor have a Gini index of 36 percent), by province (the poorest provinces are in the eastern part of the country), by socioprofessional group (with greater poverty in the informal sectors), and by demographic variable (greater poverty among young couples and the elderly). The human development indicators (education, health, access to socioeconomic goods and services) as well as indicators on the prevalence of HIV/AIDS, living conditions, and social protection, not only confirm the foregoing diagnosis, but also establish that poverty in the DRC is a generalized, chronic, mass

phenomenon. The diagnosis further establishes that the individual and collective factors which explain poverty and the vulnerability of the people are, among others: (i) family structure; (ii) education level (of the head of household or parents); (iii) employment status; and (iv) the province of residence. In view of the above, the DRC would be hard pressed to achieve the Millennium Development Goals (MDGs) by 2015.

10. The long-term development vision (known as Vision 26/25) emerged from the participatory process as the sole bulwark on which the PRGSP strategy should be based. This vision contemplates building a Society of Hope based on: (i) national unity and territorial integrity; (ii) security, justice, equality, and the rule of law; (iii) work, wealth, prosperity, and sustainable development; and (iv) peace and national solidarity. On the basis of these fundamental values, Congolese society will move by 2030 toward double digit growth rates with an equitable redistribution of wealth aimed at achieving the MDGs. Four cardinal principles are set forth in this vision, namely: the rule of law, a decentralized governance system, a pluralist democracy, and egalitarian democracy built fundamentally on people shaped by culture and formed by a liberating education. The last of these should produce free citizens capable of innovating, thinking independently, and transforming their living conditions by taking the steps necessary for their individual and collective development, citizens prepared to lead the country while placing major emphasis on the well-being of all. **The objective is to pull the DRC up to the human development level of the intermediate countries and converge toward the Millennium Development Goals.**

11. The strategy adopted by the Government focuses on five groups of problems identified by the people during participatory consultations in grassroots communities and the diagnosis of monetary poverty, so as to align the PRGSP with the prospect of achieving the MDGs. It is based on five major pillars: (i) promoting good governance and consolidating peace through institution building; (ii) consolidating macroeconomic stability and growth; (iii) improving access to social services and reducing vulnerability; (iv) combating HIV/AIDS; and (v) supporting dynamism at the community level. The strategies for reducing monetary and human poverty call for strong and equitable economic growth and for Vision 26/25, to be fulfilled over the next 25-year generation. Such growth is particularly dependent on peaceful and secure conditions and on good governance. Poverty reduction would entail the equitable redistribution of this growth, determined by political, institutional, and sectoral reforms designed to enhance transparency and decentralization on the one hand, and to improve access to basic social services, reduce vulnerability, and combat HIV/AIDS on the other.

12. The implementation, monitoring, and evaluation of the PRGSP require the development and introduction of the proper institutional framework and structures. Accordingly, in the short term, particular emphasis will be placed on building the capacity of various stakeholders in the areas of poverty analysis and the planning, financing, and implementation of priority poverty reduction programs and projects. The strategy will be implemented using a participatory monitoring and evaluation system organized as follows: (i) monitoring of strategy execution; (ii) monitoring of the poverty indicators; and (iii) assessment of the impact of the strategy's policies.

13. Implementation of the PRGSP is subject to both endogenous and exogenous constraints. The factors which might inhibit successful implementation of the strategy pertain to security, political, institutional, economic, and social considerations.

Chapter 1: PRGSP Context and Preparation Process

1.1 Post-conflict context

14. This Poverty Reduction and Growth Strategy Paper (PGRSP) has been prepared following the conclusion of the National Peace and Reconciliation Agreement (December 16, 2002) which led to the founding of the transition institutions, including a Government of National Unity which took office in July 2003 as well as a Parliament and a Senate in 2004, including all political parties as well as civil society.

15. The new Constitution adopted in December 2005 by referendum and promulgated on February 18, 2006, as well as the legislative and presidential elections scheduled for the second half of 2006, will round out the democratic process aimed at restoring the rule of law in the Democratic Republic of the Congo.

16. Like the peace accord, the PRGSP was prepared in a difficult economic climate characterized by diminished economic resources, the scaling back of international financial cooperation, declines in investment and exports, the accumulation of domestic and external deficits, and the persistence of external indebtedness, estimated at US\$10.822 billion as of December 31, 2005 (following debt relief). In 2005, debt services payments made amounted to US\$154.1 million. They will come to US\$251.6 million in 2006.

17. On the social level, the current situation is characterized by increased poverty: the proportion of persons living below the poverty line (80 percent in 2001 and 70.68 percent in 2005) is subject to even greater disparities. Similarly, the quality of and access to basic social services have deteriorated. The precariousness of the social situation is exacerbated by the high prevalence of the HIV/AIDS pandemic, the destruction and lack of maintenance of social infrastructures, the existence of a large number of injured victims of the conflicts (individuals displaced in the interior as well as refugees abroad), and a pronounced increase in the number of orphans and street children.

18. Given these concerns, the Government is convinced that only a change in its development approach and the introduction of a cohesive strategy for interventions which has garnered the buy-in and support of all the development partners and, in particular, the beneficiaries themselves, will enable the country to emerge from this situation of extreme poverty and spiraling conflicts. Thus, it considers it an urgent need to capitalize on the consensual platform achieved by all the political protagonists generated by the implementation of the peace accord. Thus, this PRGSP is destined to strengthen the process of consolidating peace and security, national reconciliation, rehabilitation of the injured, reconstruction, and economic recovery.

19. The economy has responded favorably to the political and security gains. The economic environment has been characterized by the stability of domestic prices and the exchange rate as well as continuation of the economic growth which began in 2003. Indeed, thanks to the Enhanced Interim Program (PIR), the Government Economic Program (PEG), and the associated economic and structural reforms, inflation, which had reached 511 percent in 2000, fell in succession to 135.1 percent in 2001, 16.0 percent in 2002, 4.4 percent in 2003, and 9.2 percent in 2004. It is estimated at 22.6 percent in 2005. The national currency depreciated by only 10.7 percent between 2001 and 2004. After uninterrupted drops in GDP of 5.5 percent a year on average between 1991 and 2000, the growth rate became positive, moving from -2.1 percent in 2001 to 3.5 percent in 2002, 5.7 percent in 2003, 6.8 percent in 2004, and 6.6 percent in 2005. The current

account deficit, before debt relief, represented 3.4 percent of GDP in 2005. However, thanks to the reduction in debt service obtained from our bilateral (Paris Club) and multilateral creditors under the Enhanced HIPC Initiative, the deficit for 2004 came to 2.0 percent of GDP, making it possible to increase gross external reserves (excluding aid) between 2001 and 2004 from 4.7 to 6.2 weeks of imports and goods and services.

20. The results in the area of public finance have been encouraging as well. Revenue increased from 6.2 percent of GDP in 2001 to 11.0 percent in 2005. Over the same period, expenditure increased from 7.9 percent of GDP to 16.6 percent, implying an overall deficit on a cash basis of 0.7 percent of GDP in 2005.

21. As spectacular as these results may be, they remain both insufficient and precarious, given the needs for combating poverty and the rigidities that still characterize the Congolese economy. It goes without saying that it will be extraordinarily difficult, if not to say impossible, to achieve the MDGs by 2015, and working toward them requires double-digit growth rates for the next ten years, the implementation of pro-poor budgets, and the continuation of the economic and structural reforms.

1.2. PRGSP preparation process

22. The process of preparing the final PRGSP was launched in November 2003 by the Vice President of the Republic responsible for the Economic and Financial Commission. It involved the participation of members of the Government, heads of territorial governments, civil society organizations, the private sector, and the other vital forces in the country, as well as the development partners. The institutional framework which had coordinated the preparation of the Interim PRSP was updated to take account of the configuration of the Government of National Unity emerging from the political accords. The preparation process was complex and highly participatory.

1.2.1. Institutional framework for PRGSP preparation

23. With the advent of the Government of Transition, the composition of both the Interministerial Commission on Monitoring the PRGSP Process and the National Technical Committee was revised to reflect the new realities. The new framework includes: (i) the Interministerial Commission on Implementation of the National Poverty Reduction Strategy (CI-SNLCP) responsible for reaching decisions on all questions relating to the process; (ii) the Steering Unit for the Poverty Reduction Strategy Preparation and Implementation Process (UPPE-SRP) responsible for day-to-day management of the process and all questions relating to combating poverty; (iii) the Technical Committee (CT) made up of the heads of the Research and Planning Directorates of the sectoral ministries and representatives of civil society and NGOs, which provides support to the UPPE-SRP in the conduct of the process and analyzing sectoral and thematic issues;¹ (iv) the Consultative Committee of Partners (CCP), a bipartite structure (Government and donors) responsible for evaluating the PRGSP process and mobilizing resources; and (v) the Local Technical Committees (CTLs)

¹ The Technical Committee is subdivided into Sectoral and Thematic Groups: (i) Peace, political governance, and administrative and judicial reforms; (ii) Macroeconomic framework and harmonization of government programs; (iii) Fiscal and economic reforms, Education; (iv) Private sector, wealth creation, jobs, microfinance, and banking sector; (v) Rural development and agriculture; (vi) Education; (vii) Health and HIV/AIDS; (viii) Urban poverty; (ix) Gender, vulnerable groups, and security; (x) Environment; (xi) Community-level dynamics and basic services; (xii) Culture, communications, and new technologies; (xiii) Transport infrastructure; (xiv) Mines; (xv) Energy; and (xvi) Methodology.

established to work on strategy preparation and implementation at the level of each province.

1.2.2. Preparation process

24. The PRGSP was prepared on the basis of the consensual conclusions reached and recommendations made during participatory consultations carried out with grassroots communities, civil society organizations, the private sector, and the technical services of the sectoral ministries involved in the process.

25. As distinguished from the case of the Interim PRSP, the participatory consultations took place in every province of the country, including the city/province of Kinshasa. They involved the participation of representatives of civil society, NGOs, religious denominations, various women's and children's associations, sectoral technical ministries, the private sector, community development organizations at the province and territorial levels, the Province Governors, and political and technical leaders. All told, more than 34,995 persons took part in these consultations.

26. In addition to the findings from the participatory consultations, the PRGSP took into account the main lines of the general reconstruction program of the State as well as the provisions of the Sun City Peace Accord, in particular as regards governance and the recommendations on reconstruction and the revitalization of socioeconomic development.

Chapter 2: DRC Poverty Diagnosis

INTRODUCTION

27. The diagnosis of poverty in the DRC presented below is a unique experiment of its kind when it is borne in mind that the country is still confronting the lack of security, difficult access to the provinces, and the mobilization of entities covered by the survey.² This has been a major challenge ever since the country gained independence.

28. The exercise highlights the complex and multidimensional nature of poverty. Poverty has cultural, economic, political, and social facets. It also has legal and human rights aspects. The poverty study extends its scope to cover the long-term development opportunities and vision. This complexity constitutes, at one and the same time, the strength and weakness of the diagnosis set forth in this chapter. Through its effort to cover, for the sake of realism, every facet of poverty, the diagnosis pays a heavy price in terms of its robustness owing to methodological and conceptual simplifications, as well as to numerical approximations with scant basis other than the ability to trace the diagnostics through the results of each stage of the process described in the preceding chapter.

29. This linkage is discussed in Box 1 below focused on the methodology, based on the grid from the participatory analysis, with the diagnosis extended to thematic and sectoral analysis based on household and community-level poverty.

Box 1. Methodology

The results of the process (consultations, survey, and studies) show the complexity and multidimensional nature of the phenomenon of poverty in the DRC. Regrouping the data from the participatory analysis of poverty made it possible to establish a grid of 14 groups of reference variables. The opinion poll on the perceptions of poverty was conducted to learn the views of the people on each of these variables. Taken together, the results of these two qualitative methodologies yield a profile of poverty from the point of view of the poor and/or the communities they live in. Selected quotations gathered in the field illustrate the nature of this life experience.

Some components of the grid appear to be both manifestations of poverty and priority problems. The qualitative (subjective) profile thus has the advantage of setting the backdrop not only for the poverty indicators as such, but also for identifying the factors involved and the priority problems. In so doing, it facilitates the identification of poverty reduction strategies as perceived by the poor. Spatialization of the perceptions, factors, problems, and strategies makes it possible to take the special characteristics of each province into account.

The results of the 1-2-3 survey complement the analysis of poverty by adding a quantitative dimension to the components of the perceptions grid, in particular those relating to absolute poverty. They make it possible to refine the subjective profile through: (1) definition of the poverty line (the food line and the nonfood line); (2) calculation and use of the complete battery of indices in the Foster-Greer-Thorbecke (FGT) family; (3) quantitative analysis of the principal characteristics of the poor (spatial, socioeconomic, demographic, etc.); and (4) the projection of spatial and temporal trends, using the time horizons of the MDGs (2015) and of Vision 26/25 (2030).

Apart from the results of the consultations and surveys, some components of the profile come from the surveys and studies conducted by the other ministries and/or public agencies, and by partner organizations and projects. This was the case in particular for the preparation of the social profile (of human development) and for the performance of the principal sectors of the economy (MICS II Survey, RESEN, BERCI Survey, site inventory of the health sector (Health), Report on governance in the DRC, Central Bank of the Congo, etc.).

The process described above fills, in the short term, the considerable gaps in the national statistics system. In the long term, the Government undertakes to devise and implement a National Strategy for the Development of Statistics (SNDS) (see Chapter 3, Pillar I, point 114. Strengthening the quality of statistics).

30. This diagnosis is based on quantitative data (1-2-3 survey), qualitative data (SOPPOC and the APP), partial data from various sources such as the MICS 2 survey of 2001, and sectoral consultations.

² The 1984 census did not have a precise focus on the analysis of poverty. Studies by the *Bureau d'Etudes et d'Aménagement Urbains* (BEAU—Urban Research and Improvement Bureau) covered several large cities. The same is true of the studies carried out by the *Institut de Recherches Economiques et Sociales* (IRES—Economic and Social Research Institute) in the 1970s and 1980s.

2.1. Perceptions of poverty

31. The profile of poverty as experienced and described by the people in community-level consultations and or opinion polls is multidimensional. It differs according to place of residence and varies from province to province. In addition, poverty perceptions differ depending on the specific social group concerned.

2.1.1. Multidimensionality of the perceptions of poverty

32. The perceptions of poverty revolve around several dimensions of the people's life experience. Some of these dimensions are tangible, while others are intangible. They pertain primarily to: (i) unmet basic needs; (ii) deterioration in production factors; (iii) the absence of peace; (iv) the culture of impunity boosting corruption, injustice, and exclusion; and (v) poor access to basic social services.

2.1.1.1. Basic needs unmet³

33. Having enough to eat, adequate clothing, housing, and the capacity to consult a physician when illness strikes, are primordial needs for existence that must be met. These are the first experiences identified and discussed by the people when they speak about poverty. These concerns are illustrated by some comments gathered in the Provinces of Equateur (Bokude), Kinshasa (Mont-Ngafula), and Bandundu.

"In Bokude where I live, we eat once a day, and have a meal consisting basically of manioc leaves, chikwangué, or corn meal. I spend CGF 200 a day, and there are 12 of us."

"We wear Tombola-Buaka (used clothing)," said one person in the Musangu neighborhood in the Commune of Mont-Ngafula in Kinshasa.

The Bandundu community reports that: "We have to go 6 kilometers to get water, and it isn't potable because it isn't protected."

34. The results of the Opinion Poll on the Congolese People's Perception of Poverty (SOPPPOC) indicate that 79 percent of the population is not satisfied with food consumption levels, 81 percent is not satisfied with its housing, 82 percent indicates the lack of ability to pay for health care, and 84 percent of those polled say they have problems obtaining adequate clothing.

2.1.1.2. Deterioration of production factors: labor and capital

35. Poverty is perceived as a situation marked by low production, the absence of buyers, and the nonexistence of marketing channels. Mr. L., a farmer and livestock raiser from Hehu (Territory of Nyiragongo in Nord-Kivu), stated as follows:

"Before the 1996 war, I was producing 45 metric tons of potatoes, while now (after the war) I can produce only 4 metric tons, so I have to buy the stock I need from other farmers and then go resell it in Goma."

36. Poverty is further perceived as a lack of jobs, initiatives, and long-term vision owing to the absence of enterprises able to create jobs for the labor force. Where

³ The quotations are extracted from: (i) *Analyse Participative de la Pauvreté en DRC, Rapport National* [Participatory analysis of poverty (APP) in the DRC, national report], Kinshasa, March 2006, and (ii) SOPPPOC, analytical report, September 2005.

businesses do exist, they employ only a very small share of the population of working age. An unemployed male from Kinshasa says:

“I’m unemployed. I spend my time on the street corner talking about music and soccer, and if I’ve got a little luck, a buddy will give me CGF 50 so I can go get something to eat in the evening.”

37. Poverty is also the lack of capital. This is reflected in the inability to access credit to start up a productive activity. The participatory analysis shows that the lack of capital acts as a brake on human development. The observations of a young agronomist from Kinshasa illustrate this point as follows:

“I have a degree in agronomy, but I can’t find a job. To survive, I get by by raising small market garden crops, although the shortage of capital keeps me from growing. So I design projects for other people. I have cinderblocks made and resell them.”

2.1.1.3. Absence of peace

38. The conflict situation affecting the DRC for forty years has had a negative impact on the well-being of the people, most particularly on the psychological level. The comments on this issue maintain that:

“Before the 1994 war in Rwanda, life was easy. Since 1994, with the entry of the Rwandese refugees, the village has become insecure. Before the so-called war of liberation, the situation got worse, and the people left the village to escape the horrors of the war. The people returned in 2000, but they had lost everything.” (Residents of Karangara in Nord-Kivu)

“In 1996, when the AFDL war started, my husband fled and the rebels arrested me. I was raped in the presence of my children. My female grandchildren were also raped in my presence, and finally, they took everything from us.” (A woman from Nord-Kivu)

“When my parents were away in mourning, I was jumped and arrested by militiamen and their commander. He decided to take me as his wife and had me brought to the camp where I spent the night in his house. That’s where the crime occurred.” (A 15-year-old girl from Orientale Province)

39. Poverty is also identified with the continual displacements and property losses associated with the conflicts.

“The people are on the move all the time, unable to return to their villages because of the lack of security. As a result, the women have become agricultural workers making CGF 150 a day, or about US\$0.33. Just to survive, the men from this village became bearers between the city and the surrounding markets.” (A Kitshanga in the Masisi of Nord-Kivu)

Box 2: Psychological impact of conflict on well-being

Quite separately from the increase in poverty, conflicts often have a psychological impact on the well-being of the people. Conflicts have an impact on the mental health of individuals and on their ability to manage stress. The impact of crisis has a clear correlation with the level of individual well-being. Throughout the country, the people are suffering from stress as witnessed by the following: “I have nightmares” (63.4 percent of the population); “I feel sad”(70.4 percent); “I’m afraid”(53.1percent); and “I’m angry” (41.8 percent). When these statistics are examined in terms of the level of well-being, the poor suffer from stress more than the non-poor. For example, 70.9 percent of people in the lowest quartile of wealth suffer from nightmares, as compared to 54.6 percent of those in the highest quartile. Similar trends may be observed for the other stress indicators. Despite the high stress levels, a vast majority of the population (91.8 percent countrywide) considers itself to be of value and 77.1 percent consider themselves strong enough to improve their living conditions. Here again, however, there are differences depending on the level of well-being. For example, while 82 percent of the individuals in the first quintile have forward-looking projects, the figure for the fifth quintile is 95.9 percent. The

2.1.1.4. Impunity, corruption, injustice, and exclusion

40. The people are adamant about the culture of impunity in which they live. It encourages corruption, injustice, and exclusion. This culture is regarded as a major factor behind the suffering endured by the people.

“Unlawful taxes are created to fleece merchants. They are never told the nomenclature of the taxes. Consequently, tax collectors take advantage of this situation to impose lump-sum charges.” (A merchant from Dimbelenge in Kasai Occidental Province)

41. In Kamina, in Katanga Province, the prevalence of influence peddling has resulted in the Peace Tribunal being dubbed the “Tribunal of Misfortune.” It is characterized by rampant corruption. People are arrested arbitrarily and convicted on the slightest pretext, according to participants in the participatory analysis of poverty (APP). Moreover, as a young man from Kinshasa complains:

“The Plateau universitaire neighborhood has always been an insecure place. Nicknamed ‘Chad,’ it is the site of murders, rapes, banditry, and so on.”

2.1.1.5. Poor access to basic social services

42. The inability to go see a physician or obtain care is one of the most telling perceptions of poverty, as indicated by a citizen of Equateur Province (Bumba). There is therefore a predominance of self-medication and frantic recourse to traditional medicine.

43. The results of the opinion poll indicate that 76 percent of households are not satisfied with the education of their children, while 82 percent are dissatisfied with their health care. Accordingly, a number of households throughout the country send only one or two of their children to school, quite often boys. Some are obliged to send the children greater distances in order to continue their studies. And some parents, owing to the fact that the schools are poorly equipped and lack qualified teachers (insufficient personnel, underqualified or poorly trained staff, rundown school infrastructures, etc.), do not educate their children at all.

“So my child can study in the third year of primary school, I pay the fees of CGF 500 (US\$1) by agreeing to cultivate five ares (20 by 25 meters) of the teacher’s fields.” (Mrs. K, a farmer in Katanga)

In one community of Orientale Province, parents send their children to a school located more than 15 kilometers from their place of residence.

2.1.2. Perception by area of residence

44. In rural areas, poverty is perceived as a lack of production factors which preclude taking advantage of existing potential. For the most part this consists in the lack of money and the inability to obtain agricultural inputs and technical support. These problems are compounded by insecurity, difficult access to drinking water, the lack of transport infrastructure, and the poor condition of roads in rural areas.

45. In contrast, in urban areas poverty is perceived as a lack of money, jobs, electricity, easy-to-use means of transportation, decent housing, drinking water, and sanitation.

2.1.3. Perception by province⁴

46. For the Provinces of Sud-Kivu, Nord-Kivu, Katanga, Equateur, and Maniema, poverty is characterized by: (i) the absence of peace and security; (ii) the loss of jobs, herds, and cultivated crops; (iii) difficult access to basic social services; (iv) unhealthy housing; (v) the inadequacy or dilapidation of school and health infrastructures; and (vi) injustice and the lack of freedoms. In Bas-Congo, the people identified, among other things, the lack of children, the lack of education, and the lack of a spirit of initiative.

47. In Kasai Oriental and Kasai Occidental, the people pointed to the lack of electricity, inadequately balanced diets, the lack of means of transport, and the presence of erosion. In contrast, in Equateur Province, the people mentioned the inability to gain access to agricultural inputs and technical support, the inadequacy and lack of drinking water, isolation, poor agricultural production, the difficulty of accessing markets for agricultural production, annoyances from the administration and police, failed marriages, polygamy, the work demands on women (household work, work in the fields, etc.), and the lack of roads.

48. In Bandundu, the people are concerned about the lack of sufficient and balanced nutrition, poor agricultural production, problems with accessing markets for agricultural products, and erosion.

49. In Katanga, reference is made to the bankruptcy of GECAMINES, annoyances from the administration and police, the isolation of villages, the absence, dilapidation, and inadequacy of school infrastructure, the lack of peace and security, conflicts over land, as well as cyclical community conflicts.

50. In Orientale Province, there were complaints about the lack of socioeconomic infrastructures. In contrast, in Kinshasa the people spoke of the lack of jobs, the absence of a spirit of initiative, the lack of sufficient and balanced nutrition, and the lack of capital for engaging in productive activity.

2.1.4. Perception by specific social group

51. Participatory consultations with certain vulnerable and at-risk groups led to the following diagnosis: (i) for children in difficult situations, poverty is characterized by the death or absence of one parent or the other; (ii) for persons living with HIV/AIDS, poverty manifests itself in being rejected by society; and (iii) for persons with disabilities, poverty manifests itself in a physical, mental, or social handicap. Moreover, women specifically raised the issue of lack of access to financing sources despite their increasingly important role in both the production sector and in household survival.

2.2. Poverty Profile

2.2.1. Subjective profile

52. The results of the participatory consultations reveal a poverty profile based on the five following groupings: (i) basic needs; (ii) productive activities; (iii) basic services; (iv) security and vulnerability; and (v) culture and family.

⁴ N.B.: specific traits identified by the provinces.

53. For each of these dimensions, households are subdivided into three categories depending on the seriousness of the situation: (i) extremely poor; (ii) poor and fragile; and (iii) poor but stable.

54. Tables 16 and 17 in the Annex show that the poverty profiles for urban and rural areas are similar for the following dimensions: (i) basic needs; (ii) security and vulnerability; and (iii) culture and family. They differ somewhat in the dimensions relating to productive activities and basic services.

2.2.2. Profile of absolute poverty in the DRC⁵

2.2.2.1. Poverty threshold⁶

55. Estimates of the food poverty line based on data from the 1-2-3 survey place it at CGF 123,070 per person per year in urban areas and CGF 82,755 per person per year in rural areas. These poverty lines were obtained by determining the value of the household basket of most widely consumed goods representing approximately 90 percent of total household spending on food.

56. The average nonfood expenditure of the households in this interval yields the nonfood poverty line, namely CGF 30,195 per person per year in urban areas and CGF 14,900 per person per year in rural areas.

57. The sums of the food and nonfood poverty lines come to CGF 153,265 per person per year in urban areas and CGF 97,655 per person per year in rural areas.

2.2.2.2. Poverty indexes⁷ and characteristics

A. Overall incidence of poverty

58. For the country as a whole, the incidence of poverty (71.34 percent) is extremely high by comparison with the other countries of central Africa. The same holds true as regards the depth (32.23 percent) and severity (18.02 percent) of poverty.

B. Spatial disparities of poverty

59. **Area of residence.** The incidence of poverty is greater in rural areas (75.72 percent) than in urban areas (61.49 percent). The same phenomenon occurs in respect of the depth and severity of poverty. People living in urban areas thus are better off than those living in rural areas. The same pattern may be observed with regard to vulnerability to poverty. This evidence tends to favor urban migration in the DRC.

60. **Disparities between provinces.** The disparities between urban and rural areas also exist between the various provinces of the country. Three provinces have a poverty incidence of 85 percent or more, namely Equateur, Bandundu, and Sud Kivu. The city/province of Kinshasa (42 percent poor) is the least poor in the country, followed by Kasai Occidental and Maniema (where

⁵ The diagnosis is based on analyses conducted using data from Phase III of the 1-2-3 survey.

⁶ Starting from the food poverty line, the nonfood line is derived on the basis of the nonfood expenditures of households for which total food spending falls in a selected interval around that food poverty line ($\pm 10\%$).

⁷ The traditional instruments for measuring poverty (Foster-Greer-Thorbecke indices) make it possible to quantify three poverty indexes: (1) the incidence of poverty (P_0), reflecting the proportion of poor people in a given population (in percent); (2) the depth of poverty (P_1), which is an indicator of the intensity of poverty, the gap separating the poor and the non-poor, and makes it possible to estimate the financing needed to eliminate poverty in a single blow in conditions of perfect poverty targeting; and (3) the severity of poverty (P_2), which assesses the degree of a society's aversion for poverty and measures inequality among the poor.

the poverty incidence is less than 60 percent). Katanga Province (69 percent) is poorer than both Kasai provinces and Maniema. The same disparities may be observed in the other direction as regards the depth and severity of poverty, the contribution to poverty, and the risk of becoming poor.

Table 1. Spatial poverty indexes and characteristics

	Population (in percent)	P ₀ (in percent)	P ₁ (in percent)	P ₂ (in percent)
National	100.00	71.34	32.23	18.02
Area of residence				
Urban	30.76	61.49	26.21	14.10
Rural	69.24	75.72	34.90	19.76
Provinces				
Kinshasa	10.67	41.60	13.43	5.89
Bas-Congo	5.90	69.81	23.82	10.56
Bandundu	11.50	89.08	44.80	26.62
Equateur	10.43	93.56	50.75	31.38
Province Orientale	12.07	75.53	33.96	18.99
Nord Kivu	7.98	72.88	32.23	18.37
Maniema	2.85	58.52	20.98	9.83
Sud Kivu	7.00	84.65	38.59	20.92
Katanga	15.54	69.12	32.54	18.42
Kasai Oriental	8.49	62.31	26.94	14.84
Kasai Occidental	7.58	55.83	21.51	10.73

Source: 1-2-3 Survey, 2004-2005 (joint analysis by World Bank—Afristat—UPPE).

C. Disparities among socioprofessional groups

61. Poverty strikes all socioprofessional classes without distinction, but to varying degrees. Self-employed workers and apprentices are the poorest (77 percent), followed by manual laborers (68 percent) and semiskilled employees and workers (71.5 percent). The incidence of poverty exceeds 48 percent among management and collaborative personnel.

Table 2. Indexes and characteristics of socioprofessional groups

Socioprofessional category	Population (in percent)	P ₀ (in percent)	P ₁ (in percent)	P ₂ (in percent)
Management personnel	2.05	48.62	18.72	10.42
Collaborative personnel	2.86	48.53	18.95	9.65
Line supervisor	2.00	60.34	22.83	11.31
Skilled worker or employee	6.32	62.83	25.70	13.41
Semi-skilled worker or employee	2.80	71.47	30.62	16.50
Laborer	2.32	67.66	31.98	18.54
Owner	2.61	46.39	17.60	8.66
Self-employed worker	67.35	75.52	34.75	19.62
Apprentice	0.17	80.25	43.03	24.95
Family worker	11.54	69.40	31.96	18.11

Source: 1-2-3 Survey, 2004-2005 (joint analysis by World Bank—Afristat—UPPE).

62. This characteristic is closely correlated with the depth and severity of poverty. The risk and vulnerability of the socioeconomic groups are also high, although the structure of the correlation varies from one indicator to the next.

D. Sociodemographic disparities

63. The spatial disparities and the disparities at the level of socioprofessional groups also characterize the sociodemographic groups (Table 3). Poverty especially affects households where the head of household is between 30 and 65 years of age (over 70 percent are poor). In contrast, there are relatively fewer poor in young households (60 percent) and old households (65 percent).

64. There are no disparities between households headed by men and those headed by women. Conversely, the depth, severity, contribution to, and risk of poverty are somewhat more favorable in the cases headed by males. In other words, poverty is more homogeneous among households headed by men than by women.

Table 3. Sociodemographic characteristics

Groups	Population (in percent)	P ₀ (in percent)	P ₁ (in percent)	P ₂ (in percent)
Age of head of household				
<=20 years	0.75	56.48	21.07	10.84
20-30 years	13.30	62.28	25.29	13.16
30-40 years	26.31	71.07	31.10	16.93
40-65 years	53.27	74.18	34.99	20.11
65 + years	6.36	69.39	29.51	16.09
Gender of head of household				
Male	86.19	71.57	32.54	18.27
Female	13.81	69.89	30.29	16.51
Household size				
1-3 members	13.26	44.02	16.10	8.08
3-5 members	24.69	65.86	26.41	13.79
5-10 members	49.94	78.46	36.35	20.39
10 + members	12.11	83.04	44.74	27.77
Education of head of household				
Primary school	25.91	76.34	35.37	20.17
Secondary school	54.12	71.86	32.17	17.85
Non-formal program	1.02	56.33	22.45	11.49
University/postgraduate	5.80	34.05	11.98	5.64
Not specified	13.14	76.98	35.94	20.46
Marital status of head of household				
Single (never married)	2.35	53.36	20.33	10.54
Married, monogamous	69.32	72.03	32.82	18.45
Married, polygamous	11.11	74.70	34.84	19.57
Unmarried partner	5.83	72.10	30.39	16.38
Divorced, Separated	3.66	61.93	27.46	15.25
Widow/widower and other	7.73	69.67	30.38	16.81

Source: 1-2-3 Survey, 2004-2005 (joint analysis by World Bank—Afristat—UPPE).

65. The relationship between household size and the poverty indexes supports the thesis that large households have a tendency to be poorer than small households. Thus, households with 10 or more members are the poorest (incidence of over 80 percent) and make the greatest contribution to the poverty of these sociodemographic groups. However, below 10 members, the incidence of poverty drops off significantly, down to 44 percent poverty among households with three members.

66. The relationship between the level of education of the head of household and the poverty indexes supports the notion that education improves household living conditions. This is confirmed for the DRC where the majority of the poor (76 percent) live in

households headed by an individual with primary school education, whereas the incidence is less than 35 percent in households headed by an individual with a university degree.

67. There is relatively greater poverty among households headed by a polygamist (75 percent) than in those where the head is monogamous (72 percent). The incidence of poverty is also high among couples living with unmarried partners (72 percent). The households of single persons appear to be less subject to poverty (53 percent).

2.2.2.3. Inequality indexes and characteristics

68. Generally speaking, the Gini index of inequality is quite high (42 percent). This suggests the existence of distributive injustice, discrimination, and virtually endemic exclusion in the country. As in the case of the poverty index, inequality is characterized by sizable disparities.

69. The two Kasai provinces and Katanga Province have the highest inequality rates (with Gini coefficients in excess of 40 percent). Inequality is relatively low in the provinces of Bas-Congo and Sud-Kivu. The city/province of Kinshasa is also characterized by high inequality (39 percent).

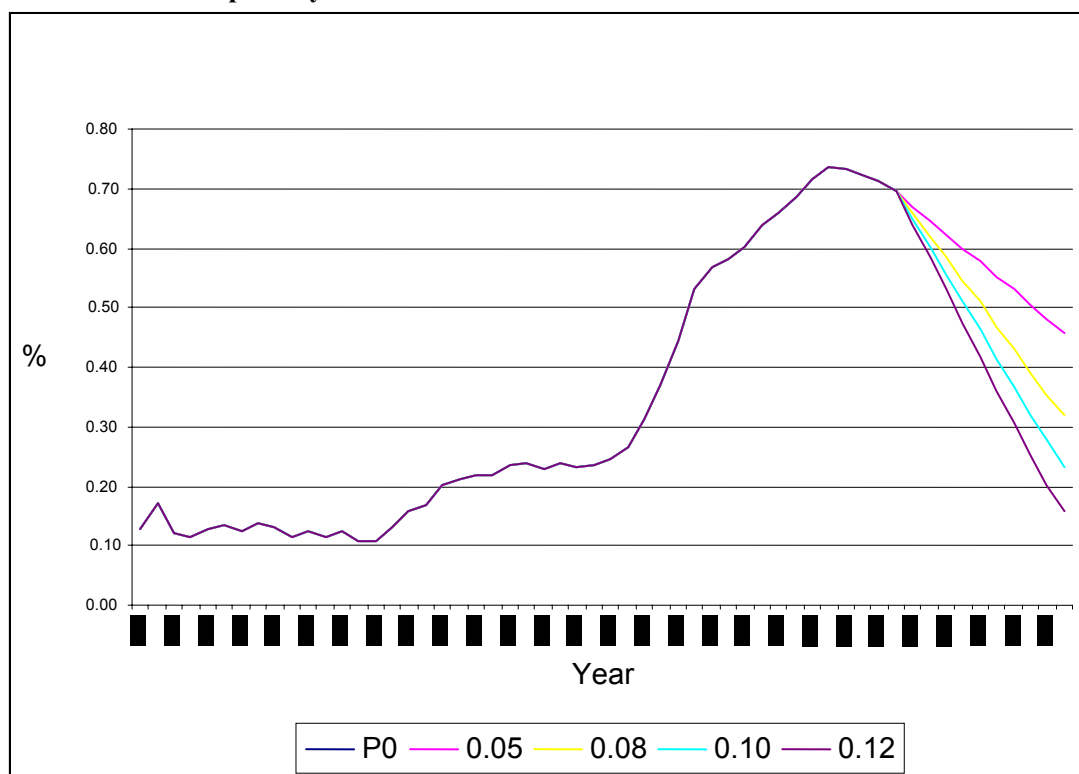
70. **The highest inequality index** (45 percent) occurs in the categories at the extreme (households headed by a manager and/or by a family worker). The lowest inequality is found among apprentices (27 percent) and manual laborers (37 percent). Inequalities appear to be more pronounced among young households (53 percent) and less high in older households. The difference between households headed by men and those headed by women is not significant. There does not appear to be any correlation between inequality and increasing household size, or with the level of education of the head of household or the latter's marital status; on the other hand, there is no difference between inequality in urban areas (40 percent) and rural areas (39 percent).

2.2.3. Poverty trends in the DRC, 2006-2030

Based on the incidence of poverty, the Gini index, and per capita GDP for 2005, simulations were run for the 2006-2025 period with varying assumptions for per capita GDP growth (5 percent, 8 percent, 10 percent, and 12 percent), a gradual decline in the Gini index for the poor (1 percent, 5 percent, and 10 percent), and the Gini index for the population as a whole beginning in 2009 (5 percent).

The first scenario uses the Gini index for 2005 for the entire period and tracks the evolution of the corresponding growth rates (Chart 1).

Chart 1. Trend of poverty in the DRC

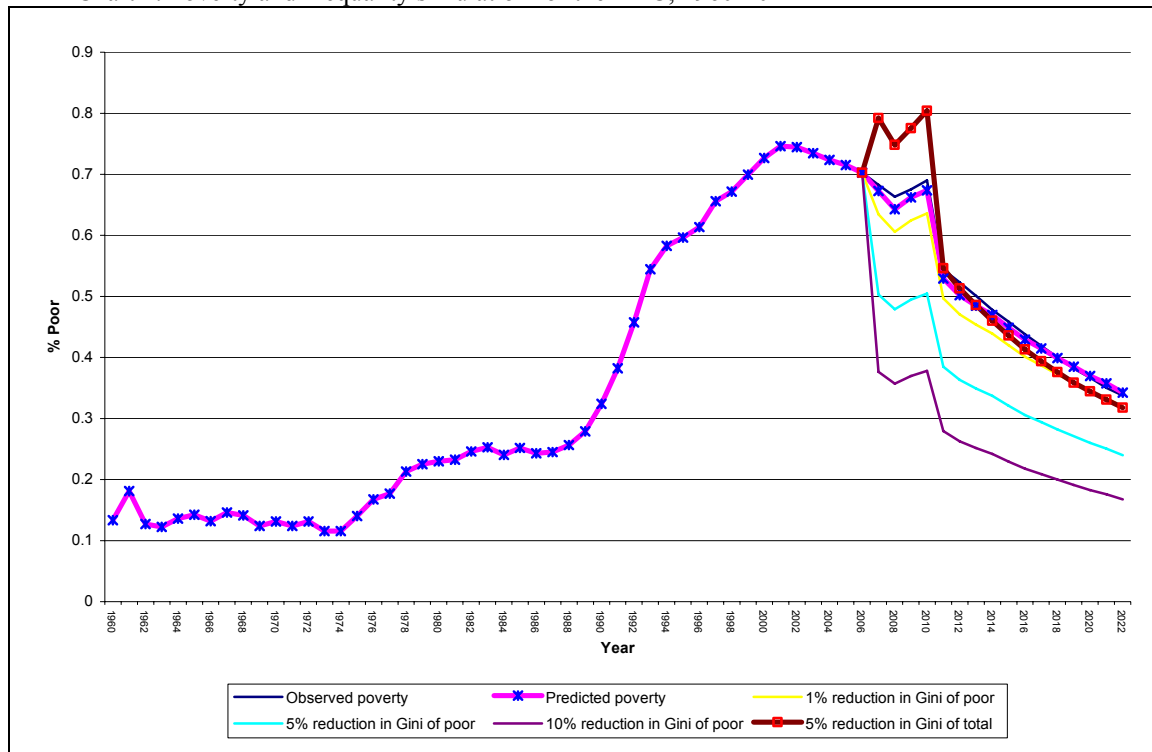


An examination of Chart 1 leads to the following comments:

- With a growth rate of 5 percent a year, the DRC will not be able to reduce poverty by half by 2015, as the incidence of poverty would decline from 71 percent to about 45 percent;
- With a growth rate of 8 percent a year, the DRC could achieve the first MDG in about 2015-2016;
- With a growth rate on the order of 10 percent a year, the DRC could achieve that goal in about 2011-2013;
- With a growth rate on the order of 12 percent a year, the DRC could achieve that goal in about 2011.

71. The second scenario (Chart 2) uses a growth rate of 5 percent a year, accompanied by an income redistribution policy with a change in the Gini index. This scenario yields the following results: (i) the incidence of poverty remains stable from independence to the oil shock of 1978; (ii) beginning in the 1980s, the incidence of poverty rises to slightly over 80 percent in the early 2000s; and (iii) a downward trend is observed beginning in 2004 and could continue, reaching the 60 percent level in 2022.

Chart 2. Poverty and inequality simulation for the DRC, 1960-2022



72. The trend lines shown in the two charts tend to suggest that in the DRC, it is possible to reduce the incidence of poverty by half by 2015 by adopting a macroeconomic strategy hinging around double digit growth rates if the growth in question is accompanied by a distributive justice strategy.

2.2.4. Determinants of poverty in the DRC⁸

73. The analysis of the determinants of poverty in the DRC was carried out using adequate econometric models: (i) multiple regression; and (ii) categorical analysis.

2.2.4.1. Multiple regression analysis

74. The results of the regressions confirm that family structure, level of education, type of employment, and province of residence, among others, are the key determinants of the logarithm of the household assets score.

75. **Family structure.** A household with a large number of adults has a greater chance of having substantial net worth. In urban areas, one additional adult brings about a gain of approximately 8 percent to 13 percent in the assets score, as compared to 2 percent to 3 percent

⁸ The analysis of the determinants of poverty is carried out using adequate econometric models. The results of this analysis make it possible to suggest certain policies which might help with poverty reduction. In view of the fact that the analysis of the determinants of poverty with data from the 1-2-3 survey has yet to be carried out, use was made of a proxy representing the household's assets score (possessions or net worth), and the fact that the household has only one meal a day, to capture living conditions. The explanatory variables of the estimated models are: (i) household size and composition (number of children, number of adolescents, number of adults, marital status of head of household, type of union between the head and his/her spouse or partner, gender of the head of household, age of the head of household and his/her spouse/partner); (ii) the characteristics of the head of household and his/her spouse/partner in respect of education and employment; (iii) the locality of residence and migratory status of the head of household; (iv) land holding (variable not included in measuring the dependent variable represented by the household assets score). First, a linear regression was performed using the logarithm of the assets score as dependent variable. Then, a categorical (probit) regression was performed to explain the fact of having only one meal a day.

in rural areas. This result is not surprising inasmuch as adults have greater need for capital assets and also have greater resources available for procuring such assets. However, it is likely that household size is inversely correlated with consumption per capita.

76. **Level of education.** The status of the head of household and his/her spouse/partner have a positive impact on well-being. Households headed by an illiterate individual have 15 percent gains in wealth in urban areas. Also in urban areas, the corresponding gain for the spouse/partner is 8.5 percent. In rural areas, the gains from literacy are small and statistically significant only for the spouse/partner. In respect of literacy, the higher the level of education, the better the living conditions of the household. In comparison with other similar countries, however, the returns on schooling are low in the DRC. This may be explained by the fact that the formal private sector has disappeared and wages in the public sector have declined in real terms. This leads to poor gains from education.

77. **Employment.** Households in which the head of household is unemployed or has left the labor market in urban areas are better off than households in which the head is employed. This suggests that only those households that have achieved a significant level of capital accumulation can afford the luxury of forgoing work (needy heads of household are prepared to work at any trade just to survive). This finding may also result from the fact that well-off heads of household, while declaring themselves unemployed, are engaging in clandestine and hence highly remunerative economic activities. In addition, if analysis is limited to the subsample of households in which the head of household is working, it is found that farmers have a tendency to have poorer living conditions than wage earners and self-employed individuals. This finding is equally valid for the head of household and for his/her spouse/partner.

78. **Province of residence.** Taking all the explanatory variables into account, among the urban areas, households in the provinces of Bas-Congo and Kinshasa tend to have higher living standards. Households in Bas-Congo are also more likely to have good living standards among rural households.

2.2.4.2. Categorical analysis

79. Categorical analysis of the fact of eating just one meal a day provides yet another view of the precariousness of living conditions.

80. **Family structure.** In rural areas, one additional child (of between 5 and 14 years of age) increases by about 2 percentage points the likelihood that the household will have only one meal per day. In urban areas, for each additional adult, the likelihood of eating once a day declines by 4 percentage points. Households headed by women are less susceptible to having only one meal per day.

81. **Level of education and employment.** The level of education of the head of household has no significant impact on the number of meals consumed daily in the household. In urban areas, however, the level of education of the wife has a positive correlation with the number of daily meals. Households in which the head is self-employed are less prone to have just one meal (6 to 7 percentage points) by comparison with households headed by a farmer. This conclusion also holds true for households in which the spouse/partner is self-employed.

82. **Province of residence.** Kinshasa households have a better situation in respect of food than do households in the other provinces in the country. The majority of rural households have a high propensity to have only one meal per day (with the exception of the provinces of Bandundu and Maniema).

83. **Assets score.** There is a strong positive correlation between the assets score and the number of meals per day. Households in the first quintile (by assets or wealth score) have an extremely great probability of having a single meal per day.

2.3. Sectoral and Thematical Diagnosis

2.3.1. Governance

84. The DRC is in a situation characterized by fragile peace, insecurity, and poverty increased as a consequence of the conflicts. It must address the issue of the multiple issues of governance, which the participatory consultations also identified in political, administrative, and economic terms as major determinants of poverty.

2.3.1.1. Political governance

85. For the past decade, the DRC has been in a spiraling crisis marked by armed political conflicts which severely undermined its domestic and external stability. This situation was characterized by the dysfunction of the State apparatus, negative economic growth, and a deterioration in social conditions attributable to massive internal and external displacement of the people.

86. During the same period, militias and foreign armies were also present, each contributing to exacerbating the country's security situation to such an extent that the DRC was running the risk of Balkanization.

87. During the same period, there was a dramatic humanitarian situation, with an estimated 200,000 refugees on Congolese soil and 380,000 Congolese refugees abroad in 2004. There were an estimated 2.4 million displaced persons internally, in flight from areas of conflict, and somewhere between 1.5 million and 3.0 million people lost their lives. The sharp increase in population in the affected areas exerted extremely great pressure on already inadequate resources, making living conditions for both resident populations and the newly arriving people extremely difficult.

Box 3. Perception of insecurity owing to war

"Before 1994, life was easy. When the refugees came from Rwanda, the village became insecure. The so-called war of liberation aggravated the situation; it made the people flee. Beginning in 2000, the completely impoverished people began returning to the village," say the inhabitants of Karangara in Nord-Kivu.

In the village of Kitshanga in Masisi, the population deplors that "the people are on the move all the time and unable to return to the village because of the lack of security: as a result, the women have become agricultural workers making CGF 150 a day, or about US\$0.33. Just to survive, the men of the village have become bearers between the city and the surrounding markets." [Nord-Kivu]

A woman reports: "In 1996, when the AFDL war started, my husband fled and the rebels arrested me. I was raped in the presence of my children. My female grandchildren were also raped in my presence, and finally, they took everything from us. To survive, we went to a church in Kinshasa where I had taken refuge with my children."

A participant in the consultations in Orientale Province states: "When her parents were away in mourning, a 15-year-old girl was jumped and arrested by militiamen and their commander. He decided to take her as his wife and had her brought to the camp where she spent the night in his house. That's where the crime occurred."

Source: APP Report, 2005

88. It has been noted that the policy makers and the Government do not have a strong democratic culture or great attachment to the general interest, and lack the ability to resist external and clientist pressures. The State is confronted by the lack of efficient institutions for ensuring the settlement of disputes by peaceful means. Moreover, it has no appropriate mechanisms for preventing political crises and armed conflicts. The political governance system suffers from a centralization of power reflected in a development planning system with very little involvement of the beneficiaries in policy definition, internalization, and ownership. This is also the origin of inefficient implementation of the programs selected.

89. An additional constraint on good political governance stems from inadequate achievement of the objectives of the transition, namely: effective reunification of the national territory, enhancing security in the country by establishing an integrated army, demobilization of former combatants and their reintegration into civilian life, consolidation of national unity, the restoration of a climate of trust among the Congolese, and the rebuilding of the capacities of the communities severely tested by the conflicts, in particular women, girls, and children.

2.3.1.2. Administrative governance

90. The image of Congolese public administration among users is extremely negative. The provision of basic public services not only fails to meet the quality standards and deadlines required, but has also become a source of corruption. Access to these services is not guaranteed everywhere throughout national territory. An elementary right, such as the issuance of birth or death certificates, is also not guaranteed, particularly for people living in remote areas or those who lack sufficient resources to access that right.

91. Civil servants and State employees have been neglected for several decades, which is at the root of the current state of public administration. The wages paid are paltry, career management is characterized by clientism, physical working conditions are depressing, and job descriptions and duties are poorly defined.

92. Despite the growing number of labor organizations, they have little capability of bringing about positive change in their situation, much less that of the public administration. In fact, these organizations are often subservient to the public authorities, who often have a means of selecting leaders in a nontransparent manner. The Congolese State, while cognizant of the inefficiency of public administration, has still not rectified the situation despite reforms intended to manage staffing levels, redefine jobs, and improve the status of civil servants, the management of careers, and compensation matters.

93. The judicial system is recognized for its inefficiency, up to the level of officers of the courts. While the data available are scant, it may be observed that the sector has experienced a significant increase in extrajudicial settlements, in terms of court decisions not enforced and mistrust of the judicial system.

94. In addition, massive violations of the principle of equality of all before the law, poor management of human resources and the careers of officers of the court, and the absence of training programs and public awareness campaigns on the operation of the judicial system are all among the flaws undermining the justice sector.

95. These flaws have an impact primarily on vulnerable persons, who have a right to quality justice for all in accordance with the principle of the equality of all before the law. However, they concern even more particularly the victims of the conflicts who have been dispossessed of their property, incorporated into armed groups by force, and who quite properly expect some compensation. The women and children living in the areas affected by the conflicts, persons without resources and unable to enforce their rights, persons lacking the education needed to follow the workings of justice, are all so many victims whose rights have been violated.

2.3.1.3. Economic governance

96. The rehabilitation needs of the macroeconomic framework of the DRC run up against the dysfunctional economic structures which impede the consolidation of macroeconomic stability and growth, and considerably limit the possibilities for reducing poverty. The shortcomings at the level of the economy may be perceived in the high inflation rates as well as the deterioration in the current balance of payments.

A. Fiscal and monetary policies

97. **The macroeconomic situation remained relatively stable during the 2002-2005 period thanks to improved implementation of prudent fiscal and monetary policies, but still remains precarious.** Year-on-year inflation, which had risen to 511 percent in 2000, declined successively to 135.1 percent in 2001, 16 percent in 2002, 4.4 percent in 2003, 9.2 percent in 2004, and 21.3 percent in 2005.

98. Despite this performance, macroeconomic stability is still fragile and dependent on security conditions which place great pressures on spending. In 2004, owing to additional military spending during the third quarter, the Government experienced problems controlling other current expenditure, triggering a rapid increase in base money followed by a sharp depreciation of the national currency and the resurgence of inflation in 2005.

A.1. Fiscal policy

99. **The execution of the financial operations of the State improved with the implementation of the Government Economic Program (PEG), but still remains dependent on political and security conditions in the country.** After reaching the high levels recorded between 1990 and 2000, the overall deficit (on a cash basis, including grants) was contained at 1.6 percent of GDP between 2001 and 2005. Given the insufficiency of resources and the inability to compress most essential expenditure, as well as the conflicts, the State had problems financing its deficit. The increased recourse by the State to monetary financing proved to be an alternative solution for several years. Accordingly, advances from the Central Bank increased, rising from -0.1 percent of GDP in 2001 to 1.6 percent of GDP in 2005.

100. Total revenue (including grants) increased, rising from 6.5 percent of GDP in 2001 to 13.1 percent in 2005, with an average tax ratio of 5.2 percent between 1997 and 2000, as well as the increases in taxes and royalties paid by the oil companies (following the increase in world market prices) and the modernization of the financial administrations. Despite this performance, the level of domestic resources is low given the urgent needs to reduce poverty. One of the major constraints affecting resource mobilization is the low efficiency and returns of the tax system.

101. Expenditure increased from 8.2 percent of GDP in 2001 to 15.3 percent of GDP in 2005 as compared to an average level of 11.0 percent of GDP between 1997 and 2000, following the problems experienced with controlling expenditure, in particular on sovereignty (military and institutional spending) and shared expenditures, where overruns work to the detriment of appropriations for the social sectors. Capital expenditure and poverty reduction expenditure remained insignificant owing to the political situation prevailing in the country, which brought to light the problem of the administrations' absorptive capacity as well as delayed disbursements of external resources.

A.2. Monetary and exchange policy

102. **Since 2002, monetary policy has been prudent; however, it remains heavily dependent on fiscal policy.** Monetary policy has been accommodative throughout the past decade. The Central Bank of the Congo has had problems containing the growth of the money supply (42.5 percent a year on average between 2001 and 2005). Indeed, the monetary financing of the fiscal deficit resulted in an increase in base money. In addition, these deficits led to a loss of confidence on the part of economic agents, who sought refuge in foreign currencies, thus explaining the continuous pressures on the exchange rate.

B. External policy

103. **Since 2002, the Government has pursued a cautious borrowing policy, but the DRC nonetheless ranks among the most heavily indebted countries in the world.** Efforts to normalize the country's relations with external creditors and the good performance achieved in the context of implementing a number of economic and structural reforms in 2001 made it possible to reach the decision point under the HIPC Initiative in July 2003.

104. Despite these efforts, the public debt burden weighs heavily on public finances and the balance of payments, and appears to be a constraint that is difficult to overcome and threatens to mortgage the development of the country. In 2005, the outstanding external debt (US\$10.882 billion) and debt service, representing 6.9 percent of exports and 12.9 percent of tax receipts, continue to pose an onerous burden on public finances.

2.3.2. Sectors with growth potential⁹

105. For over a decade, the DRC had negative growth rates, essentially attributable to the scant contribution of the sectors with growth potential. After uninterrupted real declines in GDP of 5.5 percent a year on average between 1991 and 2000, the growth rate became positive, moving from -2.1 percent in 2001 to 3.5 percent in 2002, 5.7 percent in 2003, 6.6 percent in 2004, and 6.5 percent in 2005, thanks to the structural reforms in every sector of the national economy.

106. As spectacular as these results may be, they remain both insufficient and precarious, given the needs for combating poverty and the dysfunctions observed in several of these sectors with growth potential.

⁹ A study on the sources of growth in the DRC was conducted in July 2004. See Bernadin AKITOBY and Matthias CINYABUGUMA (2004), Sources of Growth in the Democratic Republic of the Congo: A Cointegration Approach. International Monetary Fund, Working Paper (July). This study will be further developed in the course of implementing the PRGSP.

2.3.2.1. Rural development and agriculture

107. **Rural development.** Nearly 80 percent of the people live in rural areas and are principally engaged in agriculture, fishing, and stockfarming. However, this population lives in a precarious situation and absolute poverty, despite the immense potentials available in the sector. Indeed, it bears noting that only 17 percent of the population has access to safe drinking water and 1 percent to electricity, while 64 percent of the people live in rammed earth houses. In addition, 70 percent of the roads and trails accessing agricultural areas are in an advanced state of deterioration.

108. The rural sector's role as a development pole is severely handicapped by the conflict, which resulted in the abandonment of farm operations and massive population displacements owing to the permanent lack of security. Moreover, productivity suffered because of the advanced soil deterioration in the absence of ecosystems, thereby aggravating the problems of food security. The rural development sector is also synonymous with isolation and the destruction of basic social services, attributable principally to the absence of specialized State structures.

Box 4. Perception of problems linked to isolation of the rural world

Entire populations are living in isolation from the rest of the country owing to the inaccessibility of their area of residence following the extreme deterioration of roads and the absence of communications media, as underscored by the people of Kimvula. This situation contributes to perpetuating the poverty in which these people live, preventing them from exporting or importing products [Bas-Congo].

One participant in Lusambo states: "The only small means of transport are the extremely overloaded cycles that sometimes end up killing their drivers because of the poor condition of the roads" [Kasai Oriental].

In Djugu, it is reported that: "Because of the poor state of the roads going to agricultural areas and the permanent lack of security in some localities, the support structures for people who are continually on the move and disorganized are unable to reach all the vulnerable population groups (widows, orphans, and persons with disabilities)" [Orientale Province].

109. **Agriculture.** The agricultural sector is currently suffering from low productivity resulting in food insecurity, increased imports of primary commodities, and a decline in exports of cash crops. Despite favorable natural conditions, the agricultural sector has for a number of years been reduced to subsistence farming. Approximately 97 percent of the arable land has a crop season spanning more than eight months of the year. Moreover, the country has about 135 million hectares of agricultural land, or 34 percent of the national territory, of which only 10 percent have been improved. As a result, 16 million people are suffering from hunger. The FAO estimates that almost 73 percent of the Congolese people are living with food insecurity. Agricultural exports now represent only about 10 percent of GDP, as compared to 40 percent in 1960. For some twenty years the sector has been experiencing problems of various kinds, in particular with market access, moving products from the field, conservation, and the production of quality seeds. This has prevented this sector from efficiently contributing to economic growth. Over the same period, there has been a reduction of the agricultural labor force because of the conflicts and endemic disease.

Box 5. Perception of the consequences of conflict

A farmer and stock raiser from (Nyirongongo Territory) underscores that: "Before the 1996 war, I was producing 45 metric tons of potatoes, and now (after the war) I can only produce 4 metric tons; this means I have to buy from other small farmers in order to supplement my stock which I take to Goma for sale" [Nord-Kivu].

Source: APP Report, 2005.

2.3.2.2. Forestry

110. The forestry sector is characterized by: (i) haphazard exploitation of biodiversity, owing to the weakness of the institutions in charge of the forests, conservation, and the protection of nature; (ii) failure to apply the Forestry Code and the Law on the Conservation of Nature; (iii) the freezing of forestry concessions for speculative purposes owing to political clientism, and the low level of the area-based royalty; (iv) failure to comply with the regulations in force for the commercial exploitation of forests and protected areas; and (v) the exclusion of local communities from the management and sharing of the resources generated by the forest.

111. The DRC ranks first in Africa from the standpoint of the size of its forests and, more importantly, in preservation of the global environment. The forests are essential to the survival and development of at least 40 million Congolese. Within this population, special mention should be made of the indigenous peoples living at the edge of the forest principally from the natural products from the forest's biodiversity, used both for their food, housing, and health, and for wood-based energy (80 percent of all the energy consumed in the country).

112. The DRC is among the ten countries with the greatest megabiodiversity in the world, with 480 species of mammals, 565 species of birds, 1,000 species of fish, 350 species of reptiles, 220 species of batrachians, and over 10,000 angiosperms, of which 3,000 are endemic. This rich capital has not been spared by the various conflicts and their devastating effects on the fauna and flora. Thousands of hectares of forests have been degraded, resulting in loss of biodiversity. The protected areas have been subject to thievery, smuggling, and poaching.

2.3.2.3. Transport infrastructure

113. The qualitative and quantitative insufficiency of the supply of transport services, accentuated by the poor condition of transport infrastructure, is the DRC's main priority problem. Indeed, it constitutes an obstacle to sustainable economic growth and does nothing to facilitate trade or the people's access to other basic social services.

114. The transport network is made up of 16,238 kilometers of navigable waterways, 5,033 kilometers of railways dating for the most part from the colonial era, 145,000 kilometers of national and regional roads and secondary rural roads, 7,400 kilometers of urban thoroughfares, and 270 airports throughout the country, including five international airports (in Kinshasa, Lubumbashi, Kasangani, Goma, and Gbadolité). This transport system in the DRC no longer provides the economic and social sectors with infrastructures and services conducive to trade of all kinds or which improve the mobility of persons and goods.

115. Urban transport is characterized by the chronic failure to satisfy constantly growing demand, this because of operating conditions and the condition of infrastructures.

116. In rural areas, outside the areas served by the SNCC and ONATRA (rail and boat transport), services are basically provided by underequipped private operators. As in the urban areas, there is a persistent gap between the supply of and demand for transport services, a gap explained by the impassibility if not to say the disappearance of most secondary and tertiary roads, the inadequacy of interconnections between the various transport networks in order to facilitate fluid traffic flows from areas of production toward the urban centers, and the absence of dredging and buoying on the waterways.

117. The public enterprises which have the monopoly on operating the mass transport infrastructures are neither high-performance nor competitive owing to the insufficient amount of financial resources allocated to making the necessary investments and maintaining existing infrastructure and equipment. Productivity per employee and the rate of availability of railroad locomotives (SNCC and ONATRA) are, respectively, 34,000 traffic units (as against 487,000 TU in Cameroon) and 42 percent (as compared to 78 percent in Gabon and 80 percent in Cameroon). The average cost of an economy class air ticket between the DRC and cities in Europe is US\$1,218, as compared to US\$824 for the neighboring countries.

118. Because of the lack of modern handling equipment at the main seaport in Matadi, where a third of the dozen piers are no longer in use, vessels remain there for six days on average (as against three days in Douala) for port operations, and a twenty-foot-equivalent container unit (TEU) handled there costs US\$984.20. The poor functioning of the Matadi/Kinshasa railroad (CFMK) is such that containers unloaded at the port take over 22 days to reach Kinshasa. Consequently, the transport sector accounts for 24.3 percent of the total cost of goods imported via that port.

119. The disastrous situation of the transport system in the DRC results from an environment lacking sensitivity to efficient management in which the stakeholders of the sector operate. This environment is an impediment to the proper functioning of existing enterprises and the creation of new units, and is characterized by an anachronistic regulatory framework which provides no incentives, the permanent lack of security of persons and goods, difficult access to the financing markets, and, in particular, the lack of a cohesive policy governing the sector.

2.3.2.4. Mining

120. The DRC has the second largest reserves worldwide of copper and cobalt (10 percent of the planet's entire reserves). GECAMINES' cobalt reserves represent 80 percent of the global total. The DRC is also the world's largest producer of cobalt. In 1992, the DRC's share of world copper production was 2.5 percent, of cobalt 45 percent, and of zinc 0.5 percent. Export proceeds in 1990 amounted to about US\$1 billion.

121. GECAMINES was the main mining enterprise in the country, and in 1980 provided about 66 percent of the State's budgetary revenue. It played an important social and economic role for many SMEs working in its periphery. For over 30 years, the company was the main driver of the economy. It was listed among the largest employers in the DRC. In 1990 it employed 35,000 people, of whom 91.8 percent were line personnel. It provided the livelihood of over 258,000 persons.

122. Now, except for the expanded activities in artisanal gold and diamond mining, industrial mining production has collapsed in its entirety.¹⁰ The copper production of GECAMINES dropped from 465,000 metric tons at a price of US\$2,855 a ton (in 1990) to 19,000 metric tons at a price of US\$1,800 a ton (in 2002), with serious consequences in the economic and social areas.

123. With the bankruptcy of GECAMINES, Katanga Province underwent a profound socioeconomic transformation. The entire population of the Katanga mining region, which was dependent on that enterprise, was plunged into absolute poverty overnight.

¹⁰ The DRC has vast mining potential, including copper, cobalt, zinc, cadmium, diamonds, gold, tin, tungsten, and manganese.

124. The restructuring and deregulation of the mining sector initiated throughout the country in 2004 have led to the expropriation of small farmer landholdings to the benefit of other mining sectors and mining concessions, to widespread fraud, and to unconscionably one-sided contracts.

2.3.2.5. Electricity

125. The rich hydrography of the DRC gives it a hydroelectric potential estimated at 100,000 MW, or 13.0 percent of global hydroelectric potential. Total installed capacity is evaluated at present at 2,516 MW, or 2.5 percent of the total potential, and possible average production at 14,500 GWh. Actual production at present is only 6,000-7,000 GWh. Hydroelectric production accounts for almost all the capacity (96 percent). The remainder consists primarily of low-power thermal power plants, most of which are located in isolated areas. The Inga dam on the Congo River is the primary source of hydroelectric energy production. It currently has two plants with a total capacity of 1,775 MW (Inga 1, with six generators totaling 351 MW, and Inga 2 with eight generators totaling 1,424 MW).

126. Despite their strengths, the Inga power plants taken together are working at only 40 percent of capacity. A substantial proportion of this production is intended for export, thus leaving local demand unmet. As a result of this situation, the rate of access of the people to electrical power is 1.0 percent in rural areas, 30.0 percent in the cities, and 6.0 percent nationally, while the average for Sub-Saharan Africa is 24.6 percent.

2.3.2.6. Private sector

127. Despite its weaknesses, the private sector is the principal source of wealth and job creation. The private sector has evolved for some three decades in a particularly difficult environment. Indeed, since the 1970s, the combined effects on the economy of the collapse of copper prices and the oil crisis, as well as the suicidal measures of Zairianization and radicalization taken by the regime in power, contributed in their turn to halting the take-off of the productive sectors by introducing a climate of mistrust, especially among expatriate economic operators, and hence triggering capital flight.

128. The process of democratization in the 1990s once again plunged the country into a disorderly process of multi-party politics and the proliferation of labor unions, leading to frequent strikes and a climate of widespread insecurity.

129. The plundering of 1991 and 1993, the wars of 1996 and 1998, and the armed conflicts also contributed to the destruction of plant and equipment, with the corollary of discouraging foreign investment and drying up official development assistance, the primary source of finance for public investment. In the same period, investment declined from 13 percent in 1990 to 4.4 percent in 2000. This caused job losses and lower incomes following the closure of a large number of businesses, thus accentuating unemployment and poverty in the country. In 2005, the labor force participation rate was 63.1 percent nationally, 50.8 percent in urban areas, and 68.1 percent in rural areas.¹¹ The predominance of jobs in small family agricultural enterprises underscores the fragility of the labor market and the difficult living conditions of households.

¹¹ INS, 1-2-3 Survey, provisional results.

130. The formal SMEs must deal with an unfavorable political and economic climate as well as a poorly adapted and poorly applied regulatory framework. In this situation, they are verging on exhaustion and their activities have declined considerably.

131. The share of the informal economy is continually on the rise in respect of wealth and job creation, to the point where the informal sector now represents a dominant share of the Congolese economy.

132. The secondary sector is quite underdeveloped and characterized by the substantial presence of the State, thus marginalizing the private sector. Most companies are State-owned or mixed, often with majority equity holdings by the State. Despite the ongoing privatization process (PMPTR program), the State remains the major operator in most economic sectors such as energy, mining, forestry, communications, water supply, transport, and construction.

133. Most SMEs and SMIs were created with a view to taking advantage of the opportunities afforded by a protectionist environment. As matters now stand with respect to globalization, deregulation, and regional integration, these SMEs and SMIs suffer from a lack of competitiveness vis-à-vis foreign products because of supply difficulties and the narrowness of the national/local market. Exports are the exception to the rule and represent but a minimal proportion of national, regional, and worldwide output.

134. Similarly, the financial sector, which had been expected to support this private sector, has been unable to fulfill its financial intermediation function. Indeed, economic instability and the dysfunctional nature of the financial system itself have led to the gradual marginalization of this sector, thus striking a fatal blow to its financial intermediation function. This financial disintermediation, as evidenced by the insufficient mobilization of bank deposits, appears to be the final brushstroke in the picture of disintegration of the Congolese economy in general and the private sector in particular. The fact that the banks attracted insufficient liquidity over the past decade is attributable to several factors, including the unattractive deposit interest rates (negative in terms of inflation), the mandatory reserve requirement, the credit ceilings imposed on banks, and the uneven geographical distribution of banks. This contributed to the decline in the national currency, scaled back the significant influence of real investment expenditure by private enterprises, and reduced the accumulation of capital necessary for economic growth. Revitalization of the financial system of the DRC is thus a necessity if poverty is to be reduced.

2.3.3. Social sectors

135. The development of the social sectors in the DRC is faced with structural difficulties associated with poor governance and the repeated conflicts that have occurred. The education, health, water supply, and sanitation sectors, as well as social security, are in an advanced state of deterioration and loss.

136. The general trends show a mixed view of the sector, even as the demand for social services in terms of schools, health centers, water supply, sanitation, and housing is considerable in view of the needs of the constantly increasing Congolese population, the stagnation of the nonmonetarized productive sector, and the runaway increase in poverty.

2.3.3.1. Education¹²

137. The gross enrollment ratio in primary school has declined sharply, from 92 percent in 1972 to 64 percent in 2002. In secondary school, it is estimated at 29 percent in 2001/2002 as compared to 26 percent in 1977-1978, with an internal efficiency coefficient of 36 percent. In addition, there has been: (i) deterioration in the school survival rate (25 percent) while the school completion rate is only 29 percent; and (ii) a low level of supervision and the existence of inequalities in gross enrollment ratios by gender (72.0 percent for boys and 56.0 percent for girls) and by place of residence (school admission rate of 71.6 percent in urban areas and 43.6 percent in rural areas). Moreover, postponed schooling affects more than 16.0 percent of boys as compared to 12.0 percent of girls in 2001. These deficiencies stem from the inability of the educational system to address the needs identified.

138. In 2002, a World Bank report entitled “Status Report on the National Education System” in the Democratic Republic of the Congo (RESEN) identified four major problems that undermine access to and the quality of education in the DRC, namely: (i) relatively poor coverage at the primary level, with sizable inequalities in terms of access and uncontrolled expansion at the secondary and higher education levels; (ii) serious deterioration in the quality of education at all levels; (iii) a cumbersome and outmoded system of school administration; and (iv) an extremely low spending level and an inefficient and inequitable financing system.

139. **Primary education.** The primary education system is characterized by: (i) rapid population growth; (ii) the large number of children not attending school; (iii) low population density, a large number of residences that are scattered and difficult to access, children living in forest areas, and disadvantaged groups; (iv) underqualified teachers and the shortage of instructional materials; and (v) instruction in a foreign language and the high cost of private education.

140. **Secondary education.** The following shortcomings have been identified: (i) social inequality as regards access; (ii) a large number of small schools; (iii) outdated curriculums; (iv) a lack of qualified teachers in some disciplines; (v) limited operating resources and resources for equipment, and the shortage of books; and (vi) instructional materials and the high cost of private education.

141. **Higher and university-level education and scientific research.** Research and development, which is called upon to be a leading force in the country’s development, is undergoing an acute crisis as it has not been included among the DRC’s current priorities. The following dysfunctions have been noted: (i) social inequalities in terms of access; (ii) outdated curriculums and the multiplicity of courses; (iii) the limited number of qualified teachers, laboratories, and libraries; and (iv) the high cost of private education.

2.3.3.2. Health

142. **As matters currently stand, the extent to which meeting the Millennium Development Goals for the sector is falling short to an unprecedented degree.** Retrospective surveys on mortality have shown that about 126 children out of 1,000 die before reaching their first birthday, and 213 out of 1,000 fail to reach age 5.¹³ Maternal

¹² Vocational training will be the subject of an in-depth study to be conducted during PRGSP implementation.

¹³ MICS 2, 2001.

mortality is also high, with 1,289 deaths for every 100,000 live births (MICS 2, 2001). Some 97 percent of the Congolese population is exposed to endemic malaria. The prevalence of fever among children under 5 is 42.0 percent, which corresponds to a number of episodes ranging from 6 to 10 per child per year. It is estimated that 150,000 to 250,000 children under 5 years of age die from malaria each year. In addition, the DRC is one of the 22 countries most affected by tuberculosis worldwide, with an annual incidence of TPM+ of 160 cases per 100,000 inhabitants. About 23.6 million persons are exposed to onchocerciosis in the DRC, of whom more than half (14 million) are infected. The geographic coverage is 67.34 percent, while the therapeutic coverage is 50.12 percent. Of the 300,000 to 500,000 cases of trypanosomiasis in Africa, half are found in the DRC (150,000 to 250,000 cases).

143. Approximately 10 percent of children are underweight at birth. Malnutrition and mortality rates among children under age 5 are higher among the poor. Acute malnutrition has increased among children under 5, rising from 12 percent to 16 percent. It affects 20 percent of children in the poorest quintile as compared to 8.0 percent in the wealthiest quintile. The prevalence of chronic malnutrition has been largely unchanged over this period. According to the MICS 2 survey, the rate of breast-feeding is generally high at 95.0 percent. However, the proportion of children who are exclusively breast-fed for the first six months of life is low: 29.0 percent of children under age 2 were exclusively breast-fed until age 4 months, and 24.0 percent until age 6 months. According to the same estimates, 4.2 million children under age 5 suffer from malnutrition in the DRC.

144. An examination of the trend of the health indicators listed above shows that the country is exposed to a resurgence of some epidemics that had formerly been controlled or eradicated. They pertain primarily to: measles, whooping cough, plague, poliomyelitis, bacterial dysentery, cholera, and monkey pox. This incomplete list should be augmented by diseases that have emerged more recently, such as HIV/AIDS and the hemorrhagic fever associated with the Ebola virus.

145. Alongside these trends, the health sector has weaknesses of two kinds in: (i) the availability and use of quality health services; and (ii) the spatial organization of services.

146. **Use of health services.** According to the Health and Poverty Status Report (RESP) on the DRC, the average rate of use of health services is approximately 0.15 consultations per person per year.¹⁴ Regarding the use of hospital services, the number of hospital admittances, which was 35 per 1,000 inhabitants in the 1980s, dropped to 15 per 1,000 inhabitants in 2001. In 2001, the proportion of children age 12-23 months who had received all their vaccinations was only 29 percent (MICS 2). By way of illustration, 41.0 percent of children who received the first dose of DTC vaccine did not receive the third. In respect of maternal and reproductive health, the use of health services showed the same trend in recent years. The prevalence of contraceptive use was 4.4 percent in 2001 (MICS 2). Only 46.1 percent of pregnant women received prenatal care from trained medical personnel. In the same year, the proportion of pregnant women for whom childbirth was attended by trained medical personnel was 23.7 percent. By way of comparison, the proportion of pregnant women assisted in childbirth by unqualified personnel (relatives, friends, or without assistance) was close to 40 percent. The percentage of mothers excluded for financial reasons ranges from 7 percent to 30 percent, depending on the case.

¹⁴ This rate was measured using a sample representing about 54.0 percent of the country's total population. This average rate (0.15 consultations/inhabitant/year) corresponds to less than one consultation per person every 6 years.

147. **Organization of health services.** The health system in the DRC is organized in the form of a three-level pyramid, with the levels being: the Health Zone (HZ), the General Referral Hospital (GRH), and the Health Center (HC). In the 1980s, the DRC was one of the first countries to undertake reforms based on primary health care integrated into HZs. Since 2003, the number of HZs has increased from 306 to 515. This new HZ map poses a number of problems, in particular: (i) the increased needs for human and infrastructure resources (General Referral Hospitals and HZ Central Offices, Health Centers, etc.); (ii) a decline in the functionality of the Zones resulting from the new distribution; and (iii) the mismatch between the demand for quality health care services and the proliferation of nonviable HZs, etc.

148. While they are fragmentary, the available data on human resources in the health field indicate: (i) a reduction in professional quality; (ii) a proliferation of educational and university institutions offering medical training at a cut rate; (iii) a lack of decent and motivating working conditions; and (iv) inequitable distribution of the scarce qualified personnel, the number of which is unstable into the bargain. The share of the State budget devoted to health has dropped significantly, reaching a proportion of less than 1 percent. A tendency to withdraw from the sector has been observed on the part of the development partners. This situation has caused a deterioration in the health system and led households to assume almost the entire financial cost of health services in the absence of a well organized health insurance system. Since 2002, there has been an increase in the financing of the health sector, partially attributable to the financing of certain projects in the sector focused on AIDS, malaria, and tuberculosis. However, efforts must still be made to improve the capacity to absorb the resources mobilized in the sector.

149. Narrowly focused studies carried out principally in Nord-Kivu (year to be indicated) have shown that the costs of health services tend to further impoverish the people. Indeed, 24.0 percent of patients sold property and 18.0 percent went into debt in order to cover health care costs. In Maniema, a study conducted by one NGO (year to be indicated) determined that 30.0 percent of patients sold property and 15 percent went into debt to cover health care costs.

Box 6. Perception of inaccessibility of health care

Mr. Mak, from the commune of Mont Ngafula notes that "I go to the indigenous source for health care (traditional practitioner) and leave my property with the healer."

There are sometimes unassisted childbirths at home, as one participant from Bumba reports: "For lack of resources, my wife often gives birth at home without any assistance from quality medical personnel" [Equateur].

Source: APP Report, 2005.

2.3.3.3. Water and sanitation

150. The abundance of water resources in the DRC stands in contrast to the low level of access to drinking water. The available statistics show that approximately 22.0 percent of the population (12.0 percent in rural areas and 37.0 percent in urban areas) have access to drinking water. This availability is spread unevenly throughout the country. For example, in the Banalia Health Zone (Orientale Province), only 3.0 percent of the inhabitants have access to drinking water. In Kindu (Maniema Province), 91.0 percent of the water supply sources for the people are not protected. A survey covering 36 health areas has shown that in Ituri (Orientale Province), 65.0 percent of the springs and wells used by the people are not protected.

151. The poor access to drinking water stems primarily from the inappropriateness of the existing institutional framework and the inadequacy of the financial resources allocated to the sector. The armed conflicts aggravated this already precarious situation through the destruction of existing facilities. For example, 18 REGIDESO centers were looted and completely destroyed during armed conflicts in the eastern part of the country. In rural areas, 60 percent of the existing water works are no longer operational for lack of maintenance by their users and owing to the ineffectiveness of the participatory approach and the network for distributing replacement parts.

Box 7. Perception of problems accessing safe drinking water

A woman from the village of Mutaho (Nord-Kivu) says that she travels 22 kilometers to Goma to obtain a supply of drinking water. In these areas, the people bathe only once a week.

In Katanga, water is sold for CGF 20 for a 20 liter bottle at the water supply points where there are borewells. This is equivalent to US\$2.20 per cubic meter, 7 times higher than the average REGIDESO price.

One community in Bandundu reports: "We go 6 kilometers to fetch water, and it isn't drinkable because the source isn't protected."

A Nord-Kivu participant in the APP states: "The signs showing that the Nyiragongo territory is poor are that there is no hospital center and no water source; the people living there consume stagnant water and untreated rainwater."

Source: APP Report, 2005.

152. As regards sanitation, at the level of the people the situation is basically one of households' inability to access an adequate system for the evacuation of solid and liquid waste. The surveys conducted in preparing for the Estates General on health (1999) revealed that some 17.0 percent of households have hygienic latrines and 25.0 percent properly evacuate household waste. In addition, the MICS 2 survey indicates that the rate of hygienic evacuation of waste water was 9.1 percent in 2001. The various surveys conducted and the results of epidemiological analyses indicate that over 80.0 percent of the instances of disease are attributable to poor environmental conditions. Garbage is tossed into the streets, natural needs are met in nature, youth are not made aware of the benefits of cleanliness, there are no landfills, drainage works are not in use, waste water runs along the road, there is no structured system of any kind for the removal of special waste (biomedical waste, plastics, scrap), and there is no control of atmospheric pollution. This is a situation attributable to improper management of sanitation and the lack of organization of the system at the levels of the public and private sectors alike. The public agencies responsible for sanitation lack the human, material, and technical resources required for effective, efficient sanitation close to where people live. In view of the foregoing, the Government has now undertaken to rank sanitation, one of the determining factors for sustainable development, among the priorities of the strategy.

2.3.3.4. Urban poverty and housing

153. The DRC has an annual housing shortfall estimated at 240,000 units. Congolese villages are in the throes of a self-perpetuating process of destruction. The destruction of the physical area (through erosion) is compounded by that of the environment, resulting from poor town management associated with transport problems, the poor management of solid and liquid waste, and the various forms of pollution.

154. There is uninterrupted growth of shanties around the major urban centers on abandoned land (land subject to erosion, hillsides, areas subject to dirt slides and flooding) in which the vulnerable population is concentrated. Indeed, based on surveys conducted in 1999, there are 396,620 substandard structures throughout the country, of which 94.6 percent are dangerously

built structures and 5.4 percent are buildings erected on sites that are at risk. Should current trends continue, there will be 5,211,288 such shanties throughout the country by 2010.

155. According to the survey on the perception of poverty, 81.0 percent of households reported dissatisfaction with their housing. Katanga and the two Kasai provinces have a high proportion of households dissatisfied with housing conditions (88 percent on average), followed by Equateur, Bandundu, and Bas Congo provinces (71 percent on average). The proportion of households living in extremely overcrowded conditions is 76 percent for the country as a whole, according to the same source. This overcrowding is reflected in grassroots communities by practices referred to as sleeping as “*Salomon*” (in the front room) or as “*sentinelle*” (sleeping outdoors owing to the lack of space indoors).

156. The community configurations are characterized principally by the following traits: (i) land usage is generally on unimproved spaces, with no form of assistance and lacking any necessary associated infrastructure; (ii) the occurrence of disasters attributable to the use of sites at risk: floods, sand silting, erosion, and landslides; (iii) insufficiency of resources for improving urban management; (iv) the glaring absence of public or private property improvements; and (v) the absence of a suitable framework and mechanisms for the construction and maintenance of basic technical equipment and community infrastructures.

157. The breakdown in living conditions is associated with the successive wars which struck in the eastern part of the DRC in particular, and with the population migrations which ensued. Additional factors are the failure to observe existing regulations, the insufficiency of associated measures, the inadequacy of development and territorial improvement policies and programs, the lack of development policies or programs for rural areas, the ineffectiveness of education policy in rural areas, the inadequacy of specific policies and programs on the use of open space, and the absence of policies for the management and treatment of waste.

Box 8. Perception of problems linked to living conditions

In Kinshasa, in the Mongala district, one resident exclaims: “Where before have you ever seen 9 people living in a one-bedroom house? It’s like for animals, the others are spending the night outdoors. In this house I’m talking about, if it rains everybody does the “Congolese stand-up.” Not only that, they all sleep on matting.”

In Watsa, a 3m² box can end up being shared by 9 people [Orientale Province].

Entire populations are living in isolation from the rest of the country because the place they live is inaccessible, this because of the extreme deterioration of the roads and the lack of media, as underscored by the people of Kimvula in Bas-Congo. Such a situation perpetuates the poverty of these people, preventing them as it does from engaging in any trade.

In Lusambo in Kasai Oriental, one participant states that “The only means of transport is extremely overloaded cycles, sometimes resulting in driver deaths owing to the poor condition of the roads.”

Source: APP Report, 2005.

158. Thus, only 9 cities have water distribution networks that are in proper operating condition and only 13 cities have a haphazardly functional electricity grid.

2.3.3.5. Social protection

159. The DRC does not, at this writing, have a clear national policy in the area of social protection. The activities targeting vulnerable groups are carried out by various stakeholders (the State, nongovernmental organizations, churches, grassroots communities, and associations of vulnerable groups). They are deployed in a framework not characterized by concerted agreement and cover only a very small proportion of the vulnerable population, above all in urban areas.

160. The shortcomings of the social protection system in the DRC are illustrated in particular by: (i) the extreme fragility of vulnerable persons in respect of various risks; (ii) poor access to basic social services, especially on the part of elderly persons who represent 3 percent of the

population; (iii) an ever greater number of children in difficulty, among which there are nearly 40,000 street children; 10.7 percent of all children are orphans (and 34 percent of these are orphaned by AIDS); 2 percent of children are living with some form of disability; 15,000 children have been conscripted into various armed forces before the age of 18; and 26 percent of girls are adolescent mothers; and (iv) there is a large number of victims of sexual violence who have not been attended to.¹⁵

Box 9. Perception of the precariousness of life as a widow

A widow from the commune of Selembao states as follows: "A poor person is one who has no help, no support: since my husband died, I've been sad, because there's no one who can support me. Everything is hard for me: getting dressed, eating, sending the kids to school, I can't even think about it" [Kinshasa].

Source: APP Report, 2005.

161. There are a number of factors at different levels which explain the weakness and inefficiency of the social protection system in the DRC. These include in particular: (i) the low share of the State budget allocated to social protection; (ii) the limited capacities of the social assistance structures; (iii) limited involvement of families and grassroots communities in the care of vulnerable persons; (iv) the absence of social safety nets for the vulnerable; and (v) the ineffectiveness of the general and special social security systems in force, in particular the nonoperational status of the social security systems in place.

2.3.3.6. Gender

162. The sociopolitical situation prevailing in the DRC in recent decades has had a negative impact on gender concerns. It is at the root of family dislocations and of the precarious situation in which Congolese women live at all levels. There has been a drastic shift in the role of women: they are heads of household in many families owing to the death of their spouse from armed conflict or HIV/AIDS, forced to enlist in combat militias, serve as comfort women for soldiers, or engage in prostitution. There has also been a loss in terms of agricultural productivity, as women constitute 52 percent of the labor force in agriculture and account for 75 percent of food production.

163. Today in the DRC, unstructured employment occupies a great majority of women, who are engaging in survival activities in order to counter the rise of poverty owing to the low level of wages paid in formal employment dominated and the lack of monetary resources in general.

164. The conclusions of the participatory consultations further indicate that the rights of women are violated; there is discrimination in every area of life: rights, education, health, access to resources, etc. In terms of the inequality of access to education for women as against men, there are early dropouts among girls owing to pregnancies, early marriages, and certain traditions which prompt parents to disregard the education of girls.

165. The situation of women's economic dependence on their husbands' income is at the root of the violence directed toward them. Physical abuse and spousal sexual violence are commonplace. Sexual violence has contributed to the propagation of the HIV/AIDS pandemic in the conflict zones. Such violence has continued even in the post-conflict period throughout the country.

¹⁵ The report on the incidence of sexual violence (UNFPA, 2005) records that, during the period from January to July 2005, there were 3,810 cases of sexual violence recorded in eight provinces.

Box 10. Perception of women's problems in rural areas

"The women of the village of Ngeleka are farmers. During the harvest, the husbands take all the money from the crops sold, leave the village and go into the city to fritter away the money with female merchants. If the wives complain about the management of the money, their husbands beat them."

In Mweka, the women are engaged in distilling alcoholic beverages, but it is the men who manage, control, and decide on the use and application of the income received [Kasaï Occidental].

Source: APP Report, 2005

166. Women are still in a minority within the State institutions and structures, including in: the Government, the Parliament, public and private administration, the trade unions, cooperatives, professional organizations, and the grassroots communities. Indeed, the Biographical Guide to women supervisors and leaders produced by the MASF and UNICEF in 2002 shows that the rate of representation of women in positions of power, estimated at 10 percent for the country as a whole, is only 5 percent in comparison with male representation for the city of Kinshasa.

2.3.4. HIV/AIDS

167. The HIV/AIDS epidemic in the DRC is in full swing, with a prevalence rate estimated at 4.5 percent (PNLS, 2004). The number of infected persons was 2.6 million in 2004, as compared to about 700,000 in 1995. Of these, about 780,000 were in the advanced stage of the disease. This number represents an increase by a factor of 3 in 10 years in the estimated number of seropositive individuals as of 1995, which in absolute terms predicts a worsening of the situation. The number of deaths (children and adults) is verging on 110,000, for an average of 305 deaths a day. One result is that the number of children orphaned by AIDS is currently estimated at about 700,000 countrywide.

168. Prevalence in the 14–19 year old age bracket is of great concern: the rate is 3.6 percent or two percentage points above the WHO norm (1.6 percent). According to that agency, this may lead to an exponential propagation of the epidemic in that age bracket, and even in the population as a whole.

169. According to the PNLS (2002), the estimated percentage of males in the 20–29 age bracket (the one most affected) who are infected with the virus is 8 percent, while that for women in the same bracket is 14 percent. The epidemic is increasingly affecting women and youths. The surveys conducted in the areas not affected by the armed conflicts (2003) and in the eastern part of the country affected by the conflicts (2004) show seroprevalence rates of 4.1 percent and 4.7 percent, respectively. The disease affects every age group, and women more than men. Mother-to-child transmission of the disease is on the rise, accounting for 8 percent of cases.

Box 11. Perception of vulnerability associated with HIV/AIDS

In Mbanza Ngungu, persons living with HIV/AIDS think that the inability to work, the psychological stigma, and their rejection by society makes them even more vulnerable [Bas-Congo].

Source: APP Report, 2005.

170. Persons suffering from AIDS must often deal with health and funeral expenses even as they sustain income losses owing to their loss of work (stigmatization), inability to work, or treatment costs (US\$360 a year). In order to overcome these problems, affected households are obliged to sell their tangible assets (livestock and agricultural

equipment, furniture, and means of transport) because there is no adequate policy for covering the costs of care.

171. The lack of income forces girls and women into prostitution in order to survive; they thus constitute one of the groups most vulnerable to HIV/AIDS. The monetary poverty experienced by the affected households forces them to spend progressively less on health and to devote 85 percent of their income to food. Consequently, 61 percent of these households turn to traditional healers and sometimes to self-medication, thus making it difficult to identify and monitor those affected.

172. The surveys show that, in large measure, the population is rather well informed about STIs and HIV/AIDS (over 95 percent). However, knowledge about the various means of HIV/AIDS prevention and transmission remains low among the people. In fact, while the majority has heard about and knows the lethal consequences of the disease, genuine knowledge about transmission mechanisms and prevention is uneven. Such knowledge is more widespread among the more educated women (15.0 percent) than among those who have no education (7.0 percent). Women from urban areas (13.0 percent) are better informed, through information and prevention campaigns, than are women from rural areas (9.0 percent). This low level of education explains the persistence of unfavorable cultural practices and taboos which have an influence on HIV/AIDS transmission, such as levirate marriage, sororate marriage, polygamy, loss of inheritance, etc.

173. The insufficient sense of ownership of the fight against HIV/AIDS by specific high-risk groups (sex workers, youths, men in uniform, truck drivers, airmen and artisanal miners of precious substances, displaced persons, etc.) limits the measures to prevent HIV transmission.

174. HIV/AIDS now constitutes an extremely serious threat to economic development. Indeed, it spares no age group, including nursing infants. It attacks men and especially women, one of the major production factors in an economy largely driven by the primary sector. It thus constitutes an impediment to national development. Up to the age of 39, the number of AIDS cases is higher among women than among men. The low compensation levels in conjunction with the inefficiency of the social security system tends to increase considerably the expenses associated with caring for Persons Living with HIV/AIDS (PLWHAs). With annual incomes of just shy of US\$100 a year per capita, the annual cost of anti-retroviral (ARV) treatment of US\$360 per person represents a burden, putting care out of the reach of the majority of affected households and the family solidarity network.

175. The situation described above has had harmful effects on the levels of prevention of HIV and STI transmission at the community level, on improving the quality of life of persons living with HIV, on attenuating the socioeconomic impact of HIV, and on strengthening the coordination and monitoring/evaluation capacity at all levels.

2.3.5. Community-level dynamics

176. The 40 years of conflict and poor governance, together with the glaring absence of decentralized State structures, have created a void that grassroots organizations have filled in order to promote income-generating activities, support the financing of education, and create health associations and solidarity groups. However, the lack of State support for this dynamic has resulted in: (i) the low level of participation of community-level organizations in planning and decision-making; (ii) the absence of promotion and legal recognition of community development organizations; (iii) the low level of intervention capacity of community development organizations; and (iv) limited capacity to support the initiatives of grassroots communities, particularly those of women and youths.

Box 12. Survival strategies in the DRC

It is said that "there are no stupid jobs, just stupid people."

In Kinshasa, Mr. X and Mr. Y stated: *"I have a degree in agronomy, but haven't got a job. To survive, I get by by raising market garden crops, although the shortage of capital is keeping me from growing. So I design projects for other people, have cinderblocks made for me to sell, and draw up building plans and do construction work myself."*

"I became a photographer even though my training is in customs reporting."

"Because of low wages, I turned to market gardening. I have two gardens of 40 meters by 50 meters where I raise manioc." (Kinshasa, Q. Kintambo, C/ Ngafula).

In Bumba (Equateur Province): *"To survive, we are involved in a number of different activities such as:*

"Djema" (an activity consisting in acting as intermediary between merchants/vendors and buyers, in exchange for a commission on the products sold), crafts/woodworking, small livestock rearing and fish farming, roving sale of medicines, gathering caterpillars, etc."

In Kasai Occidental:

"When wages are paid late, though they're ridiculously low (CGF 6,000) in any case, the civil servants in Dibaya turn to agriculture."

Source: APP Report, 2005.

177. The low productivity of community-driven activities is associated with the poor organization of supplying inputs and productive equipment, the poor dissemination of improved techniques, formulas, and modern production standards, the lack of participatory action/research and dissemination of local know-how, the poor access to the savings and loan system; the inadequate training of leaders in project management, the limited income and purchasing power levels, and the lack of investment in basic infrastructure and services.

Chapter 3: Poverty Reduction Strategy

178. This poverty reduction strategy reflects the threefold logic of emerging from conflict, a 26/25 vision of medium- and long-term development, and the socioeconomic reconstruction of the country.

179. This strategy is aimed principally at restoring peace and security both at home and outside the national borders and re-establishing the rule of law, on the one hand, and at revitalizing and consolidating the economy on a sound basis, taking into account the Millennium Development Goals (MDGs) and the Government Economic Program (PEG), on the other hand.

I. VISION AND OBJECTIVES

180. The conclusions of the participatory consultations identified, in addition to the unavoidable efforts to achieve national reconciliation, peace, and security and to restore the rule of law, the need to meet the conditions for promoting good governance and combating poverty. They also indicated the value of accompanying these actions by focusing on combating the factors behind poverty as a prerequisite to bringing the cycles of violence that have characterized the recent history of the country to a definitive end.

181. The development and implementation of the Poverty Reduction Strategy will depend on carrying out priority programs and projects which, in conjunction with the medium- and long-term development vision, will make it possible to base the future of the DRC on the following cardinal values and fundamental orientations:

- A Democratic Republic of the Congo that is at peace with itself under a restored rule of law;
- A subregional context that is peaceful and conducive to economic integration;
- Poverty that is in the process of being eradicated;
- Consolidated national unity and territorial integrity;
- A people with access to the essential basic social services: education, health, hygiene and sanitation, and safe drinking water;
- Youth benefiting from a high level of quality education and with access to jobs;
- A dynamic, diversified, and modern agricultural sector;
- An industrialized economy that is competitive and fully integrated into the dynamics of regional and global trade;
- Population growth that is under control;
- Institutions predicated on transparent and decentralized management of powers and resources.

182. The ultimate goal being pursued by the Government under this strategy is sustainable and effective improvement over a three-year span in the living conditions of the people for a 25-year generation (the 26/25 Vision), by targeting the main causes of poverty as identified in the diagnosis. The table which follows shows the main quantitative objectives of that strategy, and the action priorities resulting from them have been accorded priority in the budget choices and resource allocations set forth in the MTEF.

Table 4. Quantitative poverty reduction objectives (expressed as percentages unless otherwise indicated)

	Current	2006	2007	2008
Real GDP growth rate	6.5	7	7.7	8.4
End-of-period inflation rate (CPI)	21.3	8	6	6
Infant-child mortality rate 1/	126	111	104	89
Maternal mortality rate 2/	1,289	1,276.2	1,079.1	944.2
Gross primary school enrollment ratio	64	64.1	70.8	80
Rate of HIV/AIDS prevalence	4.5	<4.5	<4.5	<4.5
Rate of access to safe drinking water	22	22	24	26.9
Rate of access to sanitation 3/	9	9	11.5	15
Incidence of poverty	70.68	< 70	< 70	< 70

Source: Standing Committee on the Macroeconomic Framework (CPCM).

1/ Mortality rate of children under age 5 per 1,000 live births.

2/ Maternal mortality rate per 100,000 live births.

3/ Includes access by the people to satisfactory living conditions.

183. To achieve these objectives, the Government undertakes to pursue a strategy based on five major pillars, each of which has a clear focus and action plan that will be adjusted in light of changes in the environment, the availability of resources, and the progress made with implementation. These are:

Pillar 1: Promote good governance and consolidate peace (through strengthened institutions);

Pillar 2: Consolidate macroeconomic stability and growth;

Pillar 3: Improve access to social services and reduce vulnerability;

Pillar 4: Combat HIV/AIDS; and

Pillar 5: Promote local initiatives (*dynamique communautaire*).

184. The choice of these pillars bears witness to the Government's resolve to develop a poverty reduction strategy that is both ambitious and realistic in the medium term, and consistent with the Millennium Development Goals.

III. PILLARS OF THE STRATEGY

Pillar 1. Promote good governance and consolidate peace through strengthened institutions

185. To address the urgent need to establish a climate of good governance, the Government undertakes to carry out a program known as the National Program to Improve Governance (PNAG), the primary aim of which will be to provide the DRC with institutions which function in pursuit of the general interest for sustainable development. This program will tangibly reflect the implementation of this pillar and will be built around three main axes, namely: (i) the promotion of administrative, political, and economic good governance; (ii) the consolidation of peace and security; and (iii) improvement of the statistical system.

1.1. Promoting good governance

186. Over the past thirty years the management of public affairs in the DRC has suffered from deep-seated dysfunctions that have nearly paralyzed the State structure. In the context of this poverty reduction strategy, the Government intends to base an aggressive policy on management of the commonweal in administrative, political, and economic terms on the observance of a restored rule of law. The conclusions of the participatory consultations highlighted this need to promote governance in these areas.

1.1.1. Administrative governance

1.1.1.1. Public administration reform

187. The Government recognizes that a comprehensive reform of public administration is necessary in order to improve its quality and the capacity of ministries and public agencies to provide services with a view to enhancing their efficiency and performance. There is a twofold objective pursued in the context of the strategy: controlling the wage bill and staffing levels, and gradually improving the quality of the services rendered by public administration.

Box 13. Actions and reforms targeting public administration reform

1. *Comprehensive assessment of main ministries.* An institutional assessment was carried out by a consulting firm in September 2002. The study includes reviews of the missions, organic framework, and personnel regulations of selected ministries (Civil Service, Finance, Budget, Planning, Agriculture) and of the financial administrations. Two subsequent phases call for similar studies on the rest of the public administration in 2006.
2. *Audit of service-providing systems.* This audit made it possible to analyze the mechanisms for providing services at the local level in two key sectors, education and health.
3. *Audit of the State's personnel expenditure management procedures and adoption by the Government of that audit's recommendations in 2004.*
4. *Census.* The civil service census was initiated in early 2005. In its first stage it covered the city of Kinshasa only. It is being continued in 2006 throughout the entire country.
5. *Adoption of the early retirement program in 2005.* This program is aimed both at paying the end-of-service allowances of about 100,000 civil servants and at revitalizing the administration and lowering the average staff age.

188. To achieve this strategy, the Government plans to: (i) complete the ongoing census of the civil service and the army; (ii) finalize the early retirement program; (iii) implement the Simplified Transitional Procedure (PTS); and (iv) streamline positions, staffing, and jobs in public administration by defining a new and more appropriate organic framework.

189. Based on the recommendations of the audit on the management procedures for the State's personnel expenditure, it has been decided to implement a Simplified Transitional

Procedure (PTS) in the short term and, in the medium and long terms, introduce an Integrated Financial and Administrative Management System (SIG) aimed at controlling budgeted staffing levels and controlling the wage bill.

190. The PTS will make it possible to build on the census, incorporating its results as they become available, and to contribute to the early retirement program by taking account of and providing security for the staff groups deemed redundant.

191. The SIG will be introduced to: (i) secure and update the data gathered during the census; (ii) merge the PTS database with the census data; and (iii) improve the management of the civil service.

1.1.1.2. Reform of the judicial system

192. The Government will rehabilitate the justice system primarily through the publication by end-2006 of the final version of the action plan for strengthening the justice system.

Box 14. Actions and reforms undertaken in the judicial system

With the support of the European Union, the UNDP, MONUC, the World Bank, Belgium, France, and the United Kingdom, an organizational audit of the judicial system and framework program for justice in the DRC were carried out. A national workshop to validate the report was organized in November 2004. In accordance with the Declaration of Intent of the Government represented by the Minister of Justice, a Mixed Committee for Monitoring the Justice Framework Program was established for, among other purposes, supporting the Ministry of Justice in preparing and implementing a sectoral program for justice and the priority actions in the judicial area. This monitoring committee includes representatives of the Ministry of Justice and the development partners. The terms of reference of its secretariat have just been defined. When the audit report on the sector is provided to the Government, it will establish the judicial policy.

193. Accordingly, the Government undertakes to take the following actions: (i) implement a sectoral policy on justice and the priority actions in the judicial area; (ii) continue the establishment of commercial tribunals in Kinshasa and Lubumbashi; (iii) finalize the DRC's entry into OHADA; and (iv) organize the official signing ceremony for the act launching the mixed committee for monitoring the justice framework program and establishing its secretariat.

1.1.1.3. The fight against corruption

194. In order to halt the rampant corruption prevailing in the DRC, the Government will pursue a strategy built around the following points: (i) effective strengthening of the independence of the justice system; (ii) reforms of the laws and regulations on tax and customs benefits or incentives to promote their simplification, transparency, and systematization in order to eradicate corruption; (iii) the introduction of incentive mechanisms conducive to combating corruption, with emphasis on those which reward the integrity and improve the working conditions of public employees while making them subject to controls and penalties; (iv) definition of a private sector development policy and promotion of an environment favorable to the private sector; (v) continuing tax reforms promoting growth and equity, including information and education mechanisms familiarizing taxpayers with their rights and duties in the tax area, to ensure that the tax system is perceived as a neutral and effective tool for income redistribution and equitable development; (vi) strengthening of the audit and control mechanisms applicable to State revenue and expenditure; (vii) the reform of public procurement; and (viii) periodic review of public expenditure (RDP), etc.

Box 15. Actions and reforms underway in respect of corruption

On March 29, 2005, the Head of State promulgated Law No. 005/006 amending and supplementing Book II of the Congolese Criminal Code. This law takes into account the relevant provisions of the United Nations Convention against Corruption and the African Union Convention on Preventing and Combating Corruption. It was published in the *Journal Officiel* of March 31, 2005. It is this law which introduces the main innovations in respect of the provisions currently in force under the Criminal Code, in particular: (i) the distinction between petty corruption and serious corruption, the latter encompassing principally: (a) acts of corruption committed in the context of public procurement of labor, supplies, and services, the granting of mining and quarrying rights and forestry concessions, or the process of privatization of State divestment of public enterprises; (b) acts of corruption intended to impede the proper administration of justice; and (c) acts of corruption committed in the context of organized crime; (ii) acts of corruption may be committed either by public employees or individuals; (iii) reaffirmation of the role of the judicial branch in the prevention, detection, and repression of corruption and similar practices; (iv) the protection of those reporting acts of corruption (witnesses, experts, and victims, and their families) against reprisals or intimidation, and their protection from any criminal prosecution for reporting an act in good faith to the competent judicial authority in the context of a legal proceeding; (v) the introduction of mutual legal assistance and extradition mechanisms in respect of investigations, confiscations, and legal prosecutions of acts of corruption committed outside national territory or in connection with organized crime; and finally, (vi) the revaluation of the amounts of fines, which had become excessively modest.

195. The Government will take the following actions: (i) conduct a public information campaign on the anticorruption law and the code of good conduct for State employees; (ii) continue the audits begun in the public enterprises and financial administrations in Kinshasa and in the provinces; (iii) speed up the reform of the judicial system to ensure that justice is genuinely independent; (iv) adhere to the timetable for the reform of public procurement; (v) create a financial intelligence unit (FIU) on money laundering; (vi) combat fraud at the borders by simplifying procedures and strengthening controls in order to reduce undervaluation; (vii) improve transparency in the forestry and mining sectors; and (viii) complete the drafting of the future public procurement code and the evaluation of professional capacities in the procurement sector.

1.1.1.4. Combating money laundering

196. In implementation of the law to combat money laundering and the financing of terrorism and take specific action against these phenomena, the Government undertakes to establish the National Financial Intelligence Unit, known by its French acronym CENAREF. A draft decree establishing this unit has already been prepared and will be submitted to the Council of Ministers for adoption.

1.1.1.5. Human and institutional capacity-building

197. Successful implementation of the PRGSP will require building the capacity for managing public affairs at all levels: macroeconomic, sectoral, and decentralized. This also encompasses administrative capacities and the capacities of the grassroots communities, civil society, and local NGOs so that the various stakeholders and beneficiaries can participate and contribute effectively to the implementation, management, and monitoring of development activities in the DRC.

198. The crisis has had a devastating impact on human resources in the country. The DRC lost a sizable number of skilled individuals, who may have been killed during the violence, left the country out of fear for their physical safety, or simply have fled the poverty and lack of future prospects that characterized the country.

199. The Government will endeavor to train and enhance the human resources already in place, but also to motivate, incentivize, and retain the personnel thus trained, including by adjusting wages upward in both the public and private sectors. Such increases in wages could have a beneficial impact by promoting the return of skilled persons who became expatriates for economic reasons. It will be necessary to develop a culture of excellence, in particular by ensuring that promotions are based on competence and individual merit. The draft law on the use of national expertise will be adopted, and implementing measures will be issued to promote the contribution made by Congolese nationals to development programs.

200. Similarly, the institutional capacities of the various structures need to be strengthened as well. All the institutions involved in the economic management of the country need to build their capacities. The planning and management tools, as well as the databases, must be improved. Operating procedures and systems should be improved and adapted to new situations, making use of new information and communications technologies to this end.

1.1.2. Political governance

201. In September 2004, a seminar on decentralization in the DRC was organized by the Political, Administrative, and Legal Committee of the National Assembly in partnership with the World Bank, in the context of which the following objectives were set for the decentralization process: (i) enabling the people to participate in public life and in the design of development policies in the areas of concern to them; (ii) relieving the Central Government of implementation tasks, enabling it to focus on the definition of major orientations; (iii) bringing administration closer to those being administered; and (iv) simplifying administrative procedures and promoting a culture of inclusive participation in order to strengthen the development of the decentralized administrative entities (EADs).

202. To this end, the Government will grant some resources to the provinces so that they can devise their own development programs, in particular in the social areas (education, health, water supply and sanitation, and housing), basic infrastructure, etc. In this connection, the Government has begun to prepare provincial PRGSPs to support local development.

203. The capacities of grassroots communities to implement the provincial strategies will be strengthened by: (i) the introduction of viable mechanisms for planning and control by and for the people; (ii) the promotion of local leadership; and (iii) enhanced accountability through training and information. The participatory approach will strengthen the role that must be played by civil society organizations, local NGOs, and religious groups, namely to assist the people in identifying their own needs and selecting appropriate solutions.

204. This way of approaching development will increase the people's sense of ownership at the grassroots level of the projects undertaken in their favor. To this end, the emergence of Neighborhood Development Associations (ADQs) or Village Development Associations (ADV) as genuine focal points for local initiatives will be encouraged. In addition, the institutional capacities of the Provincial Poverty Reduction Committees (CPLPs) and Territorial Poverty Reduction Committees (CTLPs) will be strengthened. All these initiatives will serve as anchors for the decentralization policy.

205. **Strengthen the role of women in development.** The participation of women in the development process as regarded as a decisive factor in all poverty reduction and development strategies. Economic recovery cannot occur without clearly taking the gender dimension into account in order to guarantee their full participation. Indeed, women constitute more than 52 percent of the active labor force.

206. The objectives pursued are aimed at: (i) promoting improved living conditions for women; (ii) ensuring that women are treated equally with men in terms of access to education and production factors; and (iii) applying the legal and regulatory provisions adopted by the new Constitution and the new Labor Code to enhance the personal, moral, and material well-being of women.

207. More specifically, the Government will: (i) take measures to ensure equal access to education on the part of girls and boys; (ii) provide in-service training to women with jobs; (iii) facilitate access to credit and production factors; (iv) improve maternal and child health; (v) promote the sociopolitical inclusion of women through their participation in local development institutions; and (vi) protect women against violence of any kind within the family and in society generally. Specific and targeted measures will be taken for women suffering from the harmful misdeeds associated with the armed conflicts (rapes, forcible conscription into militias, and prostitution). Moreover, the Government will take measures to promote a culture of equality and respect for gender in the press, at school, and in the world of work.

1.1.3. Economic governance¹⁶

208. To improve the steering of the economy and introduce a unified framework for the preparation and discussion of macroeconomic projections, the Government will formalize, through the signature of an interministerial order by the Ministries of Planning, of Budget, and of Finance and Economy, the Standing Committee on the Macroeconomic Framework (CPCM) reporting directly to the Minister of Planning.¹⁷ The Standing Committee on the Macroeconomic Framework will be responsible for preparing the macroeconomic framework serving as the basis for devising and preparing public budgets and economic and social programs, as well as for the Poverty and Social Impact Analysis (PSIA) of economic policies. In addition, the establishment of this structure should make it possible, on the one hand, to facilitate the circulation of the statistical information needed for the macroeconomic framework exercises and, on the other hand, internalize the Forecasting and Simulation Instrument (IPS) developed by the Macroeconomic Research Directorate (DEME) of the Ministry of Planning with support from the APNURC project of the UNDP. The structure will be made up of all the structures concerned by the macroeconomic framework effort.

1.1.3.1. Continued public finance reforms

209. The Government undertakes to continue the public finance reforms initiated in 2002 under the Government Economic Program (PEG) with a view to: (i) improving revenue mobilization capacities through the modernization of tax instruments and tax administrations; (ii) improving the quality and composition of expenditure; (iii) strengthening the management of the wage bill and the civil service; and (iv) enhancing the transparency of State operations.

A. Revenue mobilization

A.1. Customs and Excise Office (OFIDA)

210. The principal measures to be taken to modernize customs administration are:

¹⁶ The measures listed represent the Government's commitment through 2006. As the PRGSP is a dynamic document, later measures will be integrated as the Government Economic Program is implemented.

¹⁷ The CPCM has been producing most macroeconomic projections since May 2005, and thus is operational. An interministerial decree has been drafted and signed by the Minister of Planning, and is before the Ministers of the Budget, Finance, and Economy for signature.

- Establishment of a ceiling on the quantity of petroleum products eligible for exemption;
- Transformation of OFIDA into a Directorate-General of Customs under the Ministry of Finance;
- Computerization of the Kinshasa-Est customs office;
- Increase in the excise tax on petroleum products by CGF 10 per quarter and reduction in petroleum product exemptions;
- Maintenance of the nominal value of the excises on petroleum products (after the CGF 10 increase mentioned above);
- Increases in selected excise taxes in order to boost revenue;

Box 16. Actions and reforms undertaken with customs administration modernization since 2002

In the context of the modernization of customs administration, the Government carried out the following reforms: (i) promulgation in July 2004 of the law reforming the customs tariff; (ii) adoption of the customs code by Parliament in June 2005; (iii) conclusion of the preshipment inspection contract for goods being sent to the Democratic Republic of the Congo, dated November 30, 2005; (iv) signing of the decree establishing the one-stop shop for import and export processing, dated December 30, 2005; and (v) conclusion of a contract by the Government on behalf of OFIDA with an international firm specialized in preshipment inspection of goods.

- Application of the customs code and increase in the share of imports subject to preshipment inspection;
- Creation of a computerized office in Kasumbalesa;
- Completion of the construction and outfitting of the Kasumbalesa customs post;
- Strengthening of the customs posts on the eastern borders of the country by introducing one-stop shops;
- Adoption and application of the revised customs procedures manual for one-stop shops;
- Gradual alignment of the reference prices (PMFs) with world market prices in order to increase the revenue from the excise taxes on petroleum products; and
- Application of the presidential decree making OFIDA the sole collector of duties and taxes at the one-stop shops created at customs posts.

A.2. Directorate-General of Taxes (DGI)

Box 17. Actions and reforms undertaken in respect of tax administration modernization

The modernization of the Directorate-General of Taxes consisted in: (i) improvement of collection procedures; (ii) opening of the pilot center in Kinshasa; (iii) promulgation and amendment of the laws aimed at: (a) reforming tax procedures; (b) restoring the term "tax;" (c) calculation and collection modalities for installment and advance payments of the profits tax; and (d) amendment of Ordinance-Law No. 69-058 of December 5, 1969 on the turnover tax; (iii) signature of the decree eliminating the fiscal franc; (iv) limiting the seizure of bank accounts by the tax authorities to only those cases permitted by law; and (v) completion of the reform of the taxation system for small and medium-sized enterprises.

211. The Government will take the following measures: (i) generalization of the use of the taxpayer number and updating of the taxpayer file; (ii) introduction of the VAT; (iii) full collection of the ICA and the other taxes on telecommunications; (iv) initiation of the work to introduce the single identification code for all DGI taxpayers; (v) prohibition of discretionary exemptions; (vi) DGI implementation of the technical assistance recommendations on tax administration and a collection plan in order to reduce tax arrears by at least CGF [10] billion; (vii) implementation of the contract on preshipment inspection of imported goods concluded with

the BIVAC firm; and (viii) strengthened tax administration through the opening, in a first phase, of three new tax centers (CDIs) in Matadi, Lubumbashi, and Goma, with a view to improving the tax management of SMEs. The CDIs of the other provinces will gradually be opened and accompanied by Comprehensive Tax Centers (CISs) in order to improve the revenue collections of the Government.

A.3. Directorate-General of Administrative and Government Property Revenue (DGRAD)

Box 18. Actions and reforms undertaken in the context of modernizing nontax administration

The modernization of the Directorate-General of Administrative Revenue entailed: (i) promulgation in July 2004 and amendment in March 2005 of the law on the nomenclature for nontax revenue; (ii) collection of the area-based forestry tax for 2003 and 2004; (iii) transfer to the General Account of the Treasury of the revenue collected in the mining sector; (iv) cancellation of concession contracts held by persons failing to pay the area-based forestry tax of 2003, and publication of the lists of cancelled and valid concessions; (v) publication of the collection results for the area-based forestry tax for 2005 and of the list of contracts to be cancelled on the basis of the collection results for the area-based forestry tax for 2004; (vi) payment of the mining royalty by all exporters of mining products and all mining product processing industries; and (vii) strengthening of the collection procedures for the duties and taxes identified in the Mining Code and the Forestry Code, in particular through improved cooperation among the DGRAD, OFIDA, and the agencies concerned, as well as with private consulting firms as regards the mining royalty.

212. The following actions are contemplated: (i) completion of the establishment of the DGRAD; (ii) organization of the awareness-building campaign on good tax citizenship to coincide with the anti-fraud campaign throughout the country; (iii) strengthening the role of the DGRAD in the collection of nontax revenue, ensuring that all the interministerial orders transferring responsibility for the collection of duties and taxes for the Treasury are effectively applied; (iv) revision of the previously earmarked revenue allocations of the former BPOs and other collection entities to include among expenditure only the transfers negotiated with the units concerned on the basis of their forecast budgets; (v) improved identification of the duties and taxes collected by the DGRAD; (vi) transfer back to the EADs of 40 percent of the area-based tax collected in respect of fiscal 2003; and (vi) launch of the forest zoning process and completion of the prior consultations with adjacent localities.

213. In addition, the Government undertakes to re-evaluate the system for transfers back to the financial administrations. In order to reduce discretionary incentives, the Government will: (i) adopt the recommendations set forth in the study on streamlining exemptions; (ii) finalize an audit report by the Inspectorate-General of Finance and the Audit Office on the exemptions granted under the investment code through end-2004; and (iii) review the agreements signed with MIBA and SENGAMINES (cessation of activities) and strengthen the administrative controls for limiting customs and tax exemptions to those provided by law, with the elimination of unjustified exemptions.

B. Budget execution and transparency

214. The Government will continue the reform of public expenditure through: (i) improved control of expenditure management by strengthening the expenditure chain; and (ii) greater transparency and trackability of operations through the introduction of a double-entry government accounting system.

Box 19. Measures and reforms regarding controlling the management of public expenditure

The measures listed below have been taken in respect of controlling the management of public expenditure:

- Communication of the expenditure commitment plan to all ministries by the Ministry of Budget since June 2005, and incorporation of the expenditure commitment plan into the computerized expenditure management procedures so as to prevent overruns;
- Publication of the forecast expenditure commitment plans and budget monitoring statements;
- Execution of at least 95 percent of expenditures through computerized payment orders (OPIs);
- Execution of all payments by the BCC within 48 hours of receiving the OPIs;
- Reporting of the balances of State accounts by the BCC at the end of each business day since July 2005;
- To improve expenditure control, the Government has continued to strengthen the expenditure chain. Accordingly, the payroll expenditure of political institutions, public debt expenditure, and expenditure against external resources have been incorporated into the expenditure chain since April 2005;
- In the context of streamlining the State accounts, the Government has closed the ministry accounts that fail to meet the criteria defined by the Ministry of Finance for opening same;
- Adoption of a limited accounting framework applicable to the DTO;
- Electronic dispatch of debit and credit advices by the BCC to the Treasury Directorate within 48 hours of any movement in the State accounts.

215. The Government will pursue the following objectives in the area of budget execution and monitoring: (i) increasing pro-poor expenditure, in particular the operating appropriations of the Ministries of Education and Health, while reducing the nonpriority expenditures of institutions and ministries; (ii) accelerating and improving the capacity to implement projects financed by HIPC resources; (iii) with support from external partners, completing the censuses in all provinces and military regions; (iv) validating and publishing the results (starting with the provinces already completed), and applying them to the payroll as soon as available; (v) improving the execution of capital expenditure; (vi) implementing a new, simplified payroll system; and (vii) strengthening the capacity to implement poverty reduction projects.

216. In this context, the following measures are recommended:

- Monthly reconciliation of the gap between TOFE data and the monetary statistics, within 20 days;
- Monthly submission to the Government of the execution of the cash flow plan by function and by administration, as well as the projected plan for the following month;
- Granting no increase in civil service compensation in the form of increased bonuses once the census has been completed and applied;
- No recruitment will be carried out (and no personnel number assigned) until the staffing census has been completed and the results applied;
- Clarification of the automatic debiting of Treasury accounts between the Ministry of Finance and the BCC, and strengthened management of the General Treasury Account and its subaccounts with the BCC by the Treasury;
- In 2006, maintenance of the level of shared fuel expenditure at the level of the program for 2005, while increasing budget appropriations for water, electricity, and telecommunications;
- Application of public bidding procedures for fuel purchases;
- Report on the streamlining of the number of parties eligible for water and electricity allowances;
- Limitation of the wage bill to 4.7 percent of GDP (or CGF 180 billion) by granting no increase in wages and benefits in 2006;
- Strengthen the management of the military payroll, with assistance of experts from the development partners;
- Comply with budget appropriations in accordance with the rolling expenditure commitment plan for each ministry;
- Monthly review of the expenditure commitment plan to ensure that expenditure is consistent with the anticipated level of State revenue and the monetary programming objectives;

- Limitation of recourse to budget advances and application of the related procedures, in particular the rule on granting new advances only if the use of amounts previously transferred has been documented;
- Observance of the budgetary ceilings on the expenditures of military and political institutions;
- Submission to the Council of Ministers, at the end of each month beginning in April 2006, of a report on travel costs and related expenditure and on the use of the budgetary advances of each ministry during the preceding month;
- Completion by September 2006 of a financial audit of the expenditure financed against the savings generated by the HIPC Initiative in 2003-2005 and deposited to a subaccount with the BCC; and
- Submission to the National Assembly, within 30 days following the end of each quarter, of a quarterly report on budget execution.
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1.1.3.2. Continued public procurement reforms

217. The objectives sought in the context of the public procurement reform are to: (i) combat corruption and the lack of transparency in the management of public procurement; and (ii) put an end to the withholding of information and recourse to amicable procedures by intentionally breaking up contracts and undervaluing when providing contract estimates.

Box 20. Actions carried out in the context of public procurement reform

A Public Procurement Reform Commission (COREMAP) was created by presidential decree in October 2004. The effective establishment of COREMAP was completed in the first half of 2005 with the appointment of its Executive Secretary, the purchase and equipment of its premises, and the hiring of staff. International consulting firms have been recruited for: (i) drafting the future public procurement code; and (ii) evaluating professional capacities in this sector. Meanwhile, the former regulations were updated and thresholds set for the use of bidding procedures.

218. The new public procurement code is based on the following pillars: (i) modernization of the legal framework and contract award procedures, using standard international tools; (ii) building staff skills alongside a high-performance private sector; and (iii) transparency based on internal and external audits as well as measures to combat corruption.

219. To enable private enterprises to be competitive and gain access to opportunities for contract awards, the Government plans to build enterprise capacities by: (i) improving access to information on contract opportunities; and (ii) training enterprises in the technique and procedures of successful contract bidding.

1.1.4. Improve the quality of statistics

220. To support the development planning process and decision-making, it is essential to have quality statistics. To that end, the Government will strengthen the institutional capacities of the statistical system. For this reason, the DRC joined the General Data Dissemination System (GDSS) of the IMF in April 2004.

221. The Government undertakes to devise and implement a National Strategy for the Development of Statistics (NSDS) in partnership with the IMF, the World Bank, the AfDB, and the PARIS21 Consortium, and on the basis of the scheduled audits (UNECA primarily) and clearly identified priorities.

222. Pending the outcome of this strategy, the following short-term actions should be continued as regards: (i) strengthening of the human, material, and financial resources of the

national statistical system (NSS), especially those NSS components that must produce the indicators needed for monitoring and evaluating the PRGSP. In this context, the INS should receive particular attention; (ii) creation within the Ministry of Planning of a structure for centralizing, storing, analyzing, and disseminating information on the monitoring of the PRGSP; (iii) participation in the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT), which can provide the NSS with a portion of the methodological and technical assistance it requires; (iv) continued cooperation with the development partners, who are uniquely able to finance the massive statistical operations from which results are necessary in order to produce the essential indicators for monitoring poverty reduction policies; and (v) strengthened supervision of financial institutions in order to prevent any systemic risk of illiquidity and insolvency.

223. **Institutional aspects.** Significant work is envisaged with a view to improving the institutional aspects of the agencies generating statistics, in particular for buttressing the coordination between the producers and users of statistics. To this end, the Government should: (i) devise and adopt a Statistics Law, defining the structure of the National Statistical System (NSS) as well as the respective rights and obligations of the agencies of the NSS and the suppliers of statistical data; and (ii) create a High Council on Statistics (CSS) with responsibility for organizing concertation between producers and users of statistics and improving the coordination of the various producer bodies in order to ensure statistical production that is more efficient, free of redundancies, and adapted to requirements.

224. In order to provide qualitative and quantitative information on poverty for each entity, a number of actions of national scope are envisaged in the demographic, economic, social, sanitary, environmental, and ecological areas: (i) preparation of the second population census (the first dates from 1984); (ii) conduct of the General Census of Population and Housing (RGPH) every ten years; (iii) regular performance of surveys of the Demographic and Health Survey (EDS), MICS survey, and 1-2-3 survey types; and (iv) conduct of an agricultural census.

225. Coordination among the data production and use structures (INS, DEME, BCC, IRES, Poverty Observatory) will be at the core of the strategy for implementation, monitoring, and impact analysis not only of the PRGSP, but also of the MDGs, and Vision 26/25.

1.2. Consolidate peace and security

226. The implementation of the poverty reduction strategy calls for stabilization of the political, economic, and social environment, absent which any development effort would be in vain. In this spirit, the Transitional Government has set the following priority objectives: (i) reunification of the country and territorial administration; (ii) the demobilization and reintegration of the army, police, and security services; and (iii) the reintegration and reinsertion of persons displaced within and outside the country, and the conduct of free, transparent, and democratic elections.

227. Despite the progress made in the transition process, the sociopolitical situation remains fragile because of the acuteness of the social crisis and the persistence of tensions in the eastern part of the country. Efforts need to be continued to speed up the reunification of the army and the police with the support of the international community. Similarly, the disarmament of the foreign armed groups and militias operating in the eastern part of the country must be continued in a sustained manner in order to secure that part of the country.

1.2.1. Demobilization, Disarmament, and Reintegration

228. The Government has prepared, with the cooperation of development partners, the National Program for the Disarmament, Demobilization, and Reintegration of ex-combatants (PNDDR). The Program is aimed principally at: (i) reducing the risks of participation by ex-combatants in armed actions, by facilitating their socioeconomic reintegration into the host community and ensuring their recovery of lost resources; (ii) reincorporating ex-combatants into viable economic activities and satisfactory social conditions, in a context of conflict prevention; and (iii) contributing to national development through job creation and the poverty reduction strategy.

Box 21. Actions taken in the area of political governance

After taking power on June 30, 2003, the Transitional Government established institutions to support democracy and defined the institutional structure needed for DDR in consultation with its development partners, creating the National Commission for the Demobilization and Reintegration of Combatants (CONADER). A national disarmament, demobilization, and reintegration plan (PNDDR) has been developed. The Government reunified the national territory. The independent electoral commission (CEI) organized the constitutional referendum on December 18, 2005, and the constitution of the Third Republic was promulgated on February 18, 2006.

229. The persons targeted to benefit from reintegration support are the demobilized adult ex-combatants, child soldiers, female ex-combatants, and handicapped ex-combatants.

230. **Adult ex-combatants.** The actions listed below have been included in the PNDDR: (i) awareness campaigns among those eligible for demobilization or integration, and in the communities that will be hosting them, and among the authorities who are to carry out supervisory responsibilities for the process; (ii) regrouping; (iii) disarmament; and (iv) transfer to the orientation centers with a view to demobilization and reintegration, or with a view to integration (sent to reassignment centers). To carry out these actions successfully, the Government intends to: (i) strengthen the capacities of the Military Integration Structure (SMI) and ensure close collaboration with CONADER; (ii) periodically appraise the results of reintegration; (iii) exert pressure on those who refuse to submit to the census or to turn in their weapons; (iv) move the orientation centers and reassignment closer together, and limit their operation to approximately two months; (v) increase the presence of the SMI in the orientation centers; (vi) broaden the range of supervisory structures, to include local NGOs in particular; (vii) sharply increase the number of heavily labor-intensive projects in all areas; and, finally, (viii) neutralize the negative forces.

231. **Reinsertion of former child soldiers.** The program will basically aim at providing assistance, including: community welcome preparation by the cooperation bodies, direct support to families, direct support to child soldiers without families, education, vocational training, youth activities (including job opportunities), health care, psychosocial support services, and HIV/AIDS prevention services.

232. **Reintegration of female ex-combatants.** The program offers them the same opportunities for equitable economic reintegration as are received by their masculine counterparts. Special attention is devoted to their specific needs of women and to their security and social integration. To this end, the PNDDR calls for the following actions: (i) the provision of information to female ex-combatants on their rights during reintegration, with insistence on the fact that these rights are in every respect comparable to those of their male counterparts; (ii) awareness campaign in the host communities on the dynamics of economic reintegration and safeguarding the benefits from reinsertion allocated to them; (iii) conduct of support activities and participation of ex-combatant females through their grouping in associations; and (iv) care of ex-

combatants in the maternal and infantile health care program as well as the program to prevent and combat STIs and the HIV/AIDS pandemic.

1.2.2. Integration and administration of the Army and the Police

233. The creation of a republican army and police force that are reunified and devoted exclusively to service in protecting the nation was identified in the context of the agreements emerging from the inter-Congolese dialogue. The establishment of a national army and police force that are restructured and integrated is one of the key components of the conflict resolution process in the DRC, and of stability in the subregion as well.

Box 22. Actions in the area of integration and improved administration of the Army and Police

The meeting of the command staffs of the signatory entities to the Global and Inclusive Agreement made it possible to formulate a reform process with two phases: (i) an integration phase initiated since late 2003, with the establishment of an Integrated Military High Command, the designation of the various heads of the army corps and military regions, and the establishment of an integrated brigade based in Kiasangani; and (ii) a restructuring phase of the DRC Armed Forces (FARDC) entail a significant reduction in troop levels. This latter phase is currently being planned. The Government has undertaken and intends to intensify these reform and integration actions for the national police, so as to improve its effectiveness throughout the national territory.

A seminar on the administrative organization of the FARDC was organized in January 2005 by the European Union's Security Mission in the DRC (EUSEC) in order to identify the deep-seated causes at the basis of the deterioration in the administrative management of the Army and define ways out whereby a better return could be obtained. This seminar made it possible to identifying the following deep-seated causes: (i) lack of administrative control of personnel; (ii) absence of new technology; (iii) use of nonadministrative personnel instead of trained administrative personnel (from the base to the central level); (iv) priority importance attached to the payroll; (v) low wage levels; (vi) failure to use basic documents; (vi) failure to observe administrative regulations; and (vii) shortcomings in administration at the unit level (company and battalion).

234. The Seminar on Security in the DRC (EUSEC) recommended the following priority actions: (i) census of all the administrative personnel of the FARDC; (ii) streamlined use of all the administrative personnel; (iii) training in new technologies; (iv) improved wages; (v) planning for incentive bonuses; (vi) organization of staffing audits; (vii) introduction of a combined computerized management system at the central level, using data from individual change advices (AIMs) to be forwarded by the unit directly to the general staff (EMG); and (viii) creation of a computer network at the central level linking the EMG to the Ministry of Defense.

235. In addition, a EUSEC audit mission was carried out in cooperation with the Congolese authorities, focused on the existing dysfunctions in the payroll and quartermaster's administration within the Ministry of Defense and the Armed Forces of the DRC. An 18-month technical assistance program has been defined.

236. The Payroll and Quartermaster Administration Program within the FARDC places emphasis on integrated brigades, the strategic aim of which is to command the loyalty of the military personnel from these brigades and reduce the number of exactions from the people.

237. This program recommends the following actions: (i) developing and refining a transitional status that simplifies certain aspects, in particular compensation; (ii) the development of a unified database on all military personnel, identified by means of biometric data and updated in accordance with change advices and/or through electronic data transmission. This database will make it possible to track the careers of individual military personnel; (iii) issuance of an identity card which would be presented in order to obtain payment; (iv) establishment of a "financial

management” body at the level of each integrated brigade, which would report solely to the Budget and Finance Directorate of the Ministry of Defense; the physical payment of the military payroll would be carried out in person by a member of this directorate; and (v) organization of a training cycle for the heads of this new system in order to improve their skills and performance. The Government has undertaken and intends to intensify the same reform and integration actions with respect to the national police in order to improve its effectiveness throughout the national territory.

238. The ultimate objective of the program is to restore pride and cohesion to military service in the army and the Congolese police, as well as to their families. This involves: (i) resumed functioning of an officer training system; (ii) refurbishment or construction of housing; (iii) restoration of the medical support system for soldiers and their families; (iv) education for their children; and (v) more rapid reunification of military personnel and police officers and their families, once the situation so permits.

1.2.3. Security of persons and property

239. Enhanced security will result from the effective reunification of the country and the restoration of State authority over the entire national territory. The Government set the first milestones by establishing the Transition Territorial Authority. To be effective, the securitization operation should be accompanied by the rapid deployment of security and intelligence services throughout the territory and the training of specialized units of the armed forces, police, and security services.

1.2.4. Promotion of “good neighbor” relations in the subregion

240. To promote and maintain “good neighbor” relations in the Great Lakes subregion, the Government undertakes, on the one hand, to engage in intensive diplomatic activities aimed at concluding nonaggression agreements consistent with the spirit of regional integration and, on the other hand, to place at the borders concerned specialized entities to control migratory flows and organize air, land, lake, and sea surveillance of movements at the borders.

Pillar 2. Consolidate macroeconomic stability and growth

241. The poverty reduction strategy depends first and foremost on robust and sustainable economic growth, based on a stable macroeconomic framework and policies. In the fiscal policy area, the Government intends, on the one hand, to control public expenditure while working to ensure that the quality and composition of expenditure will guarantee successfully meeting the objectives set forth in the MTEF, and, on the other hand, to increase public revenue by implementing reforms and rapidly extending the coverage of those already initiated. Monetary policy will remain period over the period, built around strengthening the independence of the Central Bank.

242. The sectors with the greatest potential for economic growth have been identified and will receive support in terms of investment on the basis of studies conducted with assistance from the development partners, in particular with a view to: (i) diversifying the export-oriented agricultural subsectors after ensuring renewed vitality in agriculture, stock farming, and fishing; (ii) promoting the development of microcredit and microenterprise; (iii) adequately supervising the exploitation of forest potential; (iv) defining a multimodal transport policy by May 2007, with support from the development partners, with principle focus on the Port of Matada and the main access points; (v) finalizing the implementation of the mining sector reforms and beginning the restructuring of the public enterprises in the sector; and (vi) speeding up the completion of the ongoing studies on the electricity subsector (legal and regulatory framework), as well as making better use of the potential of the Inga site.

243. The exploitation of natural resources should take account of the environmental dimension and of transparency norms through the regular publication of data on the activity levels of the various stakeholders. Implementation of the Extractive Industries Transparency Initiative (EITI) will provide a focal point for experiences and their extension to other sectors.

244. The opportunities generated in all sectors with growth potential can be fully exploited only with the support and participation of the private sector, for which the business climate will be improved by, among other things, clearly defining the regulatory standards and strengthening legal and judicial security. In addition, the reforms to be undertaken in respect of the State portfolio should open up new economic opportunities for the private sector and promote the recovery of the sectors concerned.

2.1. Macroeconomic framework and policies¹⁸

245. In the absence of robust and sustainable economic growth, poverty reduction would efforts would be for naught. Robust growth is sustainable only in a stable macroeconomic environment accompanied by cohesive sectoral reforms and policies.

246. A macroeconomic framework which takes all these reforms, policies, and priorities of the Government into account for the next three years is presented below. It is built around the following axes: (i) the consolidation of stability and economic growth; (ii) the implementation of program budgets; and (iii) the continuation of the economic and structural reforms.¹⁹

247. In quantitative terms, the specific goals set for the 2006-2008 period are as follows: (i) sustained growth in production, which will reach 7.7 percent on average thanks to an inflow of external project finance; (ii) an average inflation rate of 6.5 percent thanks to prudent fiscal and monetary policies; and (iii) an external current account deficit (excluding grants) that will deepen to 13.9 percent of GDP on average following an increase in imports as compared to exports resulting from a greater absorption.

Table 5. Summary of the Macroeconomic Framework, 2006-2008

	2005 Est.	2006 Proj.	2007 Proj.	2008 Proj.
Real GDP growth rate	6.5	7.0	7.7	8.4
Inflation rate (end-of-period)	21.3	8.0	6.0	6.0
Growth in the money supply (M2)	24.6	14.0	14.7	15.5
Current balance, including grants	-3.4	-4.2	-6.1	-5.8
Current balance, excluding grants	-8.4	-10.1	-14.9	-16.6
Tax ratio	11.6	12.3	13.2	14.0
Total expenditure	15.8	24.3	26.9	29.0
Budget balance, excluding grants	-4.2	-12.0	-13.7	-15.0

¹⁸ This macroeconomic framework (see Annex I) is provisional and could be changed in some respects following ongoing discussions between the Government and the IMF. The budgetary framework refers to the 2006 Budget Law. The GDP growth rate and inflation rate are projected to be 6.5 percent and 9.5 percent, respectively, in 2006.

¹⁹ An alternative macroeconomic framework is provided in the annex (see Table ¹⁶) in the event that the inflow of external resources expected to support investments compatible with the desired growth fails to be mobilized. The projections indicate that contraction in anticipated resources would reduce the growth rate by about 0.8 basis points per year over the ²⁰⁰⁶⁻²⁰⁰⁸ period. The adjustments made following a scaling back of the ambitions of the priority ministries would reduce public investment and current expenditure by 1.3 percent of GDP and 0.4 percent of GDP, respectively, in comparison with the baseline scenario, bringing the budget appropriation of these ministries from 41.9 percent in 2006 to 55.5 percent in 2008, as compared to 58.6 percent of GDP in the baseline scenario. Imports of goods and services would be reduced by 0.5 percent of GDP, while the pace of exports would rise by 2.4 percent of GDP; thus the current deficit would increase to a lower extent than under the baseline scenario (2.6 percent of GDP on average over the period).

Gross investment	14.1	18.1	23.7	26.1
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Source: Standing Committee on the Macroeconomic Framework (CPCM).

2.1.1. Fiscal policy

248. **The fiscal policy for the next three years will remain prudent and should contribute to the consolidation of macroeconomic stability through increased resource mobilization and improved control over public expenditure, while ensuring a more streamlined allocation of resources in favor of the social sectors, mainly health, basic education, HIV/AIDS, water supply and sanitation, and road infrastructure.** Financing the strategies in the sectors with growth potential will necessitate improving government revenue by strengthening tax administration and introducing tax reforms, continuing efforts to combat corruption and fraud, and increasing the contribution of the mining and forestry sectors.

2.1.1.1. Customs, tax, and nontax revenue

249. The tax ratio is projected to amount to 13.2 percent of GDP over the period, as compared to 11.6 percent of GDP in 2005, thanks to continued efforts to improve transparency and combat fraud in the administrations responsible for the collection of taxes and nontax revenue, as well as to a policy to broaden the tax base.²⁰

2.1.1.2. Public expenditure

250. The total expenditure of the State is expected to increase significantly, from 15.8 percent of GDP in 2005 to 29 percent of GDP in 2008, principally owing to increases in public investment in the priority sectors. The objectives relating to expenditure control will be pursued through a prudent wage policy (an average increase from 4.69 percent of GDP in 2006 to 4.71 percent of GDP in 2008) in favor of an increase in investment against own resources, which would increase from 0.6 percent of GDP in 2005 to 1.8 percent of GDP at the end of the period. The Government will improve the increased use of the resources made available by debt relief under the HIPC Initiative, and will strengthen the mechanisms for monitoring the use of them. Common expenditures will be maintained at the 2006 level during the period (0.6 percent of GDP).

251. **To improve the quality of expenditure, an indicative comprehensive Medium-Term Expenditure Framework (MTEF) was produced and made it possible to make intersectoral allocations in favor of the ministries identified as having priority (Table 6).**²¹ Because the objective of the MTEF is a streamlined allocation of the resources that are available and can be envisaged on the basis of the overall expenditure that the macroeconomic framework was able to identify using the TOFE, indicative ceilings were assigned to each sector, with priority accorded to the sectors directly associated with the strategic axes of the PRGSP. It should be noted that the quantitative work in the HIV/AIDS and Rural Development, Agriculture, and Forestry sectors will be finalized in the course of implementation. Trade-offs between the sectors were made on the basis of: (i) the functions of the ministries, which generally correspond to the strategic axes and priorities of the PRGSP; (ii) the availability of sectoral studies; and (iii) expression of the need for additional poverty reduction expenditure. On the above basis, the MTEF places special emphasis on the following actions: (i) improvement of road infrastructures; (ii) improved access to basic education; (iii) improved access to primary health care; (iv) improved supply of safe drinking water and access to sanitation; and (v) the fight against HIV/AIDS.

²⁰ The tax and customs reforms supporting this increase are described under items 1.1.3, Economic governance, on the mobilization of resources by OFIDA, the DGI, and the DGRAD.

²¹ The MTEF will be fine-tuned and revised accordingly during the periodic evaluations of the Poverty Reduction and Growth Strategy Paper.

252. The priority ministries involved in these actions should, according to the MTEF, receive budget allocations representing, in 2006, 2007, and 2008, respectively 41.9 percent, 55.9 percent, and 58.5 percent of all expenditure appropriations after subtracting interest payments on the debt. These allocations, by priority ministry and year, are as follows:

Table 6. Allocations to the priority ministries (in percentage of primary expenditures)²²

Priority ministries	Actions	Appropriations		
		2006	2007	2008
Public Health	Improved access to primary health care and the fight against HIV/AIDS	7.5	12.3	12.9
Primary, Secondary, and Vocational Education	Improved access to basic education	12.2	15.5	16.7
Public Works and Infrastructure	Improved road infrastructures	11.2	15.8	16.3
Energy	Improved access to safe drinking water	10.0	10.2	10.3
Environment	Improved sanitation	0.9	2.1	2.3
TOTAL		41.9	55.9	58.5

Source: Standing Committee on the Macroeconomic Framework.

253. Overall, there is also growth in the expenditure of these ministries, though it has not been possible to completely reverse the short-term trend of the primacy of the other ministries taken together.

254. **Health.** Implementation of the strategy in this sector is reflected in a pronounced increase in budgetary expenditure, the share of which in primary expenditure is projected to increase from 7.5 percent in 2006 to 12.3 percent in 2007 and 12.9 percent in 2008. In accordance with the strategy, this effort will be distributed unequally between current expenditure and capital expenditure.

255. **Primary, Secondary, and Vocational Education (EPSP).** In keeping with the Government's budget arbitrage, the budgetary allocation would increase from 12.2 percent in 2006 to 15.5 percent in 2007 and 16.7 percent in 2008. Capital expenditure is projected to expand more rapidly than operating expenditure owing to classroom rehabilitation factors.

256. **Public Works and Infrastructure (TPI).** Growth in the budgetary expenditure on infrastructure will increase its share from 11.2 percent in 2006 to 15.8 percent in 2007 and 16.3 percent in 2008. Capital expenditure in this sector will expand more rapidly than current expenditure owing to the needs for the reconstruction and rehabilitation of dilapidated infrastructure in this sector.

257. **Energy.** The share of this sector in primary expenditure will increase from 10 percent in 2006 to 10.2 percent in 2007 and 10.3 percent in 2008. Capital expenditure will account for a significant share by comparison with current expenditure owing to the rehabilitation of water treatment centers.

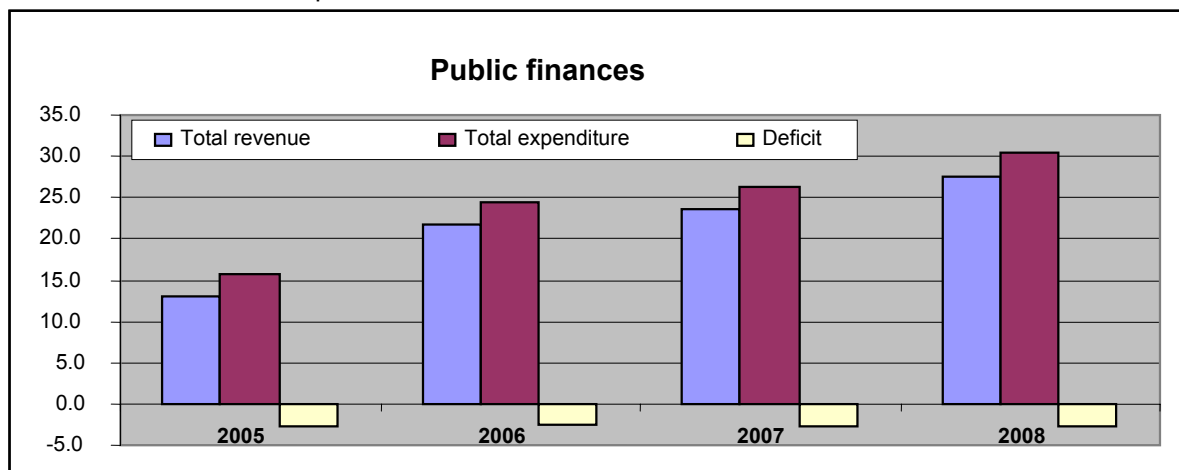
258. **Environment.** The budget allocation for this ministry will improve from 0.9 percent in 2006 to 2.1 percent in 2007 and 2.3 percent in 2008. Capital expenditure will account for a significant share by comparison with current expenditure owing to the installation of an adequate system for the evacuation of solid and liquid waste.

²² Pending the clear definition of a correspondence table leading to a functional nomenclature that can be used as a genuine PRGSP implementation instrument, the budget framework uses allocation in accordance with the administrative classification currently used in budget management in the DRC.

2.1.1.3. Financing of the budget deficit

259. The budget deficit (cash basis), including grants, will be contained at 2.7 percent of GDP on average over the period, taking into account the need to reduce bank credit to the State in order to assist the BCC in the conduct of monetary policy.²³

Chart 3. Public finances in percent of GDP, 2005-2008



260. The financing of this deficit is projected to come from external budgetary loans and grants on the order of 0.5 percent of GDP in 2006, 1.4 percent of GDP in 2007, and 1.3 percent of GDP in 2008, as well as external financing for investment projects on the order of 9.7 percent of GDP in 2006, 9.9 percent of GDP in 2007, and 11.2 percent of GDP in 2008. However, there would be financing gaps on the order of 2.2 percent of GDP in 2006, 1.8 percent of GDP in 2007, and 1.9 percent of GDP in 2008. To cover the fiscal deficit in its entirety, the Government intends to pursue discussions with its development partners in order to mobilize additional budgetary support and avoid recourse to financing from the banking system.

2.1.2. Monetary policy

261. The monetary policy remains prudent, and will accord priority to price stability in the context of a floating exchange rate regime and the preservation of positive and flexible interest rates. The government should continue to support the independence of the BCC, which has sole responsibility for monetary policy. The objective will be to maintain the average inflation rate for the period at around 7.4 percent. It is thus anticipated that broad money will increase, in annual average terms, by 14.7 percent, namely through increases of 14 percent in 2006, 14.7 percent in 2007, and 15.5 percent in 2008. To accommodate the monetary policy, the State will refrain from advances from the BCC, which will make it possible to free up liquidity in amounts compatible with demand from the private sector. Net foreign assets are projected to increase by US\$77 million in 2006, US\$44 million in 2007, and US\$43 million in 2008, as compared to an increase of US\$21 million in 2005. In addition, the monetary policy objectives will be widely disseminated among the public in order to bolster credibility, and the BCC should report regularly on monetary policy implementation.

2.1.3. External policy

262. In the context of the PRS, the debt sustainability indicators are expected to improve considerably in the medium term thanks to improved exports and debt relief under the Enhanced HIPC Initiative. The current balance is projected to record an average deficit on the order of 13.9

²³ This deficit does not take into account the impact of the decentralization as defined in the Constitution promulgated on February 18, 20⁰⁶ and of a possible restructuring of the BCC balance sheet.

percent of GDP over the period, largely attributable to the increases in capital goods imports and the insufficient level of national savings.

263. **The Government undertakes to pursue a prudent borrowing policy.** It will strengthen its contacts with creditors and scrupulously fulfill its external debt service commitments until the DRC reaches the Completion Point of the HIPC Initiative and can benefit from bilateral and multilateral external debt cancellations. This will enable it to free up additional resources for financing its development programs. In addition, any borrowing contracted (or guaranteed) by the public sector, including by the BCC and the decentralized administrative entities (EADs), will observe the level of concessionality defined in the Technical Memorandum on Execution of the Government Economic Program. Major efforts will be made to mobilize external financing in accordance with the State's development objectives and economic policy. As regards management of the external debt, the DMFAS program will become operational at the Public Debt Management Office so as to enable it to centralize information on the public debt, produce reliable data on that debt, and carry out a sustained analysis of the viability of the external debt by end-2006.

Box 23. Actions taken in the area of public debt management

DMFAS is an automated debt management software program developed with technical assistance from the United Nations Conference on Trade and Development (UNCTAD) and purchased with financing from the World Bank and the AfDB. The activities carried out or in progress under the OGEDEP/UNCTAD project for building public debt management capacities include, among others, the gathering and inputting of basic data, as well as the archiving and checking of the information recorded. The system now has a relatively complete database containing all the data on the external and domestic debt. Debt viability analysis will be conducted using the DSM+ program. Training on the use of DMFAS software has been provided, while that on debt viability analysis is currently in progress.

2.2. Boost economic activity and growth

264. As the diagnosis revealed that a double digit rate of real economic growth over a long period is essential in order to reduce poverty significantly, the Government's objective is to carry out suitable economic policies and take the steps necessary to achieve such a rate as rapidly as possible.

265. After registering growth of 6.5 percent in 2005, the Congolese economy is expected to consolidate this path by staying the course with growth of 7.0 percent in 2006, 7.7 percent in 2007, and 8.4 percent in 2008. When examined against the average population growth rate projected for the same period, projected at 3.0 percent, it is determined that real per capita incomes should increase by 3.4 percent on average over the period. These growth targets are predicated for the most part on the anticipated dynamism of activities in construction and public works, trade and transportation, as well as a diversification of and increase in the products from the primary sector, including Mines and Forests (Table 7). Moreover, an upward trend in agricultural production has been forecast in anticipation of the effects of implementing an effective agricultural policy. The average rate of production growth from agriculture, livestock, and fisheries is projected to be 3.4 percent, as compared to 1.4 percent in 2005.

266. Changes in the shares contributed by the various sectors to real GDP should reflect the continuing gradual transformation of the economy. According to the projections shown below, the share of the primary sector will be reduced, declining from 53.7 percent in 2006 to 52.7 percent in 2007 and 51.7 percent in 2008, as against 54.6 percent in 2005. The share of the secondary sector is projected to increase from 12.2 percent in 2005 to 12.7 percent in 2006, 13.4 percent in 2007,

and 14.1 percent in 2008, while the contribution of the tertiary sector would increase slightly from 31.1 percent in 2005 to 31.5 percent in 2006, 31.8 percent in 2007, and 32.1 percent in 2008.

Table 7. Pattern of sectoral growth and sectoral contributions to real GDP growth, 2006-2008

	2004		2005		2006		2007		2008	
	1/	2/	1/	2/	1/	2/	1/	2/	1/	2/
Primary sector	<u>4.0</u>	<u>2.3</u>	<u>4.5</u>	<u>2.5</u>	<u>5.3</u>	<u>2.9</u>	<u>5.7</u>	<u>3.1</u>	<u>6.4</u>	<u>3.4</u>
Agriculture, forestry, hunting and fisheries	0.6	0.3	1.4	1.2	3.0	1.2	3.4	1.3	3.9	1.5
Extractive industries	16.4	2.0	9.3	1.3	12.3	1.7	12.4	1.8	12.8	1.9
Secondary sector	<u>20.5</u>	<u>2.2</u>	<u>9.3</u>	<u>1.1</u>	<u>11.1</u>	<u>1.4</u>	<u>13.8</u>	<u>1.7</u>	<u>14.4</u>	<u>1.9</u>
Manufacturing industries	24.0	0.9	13.3	0.4	8.0	0.4	8.4	0.4	8.9	0.4
Electricity, water supply	-7.4	-0.1	2.7	0.0	12.0	0.1	12.4	0.1	12.9	0.1
Construction and public works	22.5	1.3	20.6	0.7	13.0	0.9	17.4	1.3	17.9	1.4
Tertiary sector	<u>6.5</u>	<u>2.0</u>	<u>9.0</u>	<u>2.7</u>	<u>8.4</u>	<u>2.6</u>	<u>8.8</u>	<u>2.8</u>	<u>9.3</u>	<u>3.0</u>
Wholesale and retail trade	5.7	1.0	9.2	1.4	8.0	1.4	8.4	1.5	8.8	1.6
Transportation and communications	11.3	0.6	12.7	0.6	12.0	0.6	12.4	0.7	12.9	0.8
Market services	8.1	0.5	7.9	0.2	7.5	0.4	7.8	0.4	8.4	0.5
Nonmarket services	11.6	0.2	0.7	0.2	5.0	0.1	5.4	0.1	5.9	0.1
Imputed production of banking services	195.9	-0.3	10.7	0.3	5.0	0.0	5.0	0.0	5.0	0.0
Import duties and taxes	11.5	0.2	0.7	0.1	10.0	0.2	7.5	0.2	7.5	0.2
GDP at market prices	<u>6.6</u>	<u>6.6</u>	<u>6.5</u>	<u>6.5</u>	<u>7.0</u>	<u>7.0</u>	<u>7.7</u>	<u>7.7</u>	<u>8.4</u>	<u>8.4</u>

Source: Standing Committee on the Macroeconomic Framework (CPCM).

1/ Percentage change from preceding year.

2/ Contribution of sectors to real GDP growth.

267. To meet the challenge of poverty and put the economy of the DRC back on the path of sustainable growth, the Government undertakes, in the context of the PRGSP, to take priority actions aimed at revitalizing economic activity by supporting the sectors with growth potential so as to put an end to the poverty spiral.

2.2.1. Consolidate the sectors with growth potential

2.2.1.1. Agriculture and rural development

268. Agriculture accounts for almost 63 percent of GDP and provides the livelihood of over 70 percent of the population. That is why this sector has, alongside others, an important place in the national program for economic recovery and poverty reduction. The strategies aimed at revitalizing the productive structure of the rural world are predicated primarily at recovery in the agricultural, livestock, and fisheries sector.

A. Recovery in the agricultural, livestock, and fisheries sector

269. A sector recovery program has been developed by the Government with participation from the various development partners. The objective is to restore and exceed the pre-crisis production level. Poor production in the primary sector is borne out by food insecurity, malnutrition, the shortage of quality side, price increases, and the underdevelopment of processing, farm product conservation, and fisheries.

Box 24. Programs and projects underway in the area of agriculture and rural development

To revitalize the agriculture and livestock sector, the Government, with donor support, has implemented the following programs and projects:

Emergency Multisector Rehabilitation and Reconstruction Project (PMURR). This program involves additional World Bank financing of US\$125 million, including 8 million...*[garbled original text]* The principal achievements are: (i) plant production by providing small farmers with healthy cuttings and quality seeds for the main food crops; (ii) the production of improved seeds (Maize, Rice, Groundnuts, Beans, Cowpea, Soy, and Manioc); (iii) the rehabilitation of 1,310 kilometers of rural roads, intended to improve market access by small farmer producers in seven provinces of the Democratic Republic of the Congo; (iv) animal production through "training the trainers" of stock farmers and fish farmers in the provinces of Kinshasa, Bandundu, and Bas-Congo; and (v) the conduct of sectoral studies on revitalization in the provinces of the agroindustrial subsectors of cotton, palm oil, rubber trees, cocoa, coffee, tea, and cinchona, in respect of which surveys have been conducted in Bas-Congo, Bandundu, the two Kasai provinces, Orientale province, Kivu, and Equateur.

Agricultural and Rural Sector Rehabilitation Support Project (PARSAR). This project, financed by the AfDB, involves a grant in the amount of US\$41.47 million for the provinces of Bandundu and Bas-Congo. The core activities are: (i) support for research structures (INERA, SENASEM, SNV, and SNSA) through capacity building; (ii) publication of the seed law, for which the implementing decree is in preparation; and (iii) privatization of the seed farms in Bas-Congo province.

Agricultural and Rural Sector Rehabilitation Project in Katanga, Kasai Oriental, and Kasai Occidental Provinces (PRESAR). This project, involving a grant of US\$59.04 million, is aimed at: (i) strengthening food security by increasing food production through capacity building in the units supporting agriculture and rural development; (ii) the development of agricultural production; and (iii) the rehabilitation of rural infrastructure.

Lake Tanganyika Integrated Rural Development Program (PRODAP). With regard to fisheries improvement, this project is now being implemented against a loan and grant in the amount of UA 11.75 million. It is aimed at reducing poverty in the Lake Tanganyika basin by improving: (i) social and sanitary conditions in the Lake Tanganyika basin; and (ii) the food situation of the people. The main activities are: (i) institutional capacity building; (ii) improvement of fisheries and environmental protection; and (iii) the rehabilitation of local development infrastructures.

270. The actions to be taken in the short term involve: (i) reactivation of the seed centers; (ii) strengthening the mobilization and supervision measures for the rural road, focusing them on modern crop methods; (iii) revitalizing the livestock sector by boosting the restoration of the herds decimated during the conflict period; (iv) restoring the diversification of cash crops; (v) strengthening support for producers through the distribution of inputs and dissemination of applied research; and (vi) the development and organization of agricultural markets, and development of the fisheries sector.

271. In the medium term, the actions will focus on: (i) support for private initiatives (economic agents, cooperatives, etc.), particularly as regards supervision, supply, and marketing; (ii) support for the Community Development Committees (CDCs), Village Development Associations (ADVs), and cooperatives so as to make them genuine economic agents and gradually change the traditional farming systems.

272. Strategy in the agricultural sector is also aimed at diversifying production and improving yields. The final results sought are restoration of food self-sufficiency, the production of marketable surpluses, and improved yields. The gains in question could be invested in other income-generating activities and contribute to increasing nonagricultural employment in rural areas.

B. Boosting incomes in rural areas

273. In the short term, increasing the monetary incomes of rural families will inevitably involve cash crops, principally coffee, tea, cotton, and potatoes. These crops, production of which has fallen to almost nothing, will benefit from reactivation and sustained promotion efforts in order to make a significant contribution to poverty reduction and improving the well-being of rural families.

C. Diversification of the agricultural export subsectors

274. The development of the agricultural export subsectors will, of necessity, involve the development of nontraditional products that are readily exportable and have a high commercial value. In the case at hand, these are market garden and fruit crops. For this to occur, in the short-term it will be necessary to introduce a production and distribution plan for market garden seeds and plans for fruit production, to train supervisors and line personnel in the sector, and to organize and guide producers' associations.

D. Increased livestock production

275. The aim of improving livestock and fisheries production is to overcome the protein deficiencies of the population and, in so doing, also reduce the rates of malnutrition and nutritional deficiency diseases. Priority will be accorded to rebuilding the herd and to genetic improvement of the breeds.

276. An integrated program for rebuilding the herd will be established, and would include highly prolific short-cycle small livestock in order rapidly to achieve results that can help improve the living standards of rural families. In addition, this type of livestock farming lends itself well to agro-sylvo-pastoral integration. Increasing rural family incomes also entails the promotion of crafts, making it possible to create nonagricultural jobs and reduce imports. To develop this subsector, it is proposed that actions be taken in terms of training, supervision, and financing. The support should begin in particular with the organization and creation of groupings and associations of artisans, extending loans, rehabilitating units destroyed during the conflicts, and creating a rural development support fund.

277. For heavy livestock, the focus will be on improving local breeds by crossing them with highly productive breeding stock.

278. Breeding centers will be set up and managed by the communities, with training provided by veterinarians from the extension services.

279. The intensification of livestock productivity will not occur unless the animals have proper feeding conditions: forage and concentrates. Accordingly, forage crops will be encouraged. The seed subsector should also incorporate forage crop seeds.

280. To gain as much as possible from intensive livestock farming, the prevention and treatment of the most frequent and most harmful diseases must be supported. It goes without saying that the State and the development partners will have to provide considerable support in the short term for these stock-rearing inputs as well as for various types of care.

E. Fishery development

281. Fishery has been neglected heretofore, despite the considerable potential thanks to the Congo River. Initiatives taken by the people are already underway, and support will be necessary in order to develop production. The first activity would be to supervise those active in fishery, modernize fishery equipment and materials, and facilitate access to credit. In the long term, the actions to be taken will focus on introducing fish processing and conservation techniques in order to reduce the losses sustained in periods of overproduction or during transport.

F. Promotion of microcredit and microenterprise

282. In synergy with the rural development strategy and the improved productivity analyzed above, it will be important to pursue a voluntarist program of diversification and rural sector finance.

283. The latter will entail the promotion and support of microcredit systems and the promotion of individual and collective production units in the form of microenterprises. In addition, the development of rural credit could provide improved access to agricultural inputs. However, it must be noted that the financing instruments available in rural areas are quite weak and rudimentary.

284. In addition, this financing will make it possible to promote rural saving, which remains low. This will involve promoting savings and loan institutions and their establishment in rural areas. It would hence be advisable to develop flexible and suitably adapted mechanisms for extending credit. The NGOs and community development committees will be called upon to this end.

G. Environmental protection

285. To protect the environment so as to consolidate the necessary link between safeguarding the environment and the pursuit of development, the Government will implement a strategy focused on the following priority actions: (i) conducting an ongoing public awareness and education program on safeguarding the environment; (ii) implementing the strategy on the conservation of biodiversity, in particular through the protection and restoration of plant cover; (iii) defense of the natural forests and expansion of afforested areas; and (iv) implementation of the United Nations Framework Convention on Climate Change, the protection and conservation of water and water resources, and maintaining environmental health, as well as the prevention of natural disasters.

286. Institutional mechanisms and appropriate incentives will be put in place to promote the involvement of the private sector and other non-State bodies in environmental management and preservation.

2.2.1.2. Forests

287. Some 40 million of the poorest Congolese depend upon the forest for their food, materials, energy, and medicine. As the Government is cognizant of the potential of the forestry sector and the role it can play in revitalizing the economy and combating poverty, it has set itself the objective of restructuring this sector in order to guarantee its sustainable exploitation and make it one of the principal income sources in the country. Among other things, this will entail: (i) better regulation and streamlining of the granting of forestry concessions; (ii) promoting controlled industrial exploitation that can create new jobs and generate incomes through trade in wood, charcoal, and a wide range of non-timber products; and (iii) involve abutting and local communities in the management and protection of forests and the environment in order to enhance their rights and improve their living conditions thanks to the benefits that will accrue.

288. These objectives will be sought pursuant to an agenda based on the following axes:
- a. *Rebuilding institutions.* This will entail strengthening the institutional capacities of the administrations with responsibility for forests and the conservation of nature (training, professional retraining, compensation, equipment, technical assistance, infrastructure rehabilitation, etc.);
 - b. *Ensuring the participation of all stakeholders.* All parties must be involved, both within the country and abroad, inasmuch as the Congolese forest is subjected to a whole array of varied and sometimes divergent expectations. These include, among others, the governmental authorities, civil society (NGOs, local communities), the private sector, local entities (provinces and territories), international cooperation (cooperation agencies, donors, international development NGOs);
 - c. *Promoting local forest management methods.* This entails assistance to small, family- or community-based forestry enterprises, which contribute to poverty reduction, and the development of community-level forests by acknowledging the rights of communities themselves to manage the forests which they have traditionally inhabited and utilized;
 - d. *Preserving biodiversity and environmental services.* This includes the rehabilitation and expansion of the network of protected areas (parks) and the preservation of the biodiversity outside the *protected areas* (fauna).

Box 25. Actions taken in the forestry sector

In 2002, the DRC adopted a new forestry code, which replaced the colonial regulation of 1949 and embodies the modern principles of sustainable forest management and participation by civil society and grassroots communities.

The Government further introduced, in the same year, a moratorium on any new acquisition of forest exploitation rights, pending the adoption of the new rules on public bidding called for by the code.

In accordance with the new code, those contracts not terminated in 2002 will undergo legal review in order to verify their legality and compliance with the contractual clauses, this to convert them into "forestry concession contracts." To this end, a presidential decree was published in October 2005 to stipulate the procedures and criteria for this legal review. The decree establishes an interministerial commission enlarged to include civil society and the private sector.

In 2003, the Government completed an economic review of the timber sector which resulted in a simplification of the forestry taxation system, a reduction in parafiscal levies, especially in the transport area, while gradually boosting the area-based tax in order to discourage speculative locking-in of the nationally owned forests.

289. The forestry sector offers enormous potential benefits which can make an immense contribution to reducing poverty thanks to the incomes and new jobs it can generate and the subsequent improvement in the living conditions in grassroots communities. Supervising this sector must be at the core of the poverty reduction strategy of the DRC, and this process must entail the implementation of the forestry code of 2002.

290. More specifically, the following actions should be taken: (i) strict application of Decree No. 05/11/116 of October 24, 2005 and of all the implementing measures of the Forestry Code and the Law on the Conservation of Nature; (ii) inclusion of the national forestry policy in the regional strategy for management of the forests in the Congo Basin; (iii) regulation of exports of forestry products; (iv) establishment and enforcement of public bidding procedures, with exceptional amicable procedures being limited to the forests of grassroots communities; (v) introduction of appropriate taxation which provides incentives (2006-2008); (vi) adoption of

the main implementing provisions for the Forestry Code, focused on sustainable development and control, local consultation procedures, and the mechanisms for allocating forests; (vii) recruitment of a third-party observer tasked with assisting the administration in its control missions in the field to combat illegal forest exploitation; (viii) permanent pass-through to local entities of 40 percent of the area-based forest royalty and effective use of this funding pool for building basic infrastructure; and (ix) training, information, and awareness-building among local communities, forest operators, and the management personnel of the Protected Areas, and participation in the activities of the Conference of Ministers of the Central Africa Forests Commission (COMIFAC).

291. In addition, the organized participation of grassroots communities in forest management is essential to maintaining and safeguarding biodiversity. To this end, the Government intends to heighten communities' awareness by encouraging them to organize as part of the establishment of a rural forestry strategy.

292. The forestry strategy is also included in the context of the COMIFAC Convergence Plan, and incorporates its negotiation mechanisms.

2.2.1.3. Transport

293. The economic recovery of the DRC involves the rehabilitation of the transport infrastructure (road, river, lake, and air transport) as a sector which supports growth and contributes to the mobility of persons and goods.

294. To ensure that this sector regains its role as a driving force for the economy in a country the size of a continent, objectives have been identified in the "Transport Policy Framework of the DRC and 2003-2015 Action Plan, namely:²⁴ (i) ensure the integration of the economic entities of the country in order to make them complementary and thereby contribute to poverty reduction through the rehabilitation, modernization, and interconnection of all transport networks; (ii) guarantee optimal conditions for operational safety by observing the standards recommended by the competent international organizations; (iii) meet the transport needs of the people at competitive prices, with increased involvement of the private sector through partnerships to be promoted with the public sector; (iv) promote administration of the national territory by favoring the mobility of the units responsible for ensuring the security of goods and persons, a sine qua non condition for strengthening national unity and promoting socioeconomic development; and (v) work toward the regional integration advocated by the African Union and the New Partnership for Africa's Development (NEPAD), while implementing the recommendations of the organizations of which the DRC is a member.

²⁴ The Transport Policy and its Action Plan were adopted at a workshop organized by the Ministry of Transport with support from the World Bank.

Box 26. Programs and projects currently underway in the transport sector

A Transport Policy Framework for the Democratic Republic of the Congo and its 2003-2015 action plan were developed in 2002 with support from the World Bank for improving the existing transport system. Priority actions to achieve the sectoral objectives for transportation are currently being taken through the PMURR, the Rehabilitation Support Program (PAR), the projects of international NGOs, the Private Sector Development and Competitiveness Program (PCDSP), and the Emergency Support Program for the Economic and Social Reunification Process (PUSPRES). The PMURR, PCDSP, and PUSPRES governmental projects are being carried out, respectively, by the Infrastructure Contract Coordination Office (BCMI) and the Central Coordination Bureau (BCECO), by the Public Enterprise Reform Steering Committee (COPIREP), and by the Coordination Unit for the Emergency Support Program for the Economic and Social Reunification Process (UCOP). The World Bank and the European Union are currently the primary donors for the transport sector.

Furthermore, with World Bank support, the Government is preparing the project on multimodal transport, the aim of which is to rehabilitate the rail, river, maritime, and airport transport infrastructure using public-private partnerships.

In addition, the Government is preparing a private sector support project built around the following axes: (i) technical assistance to private enterprises; (ii) improving the business climate; and (iii) improving financial intermediation and access to finance.

295. The priority actions to be undertaken to achieve the objectives of this sector are: (i) revision of the institutional, judicial, and legal framework to bring it up to date and adapt it to the national and international environment; (ii) promulgation of a law on privatization and public-private partnerships to enhance the profitability of enterprises in the sector and mobilize private financing; (iii) establishment of a transport regulation agency to ensure compliance with the rules of equitable competition and monitor the execution of the reforms, in particular the concession agreements (PPP); (iv) the restructuring of public enterprises, to be preceded by studies of the social plans to safeguard social peace in the enterprises and take workers' interests into account; (v) strengthening the human and institutional capacities of the public agencies in the sector, providing effective motivation for the implementation of the reforms and monitoring the execution of same; (viii) application of the standards and recommendations of international organizations (ICAO, WMO, etc.) and regional organizations (COMESA, SADC, etc.) of which the DRC is a member; (ix) consideration of the environmental impact of transport; (x) systematizing the technical inspection of vehicles and aircraft; (xi) rehabilitation and modernization of transport infrastructures (roads, rail, navigable waterways, airports) to improve services to users; and (xii) development and implementation of high-performance means of protecting road assets.

296. In addition, future interventions in this sector will involve 14,771 kilometers of roads in the next three years (7.3 percent in 2006, 42 percent in 2007, and 50.7 percent in 2008), and will revolve around the following strategic axes: road paving, rehabilitation, and maintenance. Paving will involve 699 kilometers of roads (2.1 percent in 2006, 34 percent in 2007, and 63.9 percent in 2008). Rehabilitation will cover 6,478 kilometers of roads (11.9 percent in 2006, 40.6 percent in 2007, and 47.5 percent in 2008). Finally, the Government undertakes to maintain 7,594 kilometers of roads (3.7 percent in 2006, 43.9 percent in 2007, and 52.4 percent in 2008).

2.2.1.4. Mines

297. In the context of this policy, the Government has initiated a number of reforms targeting the restructuring of the public enterprises, including those in the mining sector. The injection of private capital, the resurgence of production, and improved management are the core components governing the implementation of this policy.

298. These reforms were reflected concretely by the promulgation of a new Mining Code as well as the establishment of the structures which ensure proper application of that code (Mining

Registry, mining planning unit, etc.) The new law is aimed at attracting new investment, taking the global market situation of the sector into account.

299. The mining sector is expanding in the area of artisanal gold and diamond mining, whereas the industrial production of copper, zinc, cobalt, and gold are in sharp decline. Recent discoveries of new deposits of precious stones call for a special strategy coupled with rigorous integrated management of these nonrenewable resources, as regards both their extraction and their processing so as to obtain the maximum added value.

300. To bring this about, a number of actions will be taken, including: (i) strengthening the management capacities of the enterprises active in the sector, so as to improve the exploitation of precious substances and promote a competitive mining industry; (ii) dissemination of the mining code, mining regulations, and other laws; (iii) building SAESSCAM's capacities for supervising and promoting small mining operators; (iv) encouraging and promoting microcredit in favor of artisanal mining operators; (v) with regard to GECAMINES, completing the partnership audit to make it possible to adopt the definitive restructuring strategy; (vi) operationalizing the mine deed validation commission; and (vii) completing the operational audit of CAMI in order to proceed with its restructuring.

301. The strategy advocated by the Government in this sector also involves streamlining the exploitation of mining resources, providing sustainable support for economic growth and effectively contributing to improving the social conditions of workers in the sector and the Congolese people as a whole.

Box 27. Actions taken in the mining sector

In the mining sector, a new mining code was promulgated and new mining regulations were approved in 2003 (Decree No. 038/2003). In addition, the structures to guarantee proper application of this code have been established, in particular the mining registry (CAMI), operational since June 2003.

The Government has launched the restructuring of GECAMINES, the largest enterprise in the sector, which is in progress. An internationally recognized consulting firm, SOFRECO, was recruited on September 19, 2005 to manage GECAMINES during a transitional period of 18 months, and a board of directors was appointed in December 2005. During this period, the audit of the partnership agreements signed by GECAMINES is continuing.

In tandem, a mining deed validation commission was established in September 2005 in order to conduct a legal review of mining deeds in dispute.

To ensure transparency in the sector, the Government has declared its support for the EITI mechanisms. To this end, a national EITI/DRC committee was created by presidential decree on November 18, 2005. The EITI procedures will consist in: (i) the gathering of statistics on, first, the taxes and fees paid by extractive enterprises (mines, hydropower, fossil fuels, forests, etc.), and, second, the revenue collected by the State and the EADs; (ii) the audit and reconciliation of these statistics by an independent auditor to be recruited; and finally (iii) their publication on a website. A network of communicators will also be established at the level of grassroots communities. Prior to that, a diagnostic study of the mining sector will be carried out by an independent consultant.

The study will make it possible to identify priorities and generate an action plan for the operation of the EITI mechanism. Initially, it will concern three products, namely heterogenite, copper and associated metals, and diamonds. The effective implementation of this mechanism will enable the mining sector to play its primary role in support of the economic and social development of the DRC.

302. Implementation of this strategy will enable the mining sector to play its primary role in support of the economic and social development of the DRC.

2.2.1.5. Electricity

303. As energy is one of the main keys to development, the Government's objective in this sector is to ensure broad access by all social groups and national grassroots communities to reliable electrical energy, with a view to increasing access to electricity to 60 percent and ultimately to the entire national territory by 2025.

Box 28. Actions carried out in the electricity sector

The work to enhance the reliability of the production capacity of the Inga dam has already begun. The reliability studies and the calls for bids have been completed for the most part, and also include the rehabilitation and transport works for the entire SNEL grid as well as the rehabilitation of several thermal power plants. All that remains now is for the works to be started and the equipment supplied.

304. To achieve this, the Government intends, with assistance from interested partners, to carry out activities with regard to the electrification of urban centers and exports, and rural electrification.

305. **Electrification of urban centers and exports.** Actions in this area involve: (i) priority investments aimed at rehabilitating and improving the reliability of existing infrastructures, and developing new infrastructures; (ii) promoting the development of the Inga site and building the associated transport networks to permit the export of surplus electricity in the context of subregional cooperation; and (iii) mobilizing the funds necessary for regional integration projects in the context of regional and subregional organizations (NEPAD, UPDEA, SAPP, PEAC, EAPP, NBI, etc.)

306. **Rural electrification.** The following actions are contemplated: (i) preparation of a national rural electrification program and the establishment of an execution structure and timetable; (ii) development of the use of other alternative primary energy forms for the production of electricity (new and renewable energy sources, solar, wind, biogas); (iii) more rapid implementation of the institutional reforms in the subsector, in particular through the following activities: (a) finalization of the ongoing studies on the institutional reforms (COPIREP and the study on PMURR financing); (b) promulgation of the Electricity Code and regulations; (c) increased use of public-private partnerships for certain projects; (d) strengthening the requirement of good governance in the management of public and private stakeholders; (v) the creation of energy cooperatives in rural and semi-urban areas; and (vi) improving technical and commercial management through program contracts and performance contracts based on self-financing and development objectives adapted to the Millennium Development Goals (MDGs).

2.2.2. Promote the private sector

307. Combating poverty and promoting sustainable economic growth will be unsuccessful in the absence of a dynamic partnership between the State and the private sector. This will entail putting in place incentive policies intended to improve the business climate and reform the public enterprises in order to promote and support the national and international private sector.

308. The objective is to institute a business climate conducive to promoting the growth of competitive enterprises capable of creating new jobs. This involves: (i) improvement of the investment climate for both national and foreign investors (legal and regulatory framework, tax regime for enterprises); (ii) finalization of the labor code and the commercial code; (iii) settlement of the domestic debt to enterprises; and (iv) reduction of the commercial date through the London

Club's debt repurchase operation. In addition, it will be necessary to strengthen or create the institutions and instruments necessary for economic regulation.

Box 29. Actions and reforms undertaken in the private sector

At the level of the legal framework, a major reform was carried out with the approval of the new investment and labor codes in 2002. On the sectoral level, a new mining code was published in 2002 and its main implementing decrees issued in 2003. A new forestry code was promulgated in 2002. Implementing orders were issued in 2003 and 2004. In the area of telecommunications regulation, the Post, Telephone, and Telecommunications Regulation Agency (ARPTC) was created and the new telecommunications law was published in 2003.

On the judicial level, and particularly for the two commercial tribunals that the Government intends to establish, the judges and court personnel received training in Rome in January 2004. A second training session on OHADA was organized in Kinshasa from January to March 2005 with COPIREP support, and several different categories of persons were trained. The physical infrastructures are being rehabilitated. To facilitate the settlement of commercial disputes, a national arbitration center was created by ministerial order in June 2003, and about 30 arbitrators were registered in November 2004. An official gazette for publishing laws was created. In addition, in March 2005 the Government received the report on the modalities for joining OHADA. To facilitate administrative operations relating to investments, an investment promotion agency (ANAPI) was created in 2002. A one-step shop for licensing was established in order to reduce the administrative delays associated with business creation. To contribute to the improvement in the business climate, the Government and the Parliament approved the country's membership in the African Trade Insurance Agency (ATI). The agreement was formalized in February 2005. The DRC paid its initial contribution to ATI capital with assistance from the World Bank.

In the tax area, reviews of the tax and customs system were undertaken with assistance from the IMF and the World Bank. This led to the publication of a new customs tariff (aimed at streamlining the structure of customs protection of the domestic market) and major reforms in respect of the indirect tax system, including the introduction of deductibility under the turnover tax with a view to improving the competitiveness of local industries vis-à-vis the international market and at the same time to prepare for introduction of the VAT in 2006. The turnover tax on exports was eliminated in July 2004. Actions have been initiated for establishing and streamlining the direct and indirect tax system applicable to enterprises.

Domestic debt. An audit of the State's payment arrears to the private sector, conducted by a financial consulting firm recruited with support from the World Bank, was completed in February 2004 for claims through December 31, 2001. The total stock of certified debt came to US\$1.270 billion, of which US\$470 million was commercial debt. The negotiations headed by Sterling Merchant Finance Ltd. (the Government's negotiator recruited for the purpose) covered the commercial debt only. Creditors representing US\$365 million took part in the negotiations, which resulted in an average discount of 75 percent in present value terms, thus reducing the debt stock to US\$96 million. The World Bank's contribution of US\$42.5 million in budgetary support will be used to pay the first tranche for 2005. The repayment plan for 2006 and 2007 calls for amounts of US\$29.5 million and US\$24.7 million, respectively.

2.2.2.1. Improve the business climate

309. The increase in production, agricultural processing, marketing, and the promotion of microcredit and microenterprise as well as rural credit, cannot occur unless the private sector is fully playing its role as a driver of the economy. The private sector will therefore be called upon to assume greater and greater importance, with the role of the State being to regulate the overall system. The main efforts will focus on the revitalization of the private sector, State disengagement from the productive system, industrialization of the country, and promotion of the services sector, tourism, and regional integration.

310. The Government is convinced that accelerated and sustainable economic growth can be achieved only by a dynamic and diversified private sector turned toward job creation, development of the industrial fabric, and exports. This is why the Government's medium- and long-term development strategy will consist in making the private sector the motor of growth. To this end, five specific orientations have been identified: (i) short-term emergency actions will include: (a) settlement of the State's domestic arrears; (b) the introduction of support mechanisms for economic operators that have incurred damages, inter alia through reconstruction activities; and (c) the rehabilitation of the production infrastructures, thoroughfares, and marketing channels destroyed during the crisis; (ii) improvement of the business environment and security, while taking care to promote the competitiveness of the private sector; (iii) reform of the legal and regulatory framework, including reform of the tax regime, public enterprise reform, and State divestment; (iv) strengthening of the incentives for increased private investment; and (v) improvement in the capacities of the financial intermediation system to guarantee effective support for wealth creation.

2.2.2.2. Public enterprise reform

311. Aware of the need for a public-private partnership for revitalizing the economy, the Government has developed a strategy for reform of the public enterprise sector. The aims of these reforms are to: (i) ensure that public services are provided sustainably and on a commercial basis, calling as necessary on the assistance of the private sector in various forms (partnerships, concessions, partial or full sale of shares); and (ii) reduce the quasifiscal costs resulting from the poor management of public enterprises and or from their organization.

312. To enable the Government to define and adopt the restructuring plan for public enterprises, a steering committee on public enterprise reform (COPIREP) has been established to prepare and carry out the reforms relating to public enterprise restructuring following a diagnosis. In addition, COPIREP assisted the sectoral working parties in developing their strategic plans for public enterprise restructuring in the mining, transport, energy, telecommunications, and banking sectors. These restructuring plans are based on the principles of: (i) restoring the regulatory role of the State; (ii) returning private initiative to its role as the driving force in growth and development; and (iii) achieving the broadest possible consensus of all participants at multiple levels.

313. To promote the public-private partnership, the Government submitted to Parliament for adoption four draft laws on: (i) the transformation of public enterprises; (ii) State divestment; and (iii) application of the provisions governing public enterprises and public entities.

314. In conjunction with these draft laws, a study has been conducted on the reclassification of the public enterprises eligible for transformation into public entities or commercial companies, and forwarded to the Government for adoption.

315. In addition, the studies on the restructuring strategies for several target enterprises are being prepared. These studies are based on the principle of promoting public-private partnerships, and concern GECAMINES, the RVA, the SNCC, ONATRA, LAC, City Train, COHYDRO, SNEL, REGIDEO, and the OCPT.

2.2.2.3. Improve financial intermediation and promote microfinance

316. The Government has carried out a vast program of reforms of the national financial sector in order to ensure that this important sector of the economy plays its true role in financing growth and poverty reduction. Despite these efforts, the banking system is experiencing a problem with the dysfunctional nature of the financial intermediation function in terms of financing medium- and long-term loans. Furthermore, access to credit and/or production factors, one of the effective means of bringing the poor into economic channels, still remains quite difficult.

317. The vision in the banking and microfinance sector is to establish, by 2010-2015, an efficient national payment system in which transactions take place rapidly and favor the circulation of capital within the country or to foreign countries.

318. The objective pursued is to consolidate and modernize the mechanism for the conduct of monetary policy so as to ensure price stability and improve the penetration of banking services in the Congolese economy. The priority actions advocated are: (i) relaxation of the conditions to be met for creating banks, whose minimum capital has been set at US\$1.5 million; (ii) building the purchasing power of the national currency through a prudent monetary policy and broadening of the money market; (iii) continued actions to restructure bank and nonbank financial institutions, recapitalize the Central Bank, and create a financial market buttressing a diversified and efficient payments system; (iv) introduction of special incentive mechanisms for networked banks in terms

of the tax system, the allocation of foreign exchange, etc.; (v) redeployment of the Central Bank throughout national territory, expansion of the investment code benefits to investors in the banking sector, and implementation of policies providing incentives for the creation of banks near where people live; and (vi) the modernization of computer and telecommunications equipment.

2.2.2.3. Promote employment

319. One of the most pressing challenges that the Government must address is the adoption of policies that will enable the economy to absorb the youths arriving on the labor market. The problem is particularly acute owing to the rapid increase in the population of working age in conjunction with the severe job shortage. Raw data indicate that the working age population in the DRC, that is, those between the ages of 15 and 63, is 80 percent of the total. This category is engaged in agricultural activities in small family farms and the informal sector.

320. The overall objective is to promote employment for all and to increase the incomes of the people in order to improve their living conditions.

321. To reach this objective, the Government's strategy revolves around the four following priority axes: (i) development of the national policy on promoting jobs and vocational training; (ii) building the capacities of the institutions and public and private organizations responsible for promoting jobs and combating poverty, so that these bodies will become capable of playing a role in promoting employment both centrally and decentrally (social partners and civil society stakeholders); (iii) equitable expansion of job opportunities and opportunities for income-generating activities for the poor; and (iv) strengthening of the existing social protection systems and their extension to workers in the informal economy and their families.

Box 30: Actions taken in the employment sector

The Government has prepared a sectoral strategy for employment in keeping with the recommendations made by the Summit of Heads of State of the African Union held in Ouagadougou from September 3 to 9, 2004, following which a National Action Plan to Promote Employment and Combat Poverty was drawn up and adopted in 2005.

In 2002, the Government also adopted, using a participatory process, a comprehensive Job Creation Program known by its French acronym PROCER. A decree on the creation and operation of this program was signed in 2005. The program is the operational tool for the National Action Program to Promote Employment and Combat Poverty.

322. **Develop the national policy on promoting employment and vocational training.** The Government undertakes to take the following actions: (i) define the priorities and objectives of the employment and vocational training policy; (ii) organize and conduct workshops to prepare and validate the national policy paper on employment and vocational training; and (iii) strengthen the legal framework as well as social dialogue mechanisms.

323. Build the capacities of the institutions and public and private agencies charged with promoting employment and combating poverty. The Government will take the following actions: (i) assess the needs for vocational skills, and revise and/or develop plans aimed at enhancing the capacities of stakeholders (Ministry of Labor, NGOs, civil society organizations, and workers' and employers associations); (ii) equip and finance the structures responsible for promoting employment; (iii) organize information and training workshops on jobs; (iv) establish an ongoing national database on employment and poverty; (v) promote research and the gathering and analysis of data on employment and poverty; and (vi) create an environment conducive to institutional vitality.

324. **Expand pro-poor job opportunities and income-generating activities on an equitable basis.** The Government's efforts will be focused on: (i) the development of various subsectors, in particular in the areas of agriculture, rural development, construction, and the environment, with a view to improving skills to create greater possibilities and equal opportunities for men, women, and youths to find suitable employment; (ii) promoting cooperative entrepreneurship, including formulation of the program to create decent rural and peri-urban employment and self-employment; (iv) promote labor-intensive approaches and methods, and disseminate them to the administrations, in particular in the context of executing reconstruction works and sectoral projects; (v) introduce microcredit for financing micro, small, and medium-sized enterprises; (vi) promote employment and vocational training, including by establishing training, education, and employment programs and projects in favor of disadvantaged groups, with due regard for gender (youth, women, the disabled, etc.); and (vii) strengthen the partnership with the private sector.

325. **Strengthen the existing social protection systems and extend them to workers in the informal economy and their families.** The Government undertakes to take the following actions: (i) reform of the current social security system by developing the legal framework for operation of mutual associations and encouraging decentralized and innovative social security systems; and (ii) promotion of professional security and health coverage for vulnerable workers, in particular those engaged in the agricultural sector and the informal economy.

Pillar 3: Improve access to social services and reduce vulnerability

326. After thirty years of conflicts and poor governance, the social situation in the DRC, like its economy, is in the doldrums. Indeed, the health and education systems, and those for access to drinking water and a healthy environment, when coupled with nonexistent social protection, mandate energetic, urgent, and balanced actions. The rehabilitation of basic infrastructures and the restoration of quality services to a growing population call for the establishment of an aggressive policy in the sector in partnership with community organizations, NGOs, religious groups, and civil society, which are already extensively involved in this sector.

327. The Government's objective in this area is to restore and exceed by 2015 the performance levels achieved before the crisis. Forthright steps must be taken in particular in the areas of education, health, social protection, water supply, and sanitation.

328. Access to basic services should be considered from a twofold perspective: the availability of high quality services, and effective access to those services within the limit of the financial possibilities or purchasing power of the beneficiary population groups. The actions to be taken by the Government and its partners will address these dual requirements. Of necessity, this entails the establishment of suitable social safety nets in favor of the poorest.

3.1. Education

329. The general objective pursued in this sector is to establish, in the short term, a legal and regulatory framework conducive to achieving the Millennium Development Goals (MDGs). This basically entails revision of the framework law on national education which proclaims free and mandatory basic education, and the State's obligation to ensure on a priority basis its operation, a strengthened public-private partnership, the decentralization of management, and language policy, as well as components associated with social linkages and ethics.

Box 31. Actions taken in the education sector

To promote the educational system of the DRC in keeping with the vision represented by the MDGs, the Government has taken the following measures: (i) the rehabilitation of 140 schools selected in the social component of the PMURR; (ii) finalization of the Status Report on the National Educational System (RESEN) and adoption of the preliminary draft action plan for the Education For All (EFA) program; (iii) implementation of the program for quarterly allocation of funding for the operating costs of publicly administered primary and secondary schools, so as gradually to reduce the tuition fees paid by parents; and (iv) preparation of the Education Sector Support Project (PASE) financed by the AfDB and the Congolese Education Sector Support Project (PARSEC) financed by the World Bank.

A. Education Sector Support Project (PASE). The aim of this project is to contribute to the reconstruction of the Congolese educational system with a view to achieving the objectives of the Education For All (EFA) initiative, through support for the preparation of sectoral reforms and the building of institutional capacities in the planning and management areas. With financing of UA 5.23 million, PASE includes four components, namely: (i) support for the preparation of sectoral reforms; (ii) introduction of a management information system for education; (iii) institutional capacity building in the areas of planning, training, and instructional management; and (iv) project management. At present, PASE is fully in the activation phase. Disbursements have reached about 17 percent against commitments estimated at 69 percent in May 2006.

B. Congolese Education Sector Support Project (PARSEC). Financed by a grant of US\$130 million from the World Bank, the objectives of this project are to: (i) halt the deterioration of the Congolese educational system in providing essential services at the primary education level; and (ii) lay the groundwork for ensuring the financing and sustainable development of the sector. PARSEC has four components: (i) increasing access and enhancing equity in primary education; (ii) improving the quality of primary education; (iii) building the institutional and financial capacities of the education sector; and (iv) project management.

As it is concerned about the rehabilitation of the educational system, the Congolese Government is now in the process of finalizing the documentation needed to hold the meeting of the IDA Executive Board which will review the conditions for activating the project.

330. To this end, specific actions are envisaged in respect of universal primary education, secondary education, higher and university education, nonformal education, and the streamlining and strengthening of educational system management.

3.1.1. Universal primary education

331. The objective is to increase the gross enrollment ratio from 64.1 percent in 2006 to 80 percent in 2008 and to 100 percent by 2015. In terms of equity, the aim will be to reduce the enrollment gap between boys and girls by half.²⁵ It will also be necessary to determine the associated measures that can simultaneously improve the enrollment profile and internal efficiency in primary education.

332. **Universality and equity.** The Government intends to take the following actions: (i) adjustment and systematic application of class size at 40 pupils;²⁶ (ii) systematic practice of the dual-shift system in urban and peri-urban areas; (iii) use of the multigrade system in rural areas beginning in the 2008/2009 academic year; (iv) annual rehabilitation of 10 percent of classrooms, and outfitting them with school furniture;²⁷ (v) organization and development of special programs at the primary school level for children who have never attended school or who dropped out before the fourth year of school; (vi) organization of apprenticeships and vocational training for youths who have not attended school so as to integrate them into production channels; (vii) introduction of local languages as the language of instruction at the basic level, with appropriate adjustments in the methodology for assessing educational gains; (viii) gradual

²⁵ The gross enrollment ratio of girls is expected to increase from 56.2 percent in 2006 to 75.6 percent in 2008. In turn, the gross enrollment ratio of boys would rise to 83.9 percent in 2008 as compared to 72.3 percent in 2006.

²⁶ EFA Action Plan, p. 46.

²⁷ DRC Ministry of Primary and Secondary and Vocational Training (EPSP), *Annuaire statistique* [statistical yearbook], 2001-2002, Table 6, Kinshasa, August 2005.

assumption of the incentive fees paid by families; and (ix) continuation of the information and awareness campaign to familiarize parents and communities of the benefits of educating all children, a program carried out in cooperation with development partners.

333. **Quality.** The regulatory and instructional measures envisaged to improve system quality and achieve these objectives include: (i) strengthening the instructional supervision of teachers by recruiting additional teachers;²⁸ (ii) establishing school canteens (nutritional aid); (iii) distributing basic textbooks to pupils; (iv) building capacities through continuing training and retraining of teachers; (v) providing furniture to the schools; and (vi) providing instructional materials to all public primary schools.

3.1.2. Secondary education

334. **The objective is to broaden the base of secondary school to enable more students to complete eight years of study, restrict access to the second cycle, and improve the quality of instruction.** The gross enrollment ratio (and principally that of girls) is expected to increase from 23 percent to 33 percent by 2015, thanks to the following actions: (i) maintenance of the current rate of transition from primary school to the first cycle of secondary school, so that all children can receive eight years of schooling; (ii) improvement in the school guidance system so as to identify individual potentials and focus on tapping them fully later on; (iii) gradual refurbishment of 4,936 classrooms beginning in 2007, at the rate of 25 percent a year; (iv) an increase in class size from 30 to 40 pupils per class to make it possible gradually to reduce the number of secondary schools and thereby free the resources needed to improve the physical environment of the facilities; (v) reduction in the grade repetition rate from 20 percent to 16 percent by 2008 and 10 percent by 2015; and (vi) the development of technical and vocational education to train skilled midrange supervisors.

3.1.3. Higher and university-level education

335. **The objective is to provide quality education to all students of the universities and advanced institutes, to promote research and development in order to match scientific and technological training with the socioeconomic requirements of the company, and to identify priority subsectors to be professionalized.** The main activities planned to this end concern: (i) adaptation of the supply of education to social demand, taking the socioeconomic realities of the country into account; (ii) a 30 percent increase in rural girls' access to higher and university-level education by 2015; (iii) the construction of five university campuses by 2015 (Kindu, Mbuji Mayi, Goma, Kabinda, and Mbandaka) and the rehabilitation of the existing universities and advanced institutes; (iv) utilization of access to higher education through distance learning; (v) awarding selective scholarships to enable the children of poor families, and especially girls, to gain access to advanced studies; (vi) increase in the number of qualified faculty, in accordance with a continuing and doctoral training plan; (vii) improved working conditions for academic and scientific staff; (viii) improvement by 2008 in the scientific and administrative supervision ratio; and (ix) introduction of a credible instruction quality control system.

3.1.4. Non-formal education

336. **Literacy training.** The Government undertakes to develop a national literacy training policy with the objective of significantly reducing the gap between the literacy ratios of men and women by 2015.

²⁸ The latter must be compatible with the pupil/teacher ratio.

337. **Apprenticeship and vocational training of youths who have not attended school.** The objective is to significantly reduce, by 2015, the proportion of children (and especially of girls age 8 to 14) who are outside the formal schooling system. To meet this objective, the Government undertakes to organize and develop special primary school programs benefiting children who have never attended school or dropped out before the fourth year of primary school. This will make it possible to improve the basic education enrollment ratio. In addition, efforts will be needed to organize apprenticeships and vocational training for youths outside the formal system with a view to integrating them into productive activities.

3.2. Health

338. The strategy for the recovery and revitalization of the health sector involves the rehabilitation and establishment of new health facilities (hospitals, health centers, pharmacies, etc.) close to where people live, the development of human resources through basic and in-service training, improved working conditions for health personnel, the supply of basic pharmaceutical products, and the outfitting of hospitals, health centers, and university clinics.

339. Improving the health of the people is at one and the same time an economic and social, development, and poverty reduction objective. To bring this about, the aim pursued is to provide high quality primary health care to the entire population, and to vulnerable groups in particular, and to combat the major pandemics such as HIV/AIDS, malaria, tuberculosis, onchocerciasis, human African trypanosomiasis, etc.

340. The outcomes anticipated thanks to improving the quality of health services should result in a reduction in infant mortality to 104 per thousand in 2007 and 98 per thousand in 2008 from the 2006 level of 111 per thousand. The maternal mortality level should also decrease by 2008 to 944 per 100,000 live births, as against 1,276 in 2006. The percentage of assisted childbirths is projected to increase to 75.2 percent from the 2006 rate of 61.6 percent. Finally, vaccination coverage would improve to 40 percent in 2008 as compared to 29.6 percent in 2006.

341. To achieve this, the Government has decided in the short term to pursue three strategic axes which may be summarized as follows: (i) the development of health zones; (ii) reorganization and institutional support of the intermediary and central levels; and (iii) the supply of medications and specific inputs.

Box 32. Actions taken in the health sector

Since 2001, the Government has taken significant actions in keeping with the priority objectives for the health sector. These include in particular:

- Development of policy lines and strategies emphasizing primary health care and specialized programs;
- Increase in the number of Health Zones from 306 to 515, so as to provide the administrative framework necessary for implementing the health care network and improving the geographical availability of services;
- Definition of functionality standards for the Health Zones and the contents of activity clusters;
- Decentralization of the health system, imparting autonomy to the Health Zones;
- Support for specialized programs, in particular regarding HIV/AIDS, malaria, and tuberculosis;
- Gradual increase in the budget allocated to the health sector;
- Institutional capacity building at the provincial and national levels;
- Completion of the Health and Poverty Status Report (RESP), which made it possible to take stock of the sector and initiate dialogue on health problems in the context of the PRGSP;
- Preparation and implementation of the Health Sector Rehabilitation Support Program (PARSS), with support from the World Bank;
- Breakdown of the health budget by province, district, Health Zone, and function;
- Distribution of the itemized health budget to the health managers in the EADs;
- Taking stock of the status of the needs of health service providers so as to improve the effectiveness of the budget allocation process in future fiscal years;
- Prohibiting the province- and district-level Medical Inspectors from drawing against the health centers and hospitals for the operating costs of the intermediate and central levels of administration, so as to ensure that health services are more accessible to the poor, while ensuring that the State budget supports the staff operations of the Ministry of Health.

3.2.1. Development of health zones

342. The primary focus of the strategy for strengthening the health care system is the development of health zones. This effort is aimed at improving the functionality of hospitals and health centers with a view to providing quality health care to the people.

343. The priority actions to be undertaken in the short and medium terms target: (i) the development of integrated leadership at the health zone level (supervisory team for each health zone); (ii) promoting the development of human resources; (iii) streamlining the operations of the health care facilities; (iv) improving the health care coverage of the health zone as well as the quality of care; (v) promoting partnership with the grassroots communities in the implementation of the health policy; (vi) financing health care services that are accessible to users; and (vii) strengthening the intrasectoral and intersectoral partnership of the health zone by including religious groups and the NGOs.

3.2.2. Strengthening at the intermediate level

344. Strengthening at the intermediate level is dependent on the province- and district level Medical Inspectorates. These entities will be equipped and rehabilitated in order to be able to provide efficient supervision of the health zones. The following actions are contemplated in this connection: (i) definition of the functions of each of the two levels; (ii) institutional support in terms of rehabilitation and outfitting; and (iii) improvement of the normative framework.

3.2.3. Streamlining at the central level

345. The need to bring priority health problems under control mandates streamlining at the central level in order to enable it to play its normative role efficiently. The aim of the streamlining effort will be to configure this level in a way that genuinely addresses the needs identified outside the capital as regards the operation of the health zones.

3.3. Water supply and sanitation

346. The DRC must manage to mobilize its immense water resources, ensure that drinking water is safe, and distribute it to the people. Reconstruction of the water and sanitation sector constitutes one of the highest priorities of the Poverty Reduction Strategy (PRS). Such reconstruction will be a particular focus of the Government so as to make available to the public a daily amount of water that meets norms and provide a healthier living space.

347. The aims for the sector are to: (i) increase access to safe drinking water from 22 percent of the population in 2005 to 26.9 percent in 2008 and 49 percent by 2014; and (ii) increase access to sanitation from 9 percent of the population in 2005 to 15 percent in 2008 and 45 percent by 2015.²⁹

Box 33. Main donors involved in the water supply and sanitation sector

The water supply and sanitation sector is the focus of a number of donors through projects and programs associated with the Millennium Development Goals (MDGs). The main donors involved in this sector are: (i) the Directorate-General of Cooperation and Development (DGCD) of Belgium; (ii) the German agency Kreditanstalt für Wiederaufbau (KfW); (iii) the Agence Française de Développement (AFD); (iv) the African Development Bank (AfDB); (v) the World Bank; (vi) UNICEF; and (vii) the European Union. The AfDB, the DGCD, and UNICEF have concentrated their investment on rural water supply, while the EU, the KfW and the AFD are focusing on the urban sector.

348. Initially, the focus will be on rehabilitating existing infrastructures, facilitating the broadest possible access, enhancing the capacities of water production units, improving the management of water points by promoting grassroots and private sector participation, strengthening the existing sanitation programs, and extending them nationally.

349. The activities to be carried out will include: (i) reforms in the water and sanitation sectors; (ii) conducting inventories of the water needs of the urban and rural populations; (iii) drafting the Water and Sanitation Code, with emphasis on the issues of integrated water resource protection and management, definition of the roles of private operators in the sector, and clarification of areas of action: large and medium-sized cities, small peri-urban centers, and rural areas; and (iv) the creation of a water and sanitation development fund.

350. Accordingly, in the medium term, the programs for the urban and peri-urban water supply subsector for 2006-2015 include the following: (i) execution of the REGIDESO Ten-Year Plan and the Water Supply Master Plan for Kinshasa; (ii) opening the water supply and sanitation sector to initiatives on the part of civil society, private operations, the NGOs and other associations, and the beneficiaries themselves; and (iii) implementation of the Sanitation Master Plan for the city of Kinshasa.

351. In peri-urban and rural areas, autonomous community-level management systems will be established in the context of the decentralization and rural development policy, as will participation by local civil engineering firms (SMIs). These policies will be buttressed by research and the promotion of appropriate technologies, alongside the dissemination of best practices of grassroots management of autonomous installations. A plan for the gradual introduction of borewell units in the 26 provinces will be studied with a view to speeding the access of residents in outlying areas to safe drinking water.

²⁹ Projection of the indicators in the sector is a function of the cycle of the sectoral projects, which run from three to five years. It is therefore difficult to predict improvement in the indicators before the end of the period under review. Consequently, it may not be possible to observe the effects of the strategy until 2009 and thereafter.

352. A training program will be developed in order to enhance the operational capacities of technicians in the sector as well as health personnel from the zone, including sanitary engineers, extension personnel, and small operators in the sanitation field.

353. In order to promote the participation of the people in creating and managing water supply infrastructures, a water and sanitation development fund will be created.

354. In the sanitation subsector, the focus will be on: (i) equipping and establishing commune- and territorial-level sanitation squads under the National Sanitation Program (PNA); and (ii) promoting the participation of women in management and decision-making in the preparation of the development programs of the water and sanitation sector in rural areas.

3.4. Urban poverty

355. The strategy for urban poverty reduction will entail linking the urbanization of the city with the provision of quality basic services (health care, education, drinking water, electricity, sanitation, decent housing, etc.).

356. The aim of the DRC in respect of urban planning is to overcome the housing shortage in the country's major urban centers, and is part and parcel of the poverty reduction effort and work to achieve the MDGs. It will also entail associating urban planning with basic social services.

357. To achieve this, the Government has decided to pursue three strategic axes which may be summarized as follows: (i) improving the living conditions of city dwellers by ensuring: (ii) improved urban management and increased accountability and transparency, with particular emphasis on: (iii) rectifying the shortage and poor quality of housing.

3.4.1. Improve the living conditions of the urban population

358. The following actions are contemplated: (i) reduction of the shortage of roads; (ii) access to decent housing on the part of the people; (iii) evacuation and treatment of solid and liquid waste; (iv) evacuation of household waste water; (v) public education and awareness-raising on public health problems; (vi) improving supply conditions by broad coverage of supply points.

3.4.2. Improving town planning and enhancing accountability and transparency

359. The following actions are contemplated: (i) effective tax sovereignty of urban areas; (ii) organization of municipal tax collection; (iii) increasing the accessibility of transport services; (iv) increasing the number of social facilities; (v) organizing and supervising the informal sector; and (vi) the production of new town planning for the major and medium-sized urban centers.

3.4.3. Overcome the shortage and poor quality of housing

360. The following actions are contemplated: (i) restructuring of the housing sector and the development of new sites (Ministry of Urban Planning); (ii) drafting of legal and regulatory provisions on leasing; (iii) creation of a housing bank and introduction of a system of bank credit for housing promoters and real estate developers, etc.; (iv) quantity and quality housing production by 2030 (MDG 7: bullet 11); and (v) enhancing the viability of urban lots.

3.5. Social protection

361. The policy objectives in the social protection sector are to: (i) improve the social standing of vulnerable persons; (ii) facilitate the access of all to basic social services;

(iii) implement wealth creation programs adapted to the situations of the various target groups; and (iv) promote development at the grassroots level.

Box 34. Actions in the social protection area

To fulfill its vision in this area, the Congolese Government has prepared an Emergency Standard of Living Project (PUACV) to be financed by US\$82 million from the World Bank. Its objectives are to: (i) support mid-sized urban centers through the restoration of and access to basic services; (ii) support the province centers through the stabilization and strengthening of socioeconomic conditions and contributing to the revitalization of economic activities by making priority investments; (iii) reduce the extent to which isolated areas are cut off by reconditioning and maintaining 600 kilometers [of roads]; and (iv) support provincial institutions by providing basic training, purchasing supplies and equipment, and funding minimum rehabilitation of office premises.

Going beyond this project, since October 2005 the Government has had a National Social Protection Support Program (PNPS) created by presidential decree. The objectives of this program are to: (i) improve the social status of vulnerable persons; (ii) facilitate access by the poor to social services, infrastructure, and basic equipment; (iii) implement programs for wealth creation focusing on target groups, in particular through microfinance efforts; and (iv) promote development at the grassroots. To this end, the following strategic axes have been defined: (i) enhancing the capacities of the social protection structures and stakeholders; (ii) the social, economic, and professional reintegration of vulnerable individuals on the basis of programs and projects targeting each category thereof; (iii) improving the access of vulnerable groups to basic social services; and (iv) community assumption of efforts to assist vulnerable groups.

362. Accordingly, the Government's priority actions will be focused on four target groups, namely: (i) women and vulnerable children; (ii) disabled persons; (iii) the elderly; and (iv) displaced persons and refugees.

363. **Vulnerable women and children.** The following actions will be carried out: (i) effective implementation of the sector policy as regards the United Nations agreements on the protection of child victims of the conflict and HIV/AIDS; (ii) improvement in the socioeconomic conditions of the families of vulnerable children; (iii) reintegration of vulnerable children into the formal or non-formal education channels; (iv) socioprofessional reintegration of female and child heads of household; (v) support for the food and nutritional support of families with vulnerable children; (vi) rehabilitation of malnourished children; (vii) targeted support for children with life-threatening disabilities and for their education; and (viii) assumption of the psychosocial, medical and health-related, legal and judicial concerns of victimized children and those born of sexual violence, as well as of their communities.

364. **Disabled persons.** The following actions are contemplated: (i) establishment of a national and grassroots-based readjustment program; (ii) improvement in the economic and social standing of disabled persons, and combating the prejudices against them; (iii) promotion of education and training for the disabled; and (iv) improvements in the health and mobility situations of persons with disabilities.

365. **The elderly.** The following actions are contemplated: (i) improvement in the care system for the elderly; (ii) promotion of vocational retraining for retirees; and (iii) offers of guaranteed physical and spiritual growth of the elderly.

366. **Displaced persons and refugees.** The activities to be carried out will include: (i) the return and/or reintegration of harmed individuals; and (ii) socioeconomic rehabilitation of harmed persons. A National Commission for the Rehabilitation of Victims (CNRS) will be established for this purpose.

367. In general, the State will encourage and support the implementation of formal and informal social safety nets, especially promoting access to mutual health associations and other solidarity-driven structures. These actions will be taken while continuing the recommended reforms in respect of: (i) the national strategy for social protection of vulnerable groups; (ii) gender inclusion strategies for development policies and programs; and (iii) combating violence against women and girls.

3.6. Culture, science, and access to universal technology

368. The Government's vision in this sector involves: (i) instilling a culture of good citizenship and democracy with regard to the collective well-being, reflected in the pursuit of the general interest, the hallmark of sustainable development; (ii) guaranteeing freedom of expression, leading to good governance that promotes social mobilize in support of development objectives in order to ensure the flourishing of democracy through broad participation by the public in management of the commonweal; (iii) achieving complete national coverage by the basic post and telecommunications services, supported by a high-performance industry in new services areas, particularly the spread of the internet in secondary schools and universities; and (iv) making use of appropriate technologies and the positive externalities of globalization to address poverty reduction issues.

369. The Government will emphasize the establishment of an environment conducive to the flourishing of Congolese music and art, and to the promotion of science and technology as the underpinning and vector for sustainable development.

370. The strategic axes defined to this end are: (i) providing the Culture, Science and Technology, Press and Information, and Post and Telecommunications sectors with legislation and organizations that are consistent with the sociopolitical development of the country; (ii) extending the national coverage of basic services; (iii) eliminating backward thinking and customs with respect to the image of women; (iv) protecting intellectual property rights and copyrights and establishing an active partnership with the private sector, civil society organizations, and the international community; (v) establishing the infrastructures needed for the development of research and for the expression and expansion of the musical sector; and (vi) financially and technically supporting researchers, artists, and musicians.

Pillar 4. Combat HIV/AIDS

371. The HIV/AIDS epidemic in the DRC has a prevalence of 4.5 percent, or 2.6 million persons, in 2004. This worrisome situation is further reflected in the 14-19 year age group, where the incidence is 3.6 percent, or 2 percentage points higher than the WHO norm (1.6 percent).

372. Cognizant of this finding, the Democratic Republic of the Congo undertakes to fight a relentless battle against the pandemic so as to protect its population and persons infected and affected by HIV/AIDS. The objective is to contribute to the country's development by slowing the spread of HIV and reducing its impact on individuals, families, and communities in the overall context of poverty reduction. More specifically, the efforts to be carried out over the next three years will be focused on stabilizing the trend of the epidemic, improving the living conditions of PLWHAs, and attenuating the impact of the epidemic on development.

373. The specific objectives identified are to: (i) reduce the transmission rates of HIV and STIs among the people, particularly among women and youths; (ii) speed up treatment and improve the quality of life of persons living with HIV/AIDS; (iii) attenuate the negative socioeconomic impact of HIV/AIDS on individuals, families and communities, and strengthen the

mechanisms for coordinating all stakeholders and partners involved in the fight against HIV/AIDS as well as the monitoring and evaluation of the activities carried out.

374. The interventions concern the population in general, and, in particular, the vulnerable and at-risk groups such as: women, youths, sex workers, men in uniform, truck drivers, air carrier employees, traffickers and artisanal miners in precious substances, displaced persons, and those more vulnerable to infection. Particular attention will be devoted to the vulnerability factors which expose the target groups to STIs and to HIV/AIDS. Holistic care interventions and impact attenuation efforts will target PLWHAs and affected persons (widows, orphans, etc.).

Box 35. Actions taken in the fight against HIV/AIDS

The following actions have been carried out: (i) promotion of condom use among vulnerable groups (social marketing and targeted distribution); (ii) transfusion and injection safety for the prevention of HIV, by establishing Blood Transfusion Centers in the major urban areas and Blood Banks in the hospitals; (iii) integration of the fight against HIV/AIDS in the workplace and the school/academic environment; (iv) covering the costs of ARV drugs; and (v) prevention of mother-to-child transmission (MCT).

375. To reduce and control the propagation of HIV/AIDS, the Government will establish an aggressive policy for the sector, with its core focus on prevention. The aim will be to reduce the rate of transmission among all parts of the sexually active population. Prevention also includes mother-to-child transmission. The other axes of the strategy pertain to: (i) speeding up treatment and improving the quality of life of persons living with HIV/AIDS; (ii) attenuating the socioeconomic impact of HIV/AIDS on the community and on persons infected and affected by HIV/AIDS; and (iii) strengthening national coordination as well as monitoring and evaluation at all levels.

4.1. Prevent and stabilize the transmission of HIV and STIs

376. The interventions envisaged are: (i) mobilization of communities to convince them to change behavior in respect of vulnerability factors (prostitution, failure to use condoms, early sexual relations, etc.); (ii) promotion of counseling and voluntary screening to enhance awareness of individual vulnerability and early care of PLWHAs; (iii) proper treatment of cases of sexually transmitted infections to reduce HIV transmission factors; (iv) prevention of mother-to-child transmission of HIV; (v) condom programs (social marketing and targeted distribution) among vulnerable groups; (vi) enhanced access by adolescents and youths to information on HIV/AIDS prevention; (vii) safety with transfusions for the prevention of HIV through the establishment of blood transfusion centers in the major population centers and blood banks in the hospitals; and (viii) reduction of the risks of HIV transmission by the distribution of Post-Exposure Prophylaxis (PEP) kits to women, and particularly to victims of sexual violence.

4.2. Speeding treatment and improving the quality of life of persons living with HIV/AIDS

377. The focus in this regard will be on developing the capacities of the personnel and structures providing medical and psychosocial care for persons living with HIV, this through: (i) strengthening laboratory capacities to diagnose HIV infection and the opportunistic infections associated with AIDS; (ii) building laboratory capacities with regard to the biological monitoring of persons being treated with ARV medications; (iii) treating eligible PLWHAs with ARVs; (iv) covering the medical treatment of opportunistic infections; (v) training care givers in the treatment of PLWHAs; and (vi) training personnel to improve adequate and professional psychosocial care of PLWHAs.

4.3. Attenuate the socioeconomic impact of HIV/AIDS on the community

378. The following actions are contemplated: (i) support for the complete assumption of care costs for orphans and vulnerable children (education, medical costs, food supplements); (ii) support for the foster families of orphans and vulnerable children (socioeconomic support); (iii) combating social stigma and discrimination; (iv) inclusion of the fight against HIV/AIDS at the workplace and in the school/academic environment; and (v) improving the legal framework for the protection of PLWHAs.

4.4. Building the coordination and monitoring and evaluation capacity at all levels

379. Strengthened coordination of the implementation of the HIV/AIDS strategy is an essential condition for the concerted implementation of the priority axes and actions identified. The existence of multiple stakeholders in the sector suggests the need for a concentration framework and dynamic planning around objectives and action plans agreed with all the partners concerned. The Government will do everything it can to revitalize the National Multisectoral Commission to Combat AIDS (CNMLS) so that it can provide renewed leadership for the implementation of the strategy. In addition, the National Multisectoral Program to Combat AIDS (PNMLS) will need to play its true coordination role, fulfilling the spirit and the letter of the mandate it has received in the fight against HIV/AIDS. The PNMLS will need to establish an environment conducive to concertation, planning, financing, executing, and monitoring/evaluating the program to combat HIV/AIDS in synergy with all the other stakeholders in the sector, so as to achieve the objectives set for programs and to avoid duplications while maximizing resources.

Pillar 5: Promote local initiatives (dynamique communautaire)

380. The 40 years of conflict and poor governance, together with the glaring absence of decentralized State structures, have created a void that grassroots organizations have filled in order to ensure the survival of communities through income-generating activities, support for the financing of education, and the creation of health associations and solidarity groups. The participatory grassroots consultations corroborated this finding and reaffirmed the desire of grassroots organizations to participate here and now in the management of the commonwealth, poverty reduction programs, and economic recovery.

381. The Government is well aware of this new climate and of the need henceforth to involve grassroots organizations in the process of consolidating peace and economic development in the country, and is firmly committed to promoting this community dynamic, which has been inscribed as one of the key pillars of the PRGSP for its implementation at all levels.

382. The decentralization policy espoused by the State reflects the Government's will to create the optimum conditions for organized participation by grassroots organizations in the definition of sectoral policies, the planning of the poverty reduction programs which concern them directly, and the implementation of those programs.

383. The general objective of such grassroots participation is to achieve decentralized implementation of the poverty reduction strategy at the local government level, thus making ownership of the strategy more likely.

384. The specific objectives to be achieved in the short, medium, and long terms are: (i) the participation of grassroots organizations in planning and decision-making; (ii) the promotion, emergence, and legal recognition of community development organizations; (iii) strengthened intervention capacities on the part of the community development organizations: project planning,

management, and monitoring and evaluation; and (iv) strengthened capacities for supporting grassroots initiatives, with particular attention to the initiatives of women and youths.

385. To achieve this, the Government plans to include in its decentralization policy, and in the preparation of socioeconomic development programs and policies, practical modalities for the organized and concerted participation of grassroots organizations. In addition, to bolster this dynamic, the Government will introduce appropriate mechanisms for the financing of community development efforts (a community development fund).

386. The Government also intends to tap the positive experience of the MIDA program (Migration for Development in Africa) of the International Organization for Migration (IOM) so as to promote the transfer of skills and resources (both intellectual and financial) from the national diaspora to benefit the country in general, and the local initiatives in particular. To this end, a National Migration for Development Program will be initiated.

Chapter 4: Implementation, Monitoring, and Evaluation of the PRS

4.1. Basic principles

387. Aware as it is of the major role the PRGSP must play as a beacon for development policy over the next 25 years, the Government regards the steering and control system for its implementation, monitoring, and evaluation as one of the key factors in the success of the Strategy. Accordingly, this system must be built around instruments and mechanisms that are neutral and clear, and adapted to the multisectoral and multidimensional nature both of the poverty reduction program and of the post-conflict context of the country.

388. For these reasons, the implementation of the Poverty Reduction Strategy of necessity must adhere to two basic principles, those of efficiency and effectiveness. The principle of efficiency calls upon the Government and all stakeholders to undertake efforts to consolidate the bases for sustainable economic growth focused on a cohesive macroeconomic framework. The principle of effectiveness is associated with observance of the notions of proximity, making it happen, transparency, and speed, which can guarantee the success of the implementation, monitoring, and evaluation of the Strategy.

389. **Proximity** mandates that the decision-making related to the implementation of activities under the Poverty Reduction Strategy take place as close as possible to its beneficiaries. To this end, the Government will encourage the emergence of civil society organizations, district-, zone-, village-, and neighborhood-level Development Associations which constitute genuine springboards of initiatives so that the beneficiaries of poverty reduction programs and projects are involved in all decisions concerning their communities.

390. **Making it happen** means that the Government recognizes that implementation of the Poverty Reduction Strategy is not just a matter for official institutions, but also involves local governments and stakeholders from civil society, the private sector, and the NGOs.

391. **Transparency** requires the establishment at the various levels of intervention of a range of mechanisms which guarantee the trackability, visibility, and control of investments. This will be ensured through the media, the publication of reports on the financing status of poverty reduction programs, and the participation of beneficiaries in the process of monitoring public expenditure.

392. **Speed** calls for the adoption of procedures which ensure rapidity and transparency in disbursements and in contract awards and execution. Consequently, the public procurement structures will be restructured, reorganized, deconcentrated, and decentralized.

4.2. Implementation

393. Some of the actions involved in implementing the PRGSP are already underway. Noteworthy in this connection are the reforms undertaken with support from the development partners, particularly at the level of the sectoral programs and the policies associated with administrative, economic, legal, and social governance. Efforts are also being carried out in the context of demobilizing ex-combatants and reintegrating them into civilian life.

394. PRGSP execution will be the responsibility of each sectoral ministry concerned, each in its own area, in partnership with other development partners such as NGOs, the private sector, civil society, and religious groups. These partners will also be involved in carrying out actions in their own areas and sectors of intervention at the national, provincial, and local levels.

395. Implementation of the PRGSP requires a strengthening of the institutional capacities of the State and its nongovernmental partners (NGOs). This capacity-building of the public and private structures involved in PRGSP implementation will be carried out in the context of the actions programmed in Pillar I of the national strategy on good governance, on the assumption that they are efficiently carried out.

4.3. Monitoring and evaluation

4.3.1. Monitoring of the PRGSP

396. Implementation of the Strategy also requires the establishment of an ongoing monitoring system for each of the strategic intervention axes adopted.

397. This implies in particular that: (i) the requisite financing is available for carrying out the priority actions identified; (ii) the planned actions are carried out satisfactorily over time; and (iii) actions not performed or overdue are periodically reviewed and corrected.

398. Monitoring is aimed at: (i) assessing the progress made over time in respect of specific groups and rural areas; (ii) gathering information needed to study the factors which determine or prevent outcomes; (iii) providing decision-makers with information gathered by the statistical services, technical ministries, and beneficiaries themselves about the effectiveness or shortcomings of the measures taken and the corrections to be made in order to achieve objectives. This monitoring will be performed with the help of monitoring indicators identified in advance and approved by all participants in the process.

399. The sources of quantitative data in this connection are: (i) administrative data and data from other institutions; (ii) the population census; and (iii) the various household surveys, namely the consumption budget surveys (1-2-3), the Demographic and Health Survey (EDS), specialized surveys to garner observations and determine satisfaction, as well as targeted and thematic surveys.

400. Qualitative data are focused on the following aspects: (i) the priorities attached by the poor to improving their situation, broken down by gender and other important characteristics of the grassroots community; (ii) the perception of the poor as to the causes and consequences of poverty; (iii) the opportunities that the poor have to improve their lot; (iv) the constraints and obstacles to be overcome in order to improve the situation of the poor; (v) the differences between localities, districts, urban centers, and rural areas; and (vi) the perceptions of the poor regarding access to and the quality of services, infrastructures, and governance at the local level.

4.3.2. PRGSP evaluation

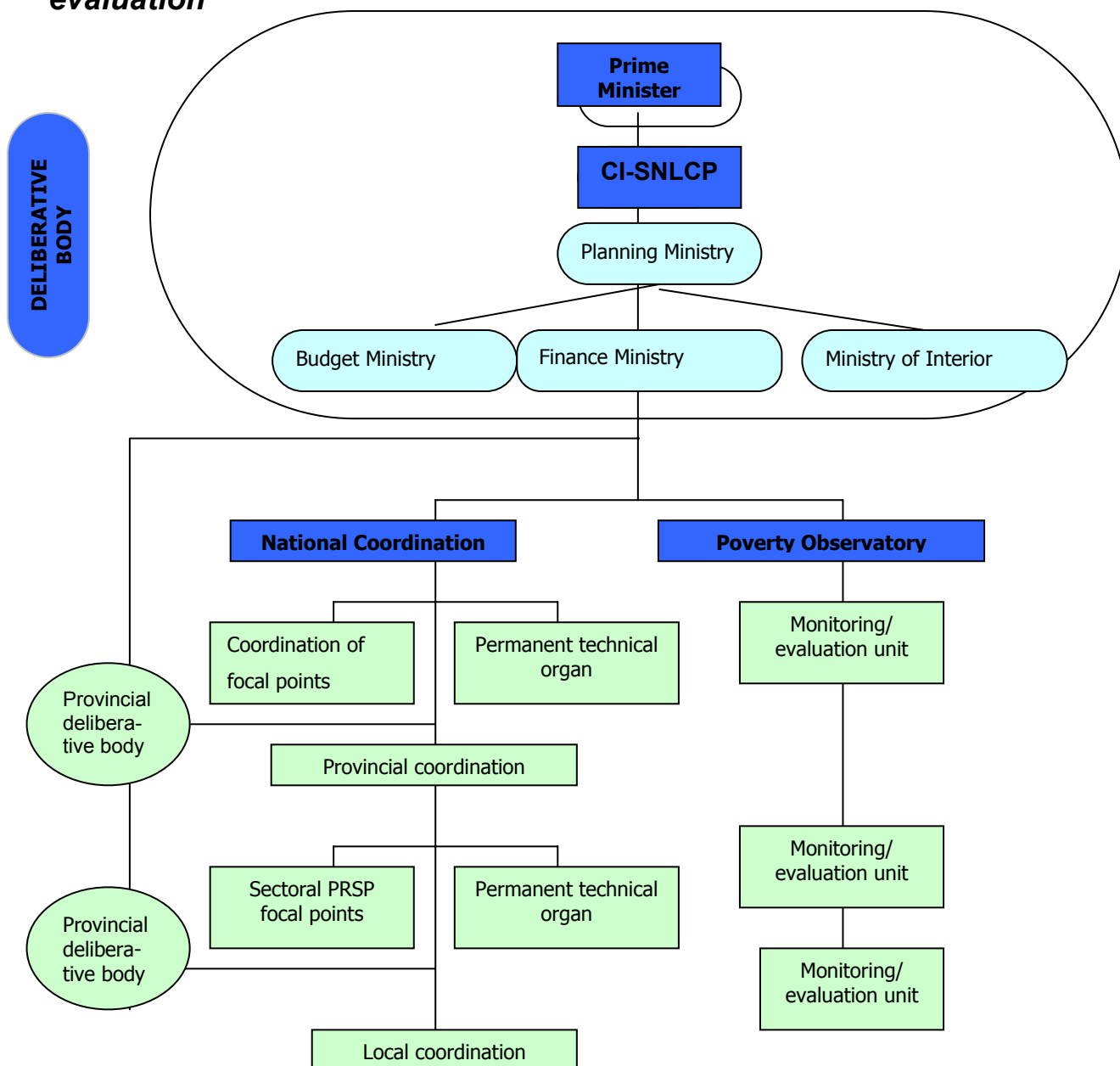
401. Evaluation of the Strategy will entail comparing the results obtained with the objectives initially set, explaining any gaps which may occur, and proposing corrective measures. It will contribute to improving the effectiveness of programs/projects and policies by providing information and proposing adjustments and improvements.

4.4. Implementation, monitoring, and evaluation mechanisms

402. The PRGSP is the sole frame of reference for devising investment programs and sectoral development programs. It will exert a positive influence on the various planning instruments at all levels (national, provincial, and local). The implementation, monitoring, and evaluation of the PRGSP are closely tied to the effectiveness and efficiency indicators. The effectiveness indicators are associated with the institutional framework and structures, whereas the efficiency indicators

are oriented toward strict adherence to the macroeconomic framework defined in Pillar II of this poverty reduction strategy.

4.4.1. Institutional framework for implementation, monitoring, and evaluation



4.4.2. Implementation, monitoring, and evaluation bodies

403. The cohesive implementation of the poverty reduction strategy in the DRC is structured in accordance with the new organization of the State and the empirical structures established for its preparation at both the national and decentralized levels

A. National level

The establishment of PRGSP execution and monitoring/evaluation structures should take account of the current institutional mechanisms for the implementation of macroeconomic and sectoral programs. These are the Interministerial Commission Responsible for Formulation of the Poverty Reduction Strategy (CI-SNLCP), chaired by the Minister of Planning, and the Interministerial Committee Responsible for Monitoring Programs Concluded with International

Financial Institutions (CISPI), chaired by the Minister of Finance. Their roles will be extended and adapted to the requirements of PRGSP implementation.³⁰

Box 36: Mechanisms in place during PEG implementation

The Interministerial Commission Responsible for Formulation of the Poverty Reduction Strategy (CI-SNLCP), chaired by the Minister of Planning and supported by the UPPE-SRP, and the Interministerial Committee Responsible for Monitoring Programs Concluded with the International Financial Institutions (CISPI), chaired by the Minister of Finance and supported by the CTR, implement the measures under the Poverty Reduction Strategy and the Government Economic Program. The Steering Unit for the Poverty Reduction Strategy Preparation and Implementation Process, as the permanent office for coordinating the process, serves as permanent secretariat for the CI-SLCP.

A.1. Prime Minister

404. Implementation will be under the overall authority of the Prime Minister, Head of Government. He will have the primary task of instilling the aggressive and dynamic policies necessary for achieving the overarching objectives of economic recovery and poverty reduction in keeping with the objectives the Government has set in line with Vision 26/25 and the Millennium Development Goals (MDGs).

405. The Prime Minister is the Chair of the Interministerial Commission on Implementation of the National Poverty Reduction Strategy. He is assisted by three Vice Chairs: the Minister of Planning, the Minister of Budget, the Minister of Finance, and the Minister of Interior.

406. He calls and presides over the quarterly meetings of the Interministerial Commission to take stock of: (i) the implementation status of the strategy; (ii) the elimination of constraints which might impede the implementation process; and (iii) any disciplinary measures which may prove necessary.

A.2. Ministry of Planning

407. The Ministry of Planning deals with the physical execution of the PRGSP in close coordination with the sectoral ministries, the development partners, civil society organizations, NGOs, and the private sector. It is the guarantor of the establishment of sectoral policies within each ministry and of the economic recovery and poverty reduction programs and projects in partnership with all development stakeholders. In this context, it works closely with the national coordination structure for PRGSP implementation that is under its purview. The Ministry of Planning is also responsible for coordination with the development partners in connection with PRGSP implementation. In this capacity, it periodically reports to them to take stock of the progress made and problems encountered. In addition, the Ministry of Planning coordinates the

³⁰ In its current configuration, the CI-SNLCP includes, in addition to its Chair (Minister of Planning) and Vice Chair (Minister of Finance), thirty Ministers and Representatives: Interior, Decentralization and Security, Womens and Family Affairs, Justice, Human Rights, Press and Information, Budget, Economy, Industry, Small and Medium-sized Enterprises, Mines, Energy, Civil Service, Agriculture, Rural Development, Scientific Research, Culture and Art, Environment, Land Tenure Affairs, Urban Planning, Health, Higher and University Education, Primary and Secondary Education, Labor and Social Insurance, Social Affairs, Solidarity and Humanitarian Affairs, Gouverneur of the Central Bank, Senior Advisor to the Head of State at the Collège Economique et Financier, and the Executive Office of the Three Vice Presidencies. The Vice Ministers of the above-named Ministers take part in the meetings of the CI-SNLCP with the right to participate in discussions and to vote.

activities of NGOs in respect of development and establishes practical modalities for their organized participation in PRGSP implementation, in particular as regards local initiatives.

A.3. Ministry of Budget

408. The Ministry of Budget is responsible for the budget programming and execution of the actions and projects selected under the MTEF with the sectoral ministries. In this connection and in collaboration with the other CI-SNLCP members, it is responsible for execution of the budget needed to finance the strategy. It ensures effective allocation to the sectors and priorities identified by the Government.

A.4. Ministry of Finance

409. The Ministry of Finance ensures the financial execution of the PRGSP and the mobilization of the own resources of the State and the external resources necessary for the harmonious implementation of the poverty reduction strategy. In this connection, it is the guarantor of compliance with the macroeconomic framework and the implementation of the associated economic and structural reforms.

410. In this connection, the Minister of Finance works in close cooperation with the development partners, in particular with the international financial institutions such as the IMF, World Bank, AfDB, etc. The Ministry of Finance also works with the private sector in respect of its essential role in economic recovery.

A.5. Ministry of Interior

411. The Minister of Interior has primary responsibility for the file on the Decentralized Administrative Entities. He ensures the full involvement of the deconcentrated and decentralized administrations.

A.6. Interministerial Commission on Implementation of the National Poverty Reduction Strategy (CI-SNLCP)

412. The CI-SNLCP is chaired by the Prime Minister assisted by the Ministers of Planning, Budget, Finance, and Interior. It periodically takes stock of the physical and financial execution of the PRGSP in collaboration with the national coordination structure. To this end, it validates and approves the programs and action plans for implementation of the strategy in keeping with the budget timetable, prepares the semiannual PRGSP progress monitoring reports, and deals with the periodic adjustments to be made to the poverty reduction strategy.

413. The commission works in synergy with the Prime Minister, Minister of Planning, Ministry of Budget, Minister of Finance, and Minister of Interior in the context of its periodic concertation sessions with its members in order to impart consistency to the poverty reduction policies, programs, and projects at the national and decentralized levels. A special focus will be taking gender issues into account and gender-aware participation on the commission.

A.7. National coordination structure

414. As a support structure and technical organ of the CI-SNLCP, the national coordination structure is the Government's focal point as regards the implementation and monitoring of the poverty reduction strategy. It is a nimble structure for concertation, partnership, coordination, information, education, and communication (IEC) which assists the PRGSP implementation and monitoring/evaluation processes. In this regard it plays a key role as intermediary between governmental structures, bilateral and multilateral development partners, civil society, NGOs, religious groups, and the decentralized development structures at the local level.

415. Its missions are to: (i) monitor the conduct of the reforms called for in the sectoral and thematic strategies; (ii) monitor the action plans for implementation of the PRGSP and the communication strategy; (iii) ensure the harmonization of the strategies of the external partners and those of the PRGSP; (iv) promote coordination among the various stakeholders at the sectoral level in PRGSP implementation; (v) strengthen the participatory process in development planning, decision-making, and monitoring and evaluation at all levels; (vi) establish a capacity-building program for civil society, the national NGOs, and the local development organizations; (vii) produce quarterly, semiannual, and annual reports on PRGSP implementation and disseminate them widely; and (viii) sponsor evaluations in areas of interest to it, such as: participation, local initiatives, and best practices to leverage experiences.

416. To this end, the coordination office works in synergy with the focal points in the technical ministries, civil society, NGOs, private sector, and sectoral development partners in the spirit of partnership which prevailed during preparation of the PRGSP.

A.8. National Statistics Institute (INS)

417. In partnership with the national coordination structure and with the research and planning directorates of the technical ministries involved in the PRGSP, in particular the Ministries of Planning, Finance, and Budget, the National Statistics Institute is responsible for the establishment of the monitoring and evaluation policy and programs of the PRGSP. At regular intervals, the National Statistics Institute will monitor the major statistical operations such as the national population census, the demographic and health surveys (EDS), the informal sector survey, the household consumption budget survey (1-2-3 Survey), the surveys on the status of women and children (MICS), the agricultural surveys, and the gathering and processing of data for the national file on administrative entities. It will create a databank of files from these surveys and use that databank to produce poverty indicators. It is also responsible for monitoring the collection of data from the producers of sectoral statistics, in particular the Research and Planning Directorates of the various ministries.

418. It will work in coordination with the international development agencies interested in the statistics sector, and will seek technical, material, and financial support with a view to improving the quality of the data produced. The technical support will focus primarily on the introduction of efficient data gathering methodologies, the development of data gathering support mechanisms, and the training of human resources at the central, provincial, and local levels. The National Statistics Institute will ensure the broad distribution of quantified information needed for the monitoring and evaluation process of the poverty reduction strategy, using appropriate means including the PRGSP website. It will regularly publish poverty analyses for the DRC.

A.9. The poverty observatory, a surveillance structure

419. The poverty observatory, known as the Congolese Poverty and Inequality Observatory (OCPI), as an independent structure attached to the Ministry of Planning. It works in synergy with the national coordination structure for PRGSP implementation. Its partners include the research and planning directorates of the technical ministries, civil society organizations, religious groups, the media, NGOs, research centers and academic and scientific institutions, the private sector, opinion leaders, labor unions, community development organizations, and the development partners. It is responsible for evaluating poverty in the DRC.

420. Its key tasks are: (i) periodically evaluating the evolution of poverty as it relates to the execution of the relevant programs and projects under the PRGSP; (ii) developing the instruments and methodologies needed for this evaluation; (iii) creating a coordination and partnership framework in particular with the INS, the DEPs, and the development partners with a view to evaluating the level of poverty by means of statistics which capture and describe the status of poverty; (v) evaluating the impact of poverty reduction policies and policies aimed at achieving the MDGs; and (vi) informing policies on the evolution of poverty, writing reports on the phenomenon, and disseminating them widely.

B. Decentralized level

421. The structures at the provincial level (Provincial Poverty Reduction Committees—CPLPs) and the local level (Local Poverty Reduction Committees—CLLPs) serve, in the context of the decentralization policy and continuation of the participatory process initiated during PRGSP preparation, as relays in the mobilization and participation of grassroots communities in PRGSP implementation.

4.4.3. Implementation partnership

4.4.3.1. Partnership with civil society and NGOs

422. Civil society organizations will be present at the various stages of monitoring and evaluation. More particularly, they will monitor the activities programmed and express their views on the evolution of the process. To strengthen the monitoring and evaluation mechanisms among final beneficiaries, the participatory process already in operation through the PRGSP working groups, including the NGOs, the private sector, and civil society organizations, will be consolidated.

423. Thanks to the information network that will be developed between the national coordination structure and these organizations, the people organized in ADQs and ADVs will be an important link in the chain to ensure that the physical execution of projects corresponds to financial execution and that deadlines are observed.

4.4.3.2. Partnership with donors

424. In its role as the sole development planning framework in the DRC and indispensable reference for all, the PRGSP also constitutes a special tool for strengthening partnership between the Government and its development partners. To this end, a new dynamic will be initiated, aiming at the development of new instruments and modalities and improved coordination of development assistance.

425. Accordingly, in selecting the assistance provided to the DRC, the Government will place special emphasis on the priority actions defined in the PRGSP and consolidate the concertation framework introduced to that end. Such a partnership should contribute to a significant increase in

official development assistance, the rational and efficient management of resources, and improved impact of programs and projects on growth and poverty reduction.

4.5. Monitoring and evaluation indicators

426. The Government intends to establish a participatory monitoring and evaluation mechanism that functions both horizontally (participation of all partners) and vertically (participation of all levels, from the base to the summit). It considers such a mechanism as the only approach able to closely associate all the stakeholders in poverty reduction. In this context, it will put in place an information system with three components, namely execution monitoring, impact monitoring, and Participatory Monitoring and Evaluation (SEP).

427. The national structure for coordination and implementation of the PRGSP is responsible for implementation, monitoring, and evaluation in collaboration with the other stakeholders in the process, and will clarify the execution timetable for the actions under the PRGSP upon its approval by the Executive Boards of the IMF and World Bank.

4.5.1. Execution monitoring

428. Execution monitoring concerns the physical and financial performance of all the projects and programs identified in the Strategy, for which two types of indicators will be calculated in order to measure execution: (i) resource indicators (financial and physical) measuring the resources provided by the public authorities and donors, such as expenditure for education; and (ii) indicators of operational outcomes, evaluating the operational outcomes obtained, such as the number of schools constructed.

429. Execution monitoring will be carried out with the sectoral administrations at the central level, local government authorities, the private sector, donors and lenders, and the beneficiary populations.

4.5.2. Impact monitoring

430. Impact monitoring entails analysis of the evolution of poverty and the living conditions of the people. Two types of indicators to measure the impact of policies, projects, and programs: (i) outcome indicators evaluating the final results in terms of the objective pursued (for example: gross enrollment ratio); and (ii) impact indicators measuring the consequences of changes in outcomes (for example: literacy rate) in key dimensions of the people's well-being.

431. Impact monitoring will be carried out by using a statistical program that permits the monitoring of relevant indicators that can be used for the periodic analysis of changes in poverty.

432. In light of Vision 26/25 and in consideration of its section on impact analysis, the indicators on the Millennium Development Goals will serve as the basis for building the statistical program.

433. The selection, definition, degree of disaggregation, and periodicity of the indicators, and the data collection methods used for calculating them, have emerged from broad consultations.

4.5.3. Participatory monitoring and evaluation (SEP)

434. The monitoring and evaluation mechanisms referred to above are to be supplemented by a mechanism for the Participatory Monitoring and Evaluation (SEP) of the PRS. The SEP is a process whereby the key stakeholders in the PRS: (i) engage in the monitoring and/or evaluation

of a project, program, or policy; (ii) share control over the contents, process, and findings of the monitoring and evaluation; and (iii) identify and/or take corrective measures.

435. The SEP requires collaboration between stakeholders in the public and private sectors as well as civil society in horizontal and vertical partnerships, this to promote transparency and social and public accountability. In most cases, SEP efforts measure quantitative and qualitative indicators, but its primary focus is normally on qualitative indicators. The Participatory Monitoring and Evaluation of the PRS require that groups of key stakeholders: (i) select targets to be measured, that is, a number of key components of the PRS, whether at the policy, project, or program level; (ii) define the indicators for which it is possible to gather data (the stakeholders at the macro, meso, and micro levels select different objectively verifiable indicators to check the same goal); (iii) agree on the periodicity of data collection, analysis, and dissemination of the findings; (iv) determine whether qualitative or quantitative information is required and who will be responsible for gathering, analyzing, and disseminating what types of data; (v) agree on the Management Information System (MIS) to be shared by all; and (vi) reach consensus on the validity of the indicators and agree to be assessed by means of those indicators.

436. In order to ensure that the key stakeholders are committed to the success of this approach, the Government proposes to design the SEP system in a participatory manner by organizing workshops at the provincial and national levels with representatives of key stakeholders from the micro, meso, and macro levels. The aim of these workshops will be to determine the components of the SEP system mentioned above.

437. The work on the SEP already completed at this writing has two dimensions: (i) identification of the preliminary indicators of problems and strategies, carried out during the PPA field work by stakeholders at the village/neighborhood, territory/commune, and province levels; and (ii) determination of the preliminary list of stakeholders that can be invited to the aforementioned SEP Workshops, identified by representatives of the eleven provinces and the group of experts charged with preparing the Monitoring and Evaluation Mechanism for the PRS at the National Workshop in Kisanto (Bas-Congo Province) in June 2005.

438. The Government intends to establish a national unit or bureau for coordinating the decentralized SEP system. Its roles and responsibilities will be clearly delineated in terms of mechanisms for interinstitutional collaboration, capacity building, and data analysis and dissemination.

439. Civil society organizations such as the NGOs and professional associations should build the capacities of grassroots communities so that they are in a position to require a rendering of accounts by those in charge. These NGOs and associations should also support the capacity-building and training activities aimed at developing individual and institutional capacities in the interest of good governance and the improved provision of services. The indicators and changes in them should be reviewed periodically by means of the MIS network for the SEP and at semiannual SEP workshops. These activities will be carried out by the national unit for coordinating SEP efforts and by the three levels of key stakeholders nationally and in the provinces.

4.6. Implementation constraints and risks

440. Implementation of the PRS requires that the foundation be properly laid and the prerequisites met in order to achieve the anticipated outcome. This foundation and these prerequisites are either endogenous (political, economic, and financial governance) or exogenous (external financing in particular). Some factors are constraints and risks at one and the same time, and could be impediments to implementation of the Strategy. Furthermore, the exogenous

constraints and risks are considerably dependent on the endogenous situation. These are: (i) peace; (ii) political, institutional, and economic stability; (iii) deregulation and the external openness of the economy; (iv) the capacities to absorb external resources and service the loans contracted; and (v) the observance of commitments.

4.6.1. Endogenous constraints and risks

4.6.1.1. Political constraints and risks

441. Political good governance, and in particular the return of peace, is the linchpin for all the other strategic axes. The objectives of the political transition underway in the country since June 30, 2003 pursuant to the Global and Inclusive Agreement are: (i) reunification, pacification, and reconstruction of the country, territorial integrity, and the restoration of State authority of the entire national territory; (ii) national reconciliation; (iii) the formation of a restructured and integrated national army; and (iv) the organization of free democratic elections that are transparent at all levels, leading to a new political order.

442. The destruction of the principal economic and social infrastructures, the absence of security for property and persons resulting in major population displacements, urban migration, administrative and police interference, the shrinkage of the labor force (owing to deaths, emigration, etc.) are all genuine constraints on economic growth and implementation of the Strategy. They are indicative of the urgency and relevance of implementing the related reforms.

4.6.1.2. Economic constraints and risks

443. **Implementation of the reforms.** The stability of the macroeconomic framework initiated since 2001 is the result of measures that necessarily must be consolidated, namely: (i) the cessation of administered prices for goods and services; (ii) elimination of the monopoly on importing and distributing petroleum products, and the introduction of a transparent and automatic mechanisms for revising the prices of such products; (iii) introduction of a prudent monetary policy, reflected primarily in the unification of the interbank and parallel exchange rates and the introduction of a floating exchange regime aimed at stabilizing domestic prices; (iv) cash-basis financing of the State's financial operations in order to limit recourse to monetary financing; and (v) the initiation of a program of structural reforms aimed at establishing a climate conducive to the development of the private sector. Failure to observe the provisions and measures of the macroeconomic framework referred to above would surely disrupt this still fragile framework and make it difficult to implement the Strategy.

444. **Resource mobilization.** There are several major risks that could jeopardize implementation of the Strategy: (i) the inadequacy of and persistent decline in budgetary resources, which could also endanger the execution of pro-poor sectoral strategies and policies; (ii) the Government's failure to execute the capital budgets in three recent years; (iii) the limited capacity to absorb external resources, in particular HIPC resources, observed since fiscal 2003, which discourages donors and hampers the mobilization of other resources; and (iv) the delay in the disbursement of external resources to finance a number of rapid impact reforms, which could prompt the State to resort to monetary financing with all the consequences this entails. The Democratic Republic of the Congo has joint subregional groups such as the SADC, the CEAC, and COMESA, which recommend the elimination of obstacles and barriers to foreign trade, including customs duties. Application of these clauses would deprive the State of the bulk of its own resources in the event that the Government failed to establish a cohesive action plan for forgoing revenue from trade levies and promoting direct taxation.

445. In the context of the work on implementation, the Government will carry out an analysis of absorptive capacity and the impact on the macroeconomic situation of the anticipated substantial increase in external financing, taking into account as well the debt relief forthcoming when the completion point of the HIPC Initiative is reached. The analysis will be accompanied by a study on debt sustainability in the DRC.

446. Given the prospect of implementing the DRC's regional commitments to eliminate customs duties, the Government will speed up the implementation of the tax and customs reform packages with a view to increase revenue from domestic taxation.

4.6.1.3. Constraints and risks associated with the participatory process

447. The absence of a cohesive participatory process would undermine support of partners for the PRS. The weakness of the base and the data collection system would pose a risk of serious errors in the preparation, implementation, and monitoring/evaluation of Strategy execution. The absence of coordination and the weakness of institutions could weaken the implementation of the strategic axes of the PRGSP and profoundly impact their effectiveness.

4.6.1.4. Social and human constraints and risks

448. Quite apart from the weakness of institutions, there should also be concern about the capacities of our Administration (which is cumbersome and slow) in preparing viable projects and controlling procedures in their regard. The harmonization and simplification of donor procedures would make it possible to minimize the risks of failure considerably.

449. A no less important risk would stem from the loss of interest and motivation on the part of public employees, prompting them to resort to harmful practices to motivate themselves (overinvoicing, kickbacks, etc.). Improving wages of such personnel is a priority not to be overlooked.

4.6.1.5. Constraints and risks from the lack of reliable statistics

450. Sound monitoring and regular evaluation of actions based on the availability of reliable statistics can help ensure successful implementation of the Strategy. In this context, the strengthening of human, material, and financial capacities in the National Statistics System (SSN) should be continued in light of the work carried out by the INS in conducting the 1-2-3 survey.

4.6.2. Exogenous constraints and risks

451. The DRC's dependence on external assistance is one of the major constraints on its development at present, owing largely to the institutional and structural weakness of its economy. In addition, deterioration in the terms of trade and in the competitiveness of our exported raw materials (primary commodities exported by the DRC) also constitute a significant handicap.

ANNEXES

Annex I: Macroeconomic framework tables, baseline scenario³¹

Table 8. Democratic Republic of Congo: Principal socioeconomic indicators, 2006-2008

	2004	2005	2006	2007	2008
	Est.	Est.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)					
Real sector					
Real GDP	6.6	6.5	7.0	7.7	8.4
CPI (annual average)	4.0	21.6	9.2	7.0	6.0
CPI (at end of period)	9.2	21.3	8.0	6.0	6.0
GDP deflator	6.1	21.5	6.5	6.5	6.5
External sector					
Exports of nonfactor goods and services	33.7	21.6	17.1	22.6	16.9
Imports of nonfactor goods and services	35.2	13.4	22.0	25.0	20.7
(Annual change in money stock in broad sense at start of period)					
Money sector					
Money and quasi-money (M2)	72.9	24.6	14.0	14.7	15.5
Net external assets	-18.3	4.5	13.2	7.0	6.0
Net internal assets	92.3	21.7	1.7	8.7	10.3
(As a percentage of Gross Domestic Product)					
Public sector					
Revenue and grants	11.5	13.1	21.8	24.1	26.2
Fiscal and nonfiscal revenue	9.5	11.6	12.3	13.2	14.0
Total expenditure 1/	13.2	15.8	24.3	26.9	29.0
Primary expenditures	11.5	13.2	16.6	24.5	26.9
Current expenditures	9.6	9.8	11.6	13.3	13.6
Fiscal balance including grants	-1.7	-2.7	-2.6	-2.7	-2.8
Fiscal balance excluding grants	-3.7	-4.2	-12.0	-13.7	-15.0
Savings and investment					
Gross domestic savings	4.0	7.2	9.5	10.9	11.3
Gross national savings	0.5	5.7	8.0	8.8	9.5
Gross investment	12.8	14.1	18.1	23.7	26.1
Public sector	2.8	3.6	7.1	12.2	14.1
Private sector	10.0	10.5	11.0	11.5	12.0
Savings - Investment (excluding official grants)	-12.3	-8.4	-10.1	-14.9	-16.6
Balance of payments					
Exports of nonfactor goods and services	30.4	34.0	33.9	34.9	35.9
Imports of nonfactor goods and services	39.2	40.9	42.4	47.8	50.7
Trade balance	-3.7	-2.3	-4.7	-7.7	-8.5
Current balance, including grants	-5.7	-3.4	-4.2	-6.1	-5.8
Current balance, excluding grants	-12.3	-8.4	-10.1	-14.9	-16.6
(As a percentage of primary expenditure, unless otherwise indicated)					
Expenditure in priority sectors					
Public health	...	...	7.5	12.3	12.9
Primary, secondary, and vocational education	...	...	12.2	15.5	16.7
Public works and infrastructure	...	...	11.2	15.8	16.3
Energy	...	...	10.0	10.2	10.3
Environment	...	...	0.9	2.1	2.3
Indicators of progress					
(As a percentage, unless otherwise indicated)					
Primary education					
Gross enrollment ratio - boys	...	...	72.3	77.7	83.9
Gross enrollment ratio - girls	...	...	56.2	63.8	75.6
Gross enrollment ratio	...	...	64.1	70.8	80.0
Pupil/teacher ratio	...	...	33.7	33.8	34.2
Health					
Infant mortality rate 3/	...	...	111	104	89
Maternal mortality rate 4/	...	...	1 276	1 079	944
Percentage of assisted births	...	...	61.6	67.8	75.2
DPT3 immunization coverage rate	...	...	29.6	35.0	40.0
Basic infrastructure					
Amount of road to be asphalted (in kilometers)	...	...	15	238	446
Amount of road to be rehabilitated (in kilometers)	...	...	772	2 633	3 073
Maintenance of roads and bridges (in kilometers)	...	...	284	3 330	3 980
Water and sanitation					
Access to drinking water	...	...	22.0	24.0	26.9
Access to sanitation 5/	...	...	9.0	11.5	15.0
Exchange rate					
Average	398.2	474.0	460.0	484.0	491.1
End of period	444.1	431.3	480.0	488.1	494.1
For the record:					
GDP (CDF billion)	2,601	3,366	3,837	4,403	5,083
GDP (US\$ million)	6,531	7,100	8,341	9,096	10,351
Nominal GDP (in per capita dollars)	112.6	118.9	135.6	143.5	158.6

1/ Includes the change in arrears and the BCC cash deficit

2/ As a percentage of M2 at the start of the period

3/ Under 5 mortality rate per 1,000 live births

4/ Maternal mortality rate per 100,000 live births

5/ Composite indicator of improved household living conditions

³¹ Estimates and projections of the standing committee on the macroeconomic framework (CPCM)

Table 9. Democratic Republic of Congo: Sectoral breakdown of Gross Domestic Product at constant prices, 2006-2008

	2004	2005	2006	2007	2008
	Est.	Est.	Proj.	Proj.	Proj.
(Billions of constant Congolese francs, base 100=2000)					
Primary sector	188.8	197.2	207.6	219.5	233.5
Agriculture, tree farming, hunting, and fisheries	144.2	148.4	152.7	157.8	163.9
Mining	44.6	48.9	54.9	61.7	69.6
Secondary sector	40.4	44.2	49.1	55.8	63.9
Manufacturing	15.2	16.6	17.9	19.4	21.1
Electric power, water	2.6	2.7	3.1	3.4	3.9
Public buildings and works	22.6	24.9	28.1	33.0	38.9
Tertiary sector	103.3	112.5	122.0	132.6	145.0
Wholesale and retail trade	59.9	64.7	69.9	75.8	82.5
Transportation and communications	17.6	19.5	21.8	24.5	27.7
Market services	20.0	20.6	22.2	23.9	25.9
Nonmarket services	7.2	7.9	8.3	8.8	9.3
Imputed output of banking services	-1.4	-0.3	-0.3	-0.3	-0.3
GDP at factor cost	332.5	354.0	378.7	408.0	442.4
Import duties and taxes	7.0	7.5	8.2	8.8	9.5
GDP at market price	339.5	361.4	386.9	416.8	451.9
(Percentage change from previous year)					
<u>Primary sector</u>	4.0	4.5	5.3	5.7	6.4
Agriculture, tree farming, hunting, and fisheries	0.6	1.4	3.0	3.4	3.9
Mining	16.4	9.3	12.3	12.4	12.8
<u>Secondary sector</u>	20.5	9.3	11.1	13.8	14.4
Manufacturing	24.0	13.3	8.0	8.4	8.9
Electric power, water	-7.4	2.7	12.0	12.4	12.9
Public buildings and works	22.5	20.6	13.0	17.4	17.9
<u>Tertiary sector</u>	6.5	9.0	8.4	8.8	9.3
Wholesale and retail trade	5.7	9.2	8.0	8.4	8.8
Transportation and communications	11.3	12.7	12.0	12.4	12.9
Market services	8.1	7.9	7.5	7.8	8.4
Nonmarket services	11.6	0.7	5.0	5.4	5.9
Imputed output of banking services	195.9	10.7	5.0	5.0	5.0
GDP at factor cost	6.5	6.5	7.0	7.7	8.4
Import duties and taxes	11.5	0.7	10.0	7.5	7.5
<u>Real GDP</u>	<u>6.6</u>	<u>6.5</u>	<u>7.0</u>	<u>7.7</u>	<u>8.4</u>
<u>For the record</u>					
Consumer price (index 2003=100)	104.0	126.4	138.0	147.7	156.6
Consumer price, annual average	4.0	21.6	9.2	7.0	6.0
Consumer price, end of period	9.2	21.3	8.0	6.0	6.0
GDP deflator (index 2003=100)	106.1	129.0	137.4	146.3	155.8
GDP deflator (annual average)	6.1	21.5	6.5	6.5	6.5
Nominal per capita GDP (annual change)	11.8	5.5	14.1	5.9	10.5

Table 10. Democratic Republic of Congo: Resource-employment balance at current prices, 2006-2008

	2004	2005	2006	2007	2008
	Est.	Est.	Proj.	Proj.	Proj.
(Millions of current Congolese francs)					
Internal demand	2,830	3,598	4,166	4,967	5,835
Total consumption	2,497	3,122	3,471	3,923	4,509
Public sector	202	303	503	473	571
Private sector	2,296	2,818	2,969	3,450	3,938
Total investment	333	476	695	1,044	1,326
Public sector	73	123	273	538	716
Private sector	260	353	422	506	610
Net external demand	-229.2	-232	-329	-564	-752
Exports of goods and services	790	1,143	1,299	1,538	1,824
Imports of goods and services	1,019	1,376	1,628	2,103	2,575
GDP at market prices	2,601	3,366	3,837	4,403	5,083
Net factor income	-117.1	-151.7	-174.8	-231.4	-278.0
Transfers from other countries	25.6	99.4	117.5	140.1	184.2
Gross national disposable income	2,510	3,313	3,780	4,312	4,990
Public sector	179	285	315	409	527
Private sector	2,330	3,029	3,465	3,902	4,463
Gross domestic savings	104	244	366	480	575
Public sector	46	86	-114	-473	-571
Private sector	57	158	479	952	1,145
Gross national savings (excluding official grants)	12	192	308	389	481
Public sector	-22	-19	-188	-63	-44
Private sector	34	210	496	452	525
Savings - investment balance	-320.6	-284.3	-386.4	-655.7	-845.5
Public sector	-94.9	-141.4	-460.3	-601.2	-760.1
Private sector	-225.8	-142.9	73.9	-54.6	-85.4
(As a percentage of Gross Domestic Product)					
Internal demand	108.8	106.9	108.6	112.8	114.8
Total consumption	96.0	92.8	90.5	89.1	88.7
Public sector	7.7	9.0	13.1	10.7	11.2
Private sector	88.3	83.7	77.4	78.4	77.5
Total investment	12.8	14.1	18.1	23.7	26.1
Public sector	2.8	3.6	7.1	12.2	14.1
Private sector	10.0	10.5	11.0	11.5	12.0
Net external demand	-8.8	-6.9	-8.6	-12.8	-14.8
Exports of nonfactor goods and services	30.4	34.0	33.9	34.9	35.9
Imports of nonfactor goods and services	39.2	40.9	42.4	47.8	50.7
Gross national savings	0.5	5.7	8.0	8.8	9.5
Public sector	-0.9	-0.6	-4.9	-1.4	-0.9
Private sector	1.3	6.3	12.9	10.3	10.3
Savings - investment gap	-12.3	-8.4	-10.1	-14.9	-16.6
Public sector	-3.6	-4.2	-12.0	-13.7	-15.0
Private sector	-8.7	-4.2	1.9	-1.2	-1.7

Table 11. Democratic Republic of Congo: Government flow of funds, 2006-2008

	2005		2006	2007	2008
	AM 10/22/06	Est.	Budget	Proj.	Proj.
(Billions of Congolese francs, unless otherwise indicated)					
<u>Fiscal and nonfiscal revenue</u>	<u>374.8</u>	<u>389.0</u>	<u>473.3</u>	<u>581.2</u>	<u>711.7</u>
Fiscal revenue	246.2	256.7	308.9	387.0	481.6
Customs and excise duties	140.7	145.4	174.0	218.0	271.3
Direct and indirect taxes	105.6	111.4	134.9	169.0	210.3
Nonfiscal revenue	33.0	34.1	52.4	65.7	81.7
Oil revenue (production)	95.5	98.1	112.0	128.5	148.4
Production (royalties)	42.0	98.1	49.3	56.5	65.3
Distribution (special tax)	53.5	0.0	62.7	72.0	83.1
<u>Total expenditure</u>	<u>549.0</u>	<u>514.9</u>	<u>923.6</u>	<u>1 174.3</u>	<u>1 463.8</u>
Current expenditures	344.6	330.0	443.9	585.0	693.1
Wages and salaries	134.5	142.0	180.0	207.3	239.6
Military, Police	33.7	36.5	34.8	40.0	46.1
Civilians	100.8	105.5	145.2	167.3	193.4
Transfers and subsidies	18.0	22.2	26.6	43.2	52.2
MIBA and GECAMINES	0.0	0.0	0.0	0.0	0.0
Supplementary budgets and other interventions	3.0	2.5	6.3	7.3	8.4
Economic interventions			3.6	4.1	4.8
Subsidiary organizations			2.7	3.1	3.6
Onlending to financial authorities	15.0	19.7	20.3	35.9	43.8
Other	112.1	132.6	138.0	239.5	306.4
Institutions	19.0	25.1	21.9	25.2	29.1
Ministries	55.1	64.1	69.5	161.0	215.7
Centralized payments	23.0	25.5	24.2	27.8	32.1
Provincial services and EADs	15.0	17.9	22.3	25.6	29.6
Interest paid	80.0	33.2	99.3	95.0	95.0
External debt	67.7	15.6	97.3	95.0	95.0
Internal debt	12.3	17.6	2.0	0.0	0.0
Off-budget expenditures	0.0	0.0	0.0	0.0	0.0
Capital expenditures	117.5	112.0	253.2	486.5	662.0
From local resources	16.2	32.3	24.8	48.4	91.5
From external resources	101.3	79.7	228.5	438.1	570.5
HIPC expenditures	19.0	21.2	38.9	102.8	108.7
Special expenditures	52.5	36.2	187.5	0.0	0.0
From local resources	18.2	26.3	43.0		
From external resources	34.3	9.9	144.5		
Expenditures during additional period	15.4	15.5	0.0	0.0	0.0
General balance excluding grants (based on commitments)	-174.2	-125.9	-450.3	-593.2	-752.1
BCC operational income 1/	-16.0	-15.5	-10.0	-8.0	-8.0
<u>Consolidated general balance (excluding grants)</u>	<u>-190.2</u>	<u>-141.4</u>	<u>-460.3</u>	<u>-601.2</u>	<u>-760.1</u>
<u>Consolidated general balance (including grants)</u>	<u>-22.6</u>	<u>-89.2</u>	<u>-98.0</u>	<u>-119.2</u>	<u>-142.4</u>
<u>Total financing (excluding grants)</u>	<u>190.2</u>	<u>141.4</u>	<u>460.3</u>	<u>601.2</u>	<u>760.1</u>
Change in arrears	0.0	-0.6	0.0	0.0	0.0
Internal	0.0	-0.6	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0
Internal (net)	-3.8	52.8	-24.7	0.0	0.0
Banking system	-3.8	52.8	-10.0	0.0	0.0
BCC	-3.8	52.8	-10.0	0.0	0.0
Government credit 1/	-19.8	37.3	-20.0	-8.0	-8.0
BCC cash deficit 1/	16.0	15.5	10.0	8.0	8.0
Commercial banks	0.0	0.0	0.0	0.0	0.0
Nonbanking	0.0	0.0	-14.7	0.0	0.0
External (net)	194.1	89.1	400.6	520.3	664.2
Grants	72.5	27.2	224.2	335.1	462.5
Project grants	34.4	20.9	211.7	335.1	462.5
Budgetary grants	38.2	6.3	12.5		
Drawings	122.7	114.5	169.4	166.3	174.5
Budgetary loans	45.0	50.7	8.4	63.3	66.5
Project loans	77.7	63.8	161.1	103.0	108.0
Amortization due	-96.3	-77.6	-131.1	-128.0	-128.0
Other financing	0.0	0.0	0.0	0.0	0.0
HIPC Initiative	95.1	25.0	138.0	146.9	155.2
Funding gap (+) / Overfinancing (-)	0.0	0.1	84.4	80.9	95.9

1/ Provisional situation

2/ Includes the change in arrears and the BCC cash deficit

Table 12. Democratic Republic of Congo: Government flow of funds, 2006-2008

	2005		2006	2007	2008
	AM 10/22/06	Est.1/	Budget	Proj.	Proj.
	(As a percentage of GDP)				
<u>Revenue and grants</u>	<u>16.0</u>	<u>13.1</u>	<u>21.8</u>	<u>24.1</u>	<u>26.2</u>
Fiscal and nonfiscal revenue	11.0	11.6	12.3	13.2	14.0
Fiscal revenue	7.2	7.6	8.1	8.8	9.5
Customs and excise duties	4.1	4.3	4.5	5.0	5.3
Direct and indirect taxes	3.1	3.3	3.5	3.8	4.1
Nonfiscal revenue	1.0	1.0	1.4	1.5	1.6
Oil revenue (production)	2.8	2.9	2.9	2.9	2.9
Production (royalties)	1.2	2.9	1.3	1.3	1.3
Distribution (special tax)	1.6	0.0	1.6	1.6	1.6
Grants	4.9	1.6	9.4	10.9	12.2
HIPC grants	2.8	0.7	3.6	3.3	3.1
Project grants	1.0	0.6	5.5	7.6	9.1
Budgetary grants	1.1	0.2	0.3	0.0	0.0
<u>Total expenditure</u>	<u>16.1</u>	<u>15.3</u>	<u>24.1</u>	<u>26.7</u>	<u>28.8</u>
Current expenditures	10.1	9.8	11.6	13.3	13.6
Wages and salaries	4.0	4.2	4.7	4.7	4.7
Military, Police	1.0	1.1	0.9	0.9	0.9
Civilians	3.0	3.1	3.8	3.8	3.8
Transfers and subsidies	0.5	0.7	0.7	1.0	1.0
MIBA and GECAMINES	0.0	0.0	0.0	0.0	0.0
Supplementary budgets and other interventions	0.1	0.1	0.2	0.2	0.2
Onlending to financial authorities	0.4	0.6	0.5	0.8	0.9
Other	3.3	3.9	3.6	5.4	6.0
Institutions	0.6	0.7	0.6	0.6	0.6
Ministries	1.6	1.9	1.8	3.7	4.2
Centralized payments	0.7	0.8	0.6	0.6	0.6
Provincial services and EADs	0.4	0.5	0.6	0.6	0.6
Interest paid	2.4	1.0	2.6	2.2	1.9
External debt	2.0	0.5	2.5	2.2	1.9
Internal debt	0.4	0.5	0.1	0.0	0.0
Off-budget expenditures	0.0	0.0	0.0	0.0	0.0
Capital expenditures	3.5	3.3	6.6	11.1	13.0
From local resources	0.5	1.0	0.6	1.1	1.8
From external resources	3.0	2.4	6.0	10.0	11.2
HIPC expenditures	0.6	0.6	1.0	2.3	2.1
Special expenditures	1.5	1.1	4.9	0.0	0.0
From local resources	0.5	0.8	1.1	0.0	0.0
From external resources	1.0	0.3	3.8	0.0	0.0
Expenditures during additional period	0.5	0.5	0.0	0.0	0.0
Consolidated primary balance including grants (cash basis)	2.2	-1.2	0.3	-0.4	-0.8
General balance including grants (based on commitments)	-0.2	-2.2	-2.3	-2.5	-2.6
General balance excluding grants	-5.1	-3.7	-11.7	-13.5	-14.8
Change in arrears	0.0	0.0	0.0	0.0	0.0
General balance (cash basis)	-0.2	-2.2	-2.3	-2.5	-2.6
BCC operational income 1/	-0.5	-0.5	-0.3	-0.2	-0.2
<u>Consolidated general balance including grants</u>	<u>-0.7</u>	<u>-2.7</u>	<u>-2.6</u>	<u>-2.7</u>	<u>-2.8</u>
<u>Consolidated general balance excluding grants</u>	<u>-5.6</u>	<u>-4.2</u>	<u>-12.0</u>	<u>-13.7</u>	<u>-15.0</u>
<u>Total financing (excluding grants)</u>	<u>0.7</u>	<u>2.7</u>	<u>2.6</u>	<u>2.7</u>	<u>2.8</u>
Internal (net)	-0.1	1.6	-0.6	0.0	0.0
Banking system	-0.1	1.6	-0.3	0.0	0.0
BCC	-0.1	1.6	-0.3	0.0	0.0
Commercial banks	0.0	0.0	0.0	0.0	0.0
Nonbanking	0.0	0.0	-0.4	0.0	0.0
External (net)	0.8	1.1	1.0	0.9	0.9
Drawings	3.6	3.4	4.4	3.8	3.4
Budgetary loans	1.3	1.5	0.2	1.4	1.3
Project loans	2.3	1.9	4.2	2.3	2.1
Amortization due	-2.8	-2.3	-3.4	-2.9	-2.5
Other financing	0.0	0.0	0.0	0.0	0.0
Funding gap (+) / Overfinancing (-)	0.0	0.0	2.2	1.8	1.9

Table 13. Democratic Republic of Congo: Breakdown of primary expenditures by government department, 2006-2008
N.B. See English key on following page.

Section	Dépenses de fonctionnement				Transferts	Investissements			Total				
	Rémunérations	Institutions	Ministères	Centralisés		Provinces	Rég. Fin.	Int. écono.		Org. auxiliaires	PFFE	Propres	Extérieures	Total
2006													
Santé publique	13,690	0,000	0,334	0,000	0,000	0,000	0,331	5,968	6,550	20,822		33,340	48,010
EFSP	52,233	0,000	16,632	0,000	0,000	0,000	0,205	4,070	2,700	1,533		8,323	77,392
Travaux publics et infrastructures	4,047	0,000	0,093	0,000	0,000	0,000	0,241	3,985	0,988	62,037		67,010	71,508
Energie	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000		0,000	0,000
Environnement	0,968	0,000	0,152	0,000	0,000	0,000	0,113	0,950	0,890	2,636		3,475	5,707
Institutions	19,134	20,378	0,041	0,000	0,000	0,000	0,334	1,168	0,253	0,000		1,420	41,462
Défense et sécurité 2/	26,253	0,000	18,299	0,000	0,000	0,000	0,014	0,000	1,328	0,000		1,328	45,894
Souveraineté 3/	14,618	0,000	11,517	0,000	5,580	0,000	0,000	0,000	0,331	2,432		2,762	34,497
Administration 4/	14,840	0,123	9,559	0,000	0,000	0,000	0,087	0,000	0,629	0,716		1,345	26,111
Finances Publiques 5/	8,124	0,000	6,757	0,000	16,743	20,315	1,288	8,868	3,318	38,084		61,402	114,802
Autres secteurs productifs 6/	4,556	0,000	0,877	0,000	0,000	0,000	0,288	4,067	2,595	19,553		32,489	39,222
Autres secteurs sociaux 7/	19,162	0,000	5,142	0,000	0,000	0,000	0,574	3,766	3,118	14,479		14,479	39,970
Autres 8/	1,897	1,427	0,000	24,210	0,000	0,000	0,000	0,593	0,101	0,000		0,694	28,227
Total	180,025	21,928	69,508	24,210	22,323	20,315	3,597	38,922	24,772	228,462		292,156	636,784
1/ Présidence, vice-présidence/commission politique, vice-présidence/ Ecofin, vice-présidence/reconstruction, Assemblée Nationale, Pouvoir judiciaire, Secrétariat du Gouvernement, Vice-présidence/Commission socioculturelle, Santé, Commission Nationale pour l'Unesco.													
2/ Service sécurité, Défense Nationale.													
3/ Affaires Etrangères, Affaires Internationales, Coopération Internationale, Coopération Régionale, Justice et Gardes des sceaux, Aménagement du Territoire, Chanceliers des ordres Nationaux.													
4/ Relations Internationales, Administration du Palaisement, Réformes institutionnelles, Fonction Publique, Commissariat Général à la Francophonie, Communication et Presse.													
5/ Finances, Budget, Plan, Economie, Post-fiscaux.													
6/ Environnement, Affaires Foncières, Industrie/MEA, Commerce Extérieur, Transport et Télécommunication, Agriculture, Elevage, Développement Rural, Mines, Hydrocarbures, Artisanat, Tourisme et Hôtellerie.													
7/ Droits Humains, Affaires Sociales, Industrie/MEA, Commerce Extérieur, Postes et Télécommunication, Agriculture, Elevage, Développement Rural, Mines, Hydrocarbures, Artisanat, Tourisme et Hôtellerie.													
8/ Evénementiel, Affaires Sociales, Industrie/MEA, Commerce Extérieur, Postes et Télécommunication, Agriculture, Elevage, Développement Rural, Mines, Hydrocarbures, Artisanat, Tourisme et Hôtellerie, Anciens Combattants, Jeunesse, Commissariat Général à la Réintégration, Solidarité et Affaires Humaines.													
Urbanisme National, Sociétés Provinciales, Commission Electorale Indépendante, Observatoire National des Droits de l'Homme, Commission Vérité et Réconciliation, Haute Autorité des Médias, Commission de l'Ethique et de Lutte contre la Corruption, Dépenses communes, Commissariat général du processus de paix.													
2007													
Santé publique	15,709	0,000	34,517	0,000	0,000	0,000	0,609	15,762	12,805	53,006		81,573	132,540
EFSP	60,668	0,000	66,171	0,000	0,000	0,000	0,235	10,749	5,279	23,802		39,830	166,904
Travaux publics et infrastructures	4,580	0,000	0,106	0,000	0,000	0,136	0,276	10,524	1,932	152,438		164,893	170,055
Energie	0,444	0,000	0,120	0,000	0,000	0,000	0,126	12,031	0,978	96,196		109,204	110,229
Environnement	1,110	0,000	0,175	0,000	0,000	0,000	0,128	2,308	1,740	16,993		21,241	22,654
Institutions	21,196	23,583	0,000	0,000	0,000	0,000	0,177	3,064	0,000	0,000		3,181	47,844
Défense et sécurité 2/	20,122	0,000	20,997	0,000	0,000	0,000	0,000	0,000	0,000	0,000		0,000	52,724
Souveraineté 3/	16,773	0,000	13,215	0,000	6,403	0,000	0,000	0,000	0,646	2,791		3,437	39,831
Administration 4/	17,028	0,141	10,969	0,000	0,000	0,179	0,000	0,000	1,229	0,822		2,051	30,469
Finances Publiques 5/	9,322	0,000	7,753	0,000	19,212	35,941	1,474	0,000	6,488	66,649		73,137	147,040
Autres secteurs productifs 6/	5,227	0,000	1,006	0,000	0,000	0,330	0,000	23,423	7,951	22,436		53,811	61,537
Autres secteurs sociaux 7/	21,987	0,000	5,991	0,000	0,000	0,704	0,000	23,151	6,095	2,978		32,225	61,475
Autres 8/	2,176	1,637	0,000	27,780	0,000	0,000	0,000	1,567	0,197	0,000		1,763	33,336
Total	207,304	25,161	160,977	27,780	25,615	35,941	4,127	102,798	48,431	438,111		589,340	1 079,37
2008													
Santé publique	18,137	0,000	36,163	0,000	0,000	0,000	0,703	16,661	24,193	81,007		121,951	177,106
EFSP	70,269	0,000	109,915	0,000	0,000	0,000	0,272	11,362	9,973	27,343		48,678	229,134
Travaux publics et infrastructures	5,361	0,000	0,123	0,000	0,000	0,319	0,146	11,123	3,650	202,493		217,267	223,226
Energie	0,669	0,000	0,139	0,000	0,000	0,230	0,146	12,717	1,847	123,566		140,130	141,313
Environnement	2,549	0,000	0,202	0,000	0,000	0,000	0,148	2,651	3,287	23,553		29,491	31,122
Institutions	25,349	26,998	0,000	0,000	0,000	0,000	0,204	3,260	0,443	0,000		4,193	57,241
Défense et sécurité 2/	34,780	0,000	24,243	0,000	0,000	0,019	0,000	0,000	4,907	0,000		4,907	63,948
Souveraineté 3/	19,366	0,000	15,258	0,000	0,392	0,000	0,000	0,000	1,221	3,222		4,443	46,485
Administration 4/	10,994	0,000	8,650	0,000	0,000	0,000	0,000	0,000	0,000	0,000		0,000	23,646
Finances Publiques 5/	10,993	0,000	8,951	0,000	22,181	43,824	1,702	0,000	12,337	76,931		89,268	176,863
Autres secteurs productifs 6/	6,033	0,000	1,161	0,000	0,000	0,381	0,000	24,758	15,023	23,904		65,685	74,905
Autres secteurs sociaux 7/	25,386	0,000	6,813	0,000	0,000	0,813	0,000	24,471	11,516	3,439		39,425	73,197
Autres 8/	2,513	1,890	0,000	32,074	0,000	0,000	0,000	1,656	0,372	0,000		2,027	38,304
Total	239,570	29,050	215,687	32,074	29,574	43,824	4,765	108,658	91,501	570,517		770,676	1 368,827

Key to Table 13 on preceding page:

Democratic Republic of Congo: Breakdown of primary expenditures by government department, 2006-2008

Column headings

Sector

Payments

Operating expenses

 Institutions

 Ministries

 Centralized

Transfers

 Provinces

 Financial authorities

 Economic interventions

 Subsidiary organizations

Investments

 HIPC

 Own funds

 External funds

 Total

Total

(Billions of Congolese francs)

Line items

Public health

EPSP (primary, secondary, and vocational education)

Public works and infrastructure

Energy

Environment

Institutions 1/

Defense and security 2/

Sovereign functions 3/

Administration 4/

Public finance 5/

Other productive sectors 6/

Other social sectors 7/

Other 8/

Total

Notes

1/ Presidency, Vice-Presidency/Political Commission, Vice-Presidency/Ecofin, Vice-Presidency/Reconstruction, National Assembly, Judiciary, Government Secretariat, Vice-Presidency/Sociocultural Commission, Senate, National Commission for UNESCO

2/ Security Services, National Defense

3/ Foreign Affairs, Domestic Affairs, International Cooperation, Regional Cooperation, Ministry of Justice, Regional Planning, Chancellery of National Associations

4/ Relations with Parliament, Relations with Political Parties, Administration of Parliament, Institutional Reforms, Civil Service, General Commission to the French-Speaking Community, Communications and Press

5/ Finance, Budget, Planning, Economy, Portfolio, Reconstruction

6/ Environment, Land Issues, Industry/PMEA, Foreign Trade, Post Office and Telecommunications Service, Transportation and Communications, Agriculture, Livestock, Rural Development, Mining, Hydrocarbons, Handicrafts, Tourism and Hotels

7/ Human Rights, University and Higher Education, Culture and Arts, Sports and Recreation, Scientific Research, Social Welfare, Labor, Social Affairs, Status of Women and the Family, Veterans, Youth, General Commission for Reintegration, Solidarity, and Human Affairs, City Planning

8/ National Service, Provincial Services, Independent Electoral Commission, National Human Rights Observatory, Truth and Reconciliation Commission, High Authority for Media, Ethics and Anti-Corruption Commission, Common Expenditures, General Commission for the Peace Process

Table 14. Democratic Republic of Congo: Balance of payments, 2006-2008

	2005	2006	2007	2008
	Est.	Proj.	Proj.	Proj.
	(Millions of US dollars, unless otherwise indicated)			
Balance of trade	-165	-389	-700	-876
FOB exports	2,069	2,350	2,585	2,973
FOB imports	2,234	2,740	3,285	3,849
Balance of services	-325	-326	-466	-655
Credits	343	474	593	741
Debits	668	800	1,059	1,396
Balance of goods and services	-490	-715	-1,166	-1,531
Credits	2,412	2,824	3,178	3,714
Debits	2,902	3,540	4,344	5,244
Balance of income	-320	-380	-478	-566
Credits	105	124	152	190
Debits	425	504	630	756
Balance of net transfers	210	255	289	375
<u>Current balance (excluding grants)</u>	<u>-600</u>	<u>-840</u>	<u>-1,355</u>	<u>-1,722</u>
<u>Balance of capital</u>	<u>600</u>	<u>840</u>	<u>1,355</u>	<u>1,722</u>
Net capital transfers	361	487	801	1,118
Official assistance	57	487	692	942
Program grants	13	27	0	0
Project grants	44	460	692	942
Other grants	303	0	109	176
Non-monetary capital	259	421	507	618
Private capital	-127	38	124	208
Direct investments	257	302	375	380
Portfolio investments	-384	-264	-251	-172
Errors and omissions	0	0	0	0
Official capital	387	383	383	411
Gross drawings	242	368	344	355
Program loan	107	18	131	135
Project loan	135	350	213	220
Amortization due (excluding IMF)	-164	-285	-264	-261
Special financing	256	0	0	0
Net change in arrears (excluding IMF)	0	0	0	0
Consolidation of arrears	0	0	0	0
Debt service relief	256	0	0	0
HIPC Initiative	53	300	303	316
Monetary capital (-) increase	-21	-77	-44	-43
Funding gap (+) / Overfinancing (-)	0	8	91	29

Table 15. Democratic Republic of Congo: Integrated monetary survey, 2006 – 2008

	2005	2006	2007	2008
	Est. 1/	Proj.	Proj.	Proj.
(Volume at end of year, billions of Congolese francs)				
Net external assets	-272.0	-236.6	-215.3	-194.1
BCC	-356	-322.6	-302.6	-282.7
Commercial banks	84.3	86.0	87.3	88.6
Net internal assets	550.8	555.3	582.0	618.3
Internal credit	149.0	149.5	164.0	183.6
Net government credit	83.4	73.4	73.4	73.4
Credit to the economy	65.7	76.2	90.7	110.3
Credit to the private sector	65.2	75.7	90.1	109.5
Credit to the parastatal sector	0.4	0.5	0.6	0.8
Other net items	402	405.8	418.0	434.7
<u>Money and quasi-money (M2)</u>	<u>268.3</u>	<u>305.9</u>	<u>351.0</u>	<u>405.3</u>
Money (M1)	139	148	158	168
Notes	120	128	136	145
Demand deposits	19	20	22	23
Quasi-money	129	158	194	238
Term deposits in national currency	0	0.4	0.4	0.5
Deposits in foreign currency	129	158	193	237
Importation deposits	10	12.8	15.7	18.9
(Percentage change from previous year)				
Net external assets	3.5	13.0	9.0	9.8
Net internal assets	9.3	0.8	4.8	6.2
Internal credit	116.4	0.3	9.7	12.0
Net government credit	206.3	-12.0	0.0	0.0
Credit to the economy	57.6	16.0	19.0	21.6
Other net items	-7.7	1.0	3.0	4.0
<u>Money stock (M2)</u>	<u>24.6</u>	<u>14.0</u>	<u>14.7</u>	<u>15.5</u>
Money	18.6	6.5	6.5	6.5
Notes	18.0	6.5	6.5	6.5
Demand deposits	22.5	6.5	6.5	6.5
Quasi-money	31.8	22.1	22.5	22.7
Term deposits in national currency	6.1	6.5	6.5	6.5
Deposits in foreign currency	31.9	22.1	22.5	22.8
Importation deposits	50.7	22.0	22.7	20.7
(Annual percentage change of M2 at start of period)				
Net external assets	4.5	13.2	7.0	6.0
Net internal assets	21.7	1.7	8.7	10.3
Internal credit	37.2	0.2	4.7	5.6
Net government credit	26.1	-3.7	0.0	0.0
Credit to the economy	11.1	3.9	4.7	5.6
Credit to the private sector	11.8	3.9	4.7	5.5
Credit to the parastatal sector	-0.6	0.0	0.0	0.0
Other net items	-15.5	1.5	4.0	4.8
<u>Money stock (M2)</u>	<u>24.6</u>	<u>14.0</u>	<u>14.7</u>	<u>15.5</u>
Money	10.1	3.4	3.1	2.9
Notes	8.5	2.9	2.7	2.5
Demand deposits	1.6	0.5	0.4	0.4
Quasi-money	14.5	10.6	11.6	12.5
Term deposits in national currency	0.0	0.0	0.0	0.0
Deposits in foreign currency	14.5	10.6	11.6	12.5
Importation deposits	1.6	0.9	0.9	0.9

1/ Provisional situation

2/ Fiduciary circulation excluding banks/deposits

Annex II: Macroeconomic framework tables, alternative scenario³²

Table 16. Democratic Republic of Congo: Principal socioeconomic indicators, 2006-2008

	2006	2007			2008		
	Proj.	Base	Alt.	Deviation	Base	Alt.	Deviation
	(Annual percentage change, unless otherwise indicated)						
<u>Real sector</u>							
Real GDP	7.0	7.7	7.1	-0.6	8.4	7.3	-1.1
CPI (annual average)	9.2	7.0	7.0	0.0	6.0	6.0	0.0
CPI (at end of period)	8.0	6.0	6.0	0.0	6.0	6.0	0.0
GDP deflator	6.5	6.5	6.5	0.0	6.5	6.5	0.0
	(Annual change in money stock in broad sense at start of period)						
<u>Money sector</u>							
Money and quasi-money (M2)	14.0	14.7	14.1	-0.7	15.5	14.2	-1.2
Net external assets	13.2	7.0	7.3	0.3	6.0	6.5	0.4
Net internal assets	1.7	8.7	7.5	-1.2	10.3	8.5	-1.8
	(As a percentage of Gross Domestic Product)						
<u>Public sector</u>							
Revenue and grants	21.8	24.1	23.0	-1.1	26.5	24.7	-1.8
Fiscal and nonfiscal revenue	12.3	13.2	13.2	0.0	14.0	14.0	0.0
Total expenditure 1/	24.3	26.9	25.4	-1.5	28.6	27.2	-1.4
Primary expenditures	16.6	24.5	23.0	-1.5	26.6	25.1	-1.5
Current expenditures	11.6	13.3	12.9	-0.4	13.6	13.3	-0.4
Fiscal balance including grants	-2.6	-2.7	-2.3	0.4	-2.1	-2.5	-0.4
Fiscal balance excluding grants	-12.0	-13.7	-12.2	1.5	-14.6	-13.2	1.4
<u>Savings and investment</u>							
Gross domestic savings	9.5	10.9	12.1	1.2	11.3	13.1	1.8
Gross national savings	8.0	8.8	9.9	1.1	9.3	10.9	1.6
Gross investment	18.1	23.7	22.6	-1.1	25.7	24.6	-1.1
Public sector	7.1	12.2	11.1	-1.1	13.7	12.6	-1.1
Private sector	11.0	11.5	11.5	0.0	12.0	12.0	0.0
Savings - Investment (excluding official grants)	-10.1	-14.9	-12.7	2.2	-16.4	-13.7	2.7
<u>Balance of payments</u>							
Exports of nonfactor goods and services	33.9	34.9	36.5	1.6	35.9	39.0	3.1
Imports of nonfactor goods and services	42.4	47.8	47.0	-0.7	50.3	50.5	0.2
Trade balance	-4.7	-7.7	-5.2	2.5	-8.1	-4.7	3.4
Current balance, including grants	-4.2	-6.1	-5.0	1.1	-5.3	-4.4	0.9
Current balance, excluding grants	-10.1	-14.9	-12.7	2.2	-16.4	-13.7	2.7
	(As a percentage of primary expenditure)						
<u>Appropriations to priority ministries</u>							
Public health	7.5	12.3	11.5	-0.8	13.1	11.8	-1.3
Primary, secondary, and vocational education	12.2	15.5	16.1	0.7	17.0	16.7	-0.3
Public works and infrastructure	11.2	15.8	13.4	-2.3	16.5	14.3	-2.3
Energy	10.0	10.2	10.4	0.2	10.5	10.9	0.4
Environment	0.9	2.1	1.5	-0.6	2.3	1.9	-0.5
<u>Indicators of progress</u>							
	(As a percentage, unless otherwise indicated)						
<u>Primary education</u>							
Gross enrollment ratio - boys	72.3	77.7	72.4	-5.3	83.9	72.4	-11.5
Gross enrollment ratio - girls	56.2	63.8	56.3	-7.5	75.6	56.3	-19.3
Gross enrollment ratio	64.1	70.8	64.2	-6.7	80.0	64.2	-15.8
Pupil/teacher ratio	33.7	33.8	33.8	0.0	34.2	34.2	0.0
<u>Health</u>							
Infant mortality rate 2/	111	104	109	5.5	89	107	18.4
Maternal mortality rate 3/	1,276	1,079	1,272	193.3	944	1,267	323.2
Percentage of assisted births	61.6	67.8	61.6	-6.2	75.2	61.6	-13.6
DPT immunization coverage rate	29.6	35.0	29.7	-5.3	40.0	29.8	-10.2
<u>Basic infrastructure</u>							
Amount of road to be asphalted (in kilometers)	12	238	146	-92.0	446	286	-160.7
Amount of road to be rehabilitated (in kilometers)	617	2,633	1,614	-1,019.1	3,073	1,967	-1,106.3
Maintenance of roads and bridges (in kilometers)	227	3,330	2,041	-1,288.9	3,980	2,547	-1,432.9
<u>Water and sanitation</u>							
Access to drinking water	22.0	24.0	23.7	-0.4	26.9	26.2	-0.7
Access to sanitation 4/	9.0	11.5	10.3	-1.2	15.0	12.5	-2.5
<u>Exchange rate</u>							
Average	460.0	484.0	484.0	0.0	491.1	491.1	0.0
End of period	480.0	488.1	488.1	0.0	494.1	494.1	0.0
<u>For the record:</u>							
Real GDP (in per capita dollars)	13.7	13.6	13.0	-0.6	14.1	13.0	-1.1

1/ Includes the change in arrears and the BCC cash deficit

2/ Under 5 mortality rate per 1,000 live births

3/ Maternal mortality rate per 100,000 live births

4/ Composite indicator of improved household living conditions

³² Estimates and projections of the standing committee on the macroeconomic framework (CPCM)

Table 17. Democratic Republic of Congo: Alternative scenario – Sectoral breakdown of Gross Domestic Product at constant prices, 2006-2008

	2005	2006	2007	2008
	Est.	Proj.	Proj.	Proj.
(Billions of constant Congolese francs, base 100=2000)				
Primary sector	197.2	207.6	218.9	231.1
Agriculture, tree farming, hunting, and fisheries	148.4	152.7	157.2	161.9
Mining	48.9	54.9	61.7	69.2
Secondary sector	44.2	49.1	54.5	60.6
Manufacturing	16.6	17.9	19.3	20.9
Electric power, water	2.7	3.1	3.4	3.8
Public buildings and works	24.9	28.1	31.7	35.8
Tertiary sector	112.5	122.0	132.2	143.4
Wholesale and retail trade	64.7	69.9	75.5	81.6
Transportation and communications	19.5	21.8	24.4	27.4
Market services	20.6	22.2	23.9	25.6
Nonmarket services	7.9	8.3	8.8	9.2
Imputed output of banking services	-0.3	-0.3	-0.3	-0.3
GDP at factor cost	354.0	378.7	405.6	435.1
Import duties and taxes	7.5	8.2	8.8	9.5
GDP at market price	361.4	386.9	414.5	444.6
(Percentage change from previous year)				
Primary sector	4.5	5.3	5.4	5.6
Agriculture, tree farming, hunting, and fisheries	1.4	3.0	3.0	3.0
Mining	9.3	12.3	12.3	12.3
Secondary sector	9.3	11.1	11.1	11.1
Manufacturing	13.3	8.0	8.0	8.0
Electric power, water	2.7	12.0	12.0	12.0
Public buildings and works	20.6	13.0	12.9	12.9
Tertiary sector	9.0	8.4	8.4	8.5
Wholesale and retail trade	9.2	8.0	8.0	8.0
Transportation and communications	12.7	12.0	12.0	12.0
Market services	7.9	7.5	7.5	7.5
Nonmarket services	0.7	5.0	5.0	5.0
Imputed output of banking services	10.7	5.0	5.0	5.0
GDP at factor cost	6.5	7.0	7.1	7.3
Import duties and taxes	0.7	10.0	7.5	7.5
<u>Real GDP</u>	<u>6.5</u>	<u>7.0</u>	<u>7.1</u>	<u>7.3</u>
(Percentage change in GDP from previous year)				
Primary sector	2.5	2.9	2.9	2.9
Agriculture, tree farming, hunting, and fisheries	1.2	1.2	1.2	1.1
Mining	1.3	1.7	1.7	1.8
Secondary sector	1.1	1.4	1.4	1.5
Manufacturing	0.4	0.4	0.4	0.4
Electric power, water	0.0	0.1	0.1	0.1
Public buildings and works	0.7	0.9	0.9	1.0
Tertiary sector	2.7	2.6	2.7	2.7
Wholesale and retail trade	1.4	1.4	1.4	1.5
Transportation and communications	0.6	0.6	0.7	0.7
Market services	0.2	0.4	0.4	0.4
Nonmarket services	0.2	0.1	0.1	0.1
Imputed output of banking services	0.3	0.0	0.0	0.0
Import duties and taxes	0.1	0.2	0.2	0.2

Table 18. Democratic Republic of Congo: Alternative scenario – Resource-employment balance, 2006-2008

	2005	2006	2007	2008
	Est.	Proj.	Proj.	Proj.
(Millions of current Congolese francs)				
Internal demand	3,598	4,166	4,838	5,579
Total consumption	3,122	3,471	3,849	4,347
Public sector	303	503	453	542
Private sector	2,818	2,969	3,396	3,804
Total investment	476	695	989	1,232
Public sector	123	273	486	632
Private sector	353	422	503	600
Net external demand	-232	-329	-460	-578
Exports of goods and services	1,143	1,299	1,599	1,948
Imports of goods and services	1,376	1,628	2,059	2,526
GDP at market prices	3,366	3,837	4,378	5,001
Net factor income	-151.7	-174.8	-240.5	-305.9
Transfers from other countries	99.4	117.5	145.7	196.7
Gross national disposable income	3,313	3,780	4,283	4,892
Public sector	285	315	406	517
Private sector	3,029	3,465	3,876	4,375
Gross domestic savings	244	366	529	655
Public sector	86	-114	-453	-542
Private sector	158	479	982	1,197
Gross national savings (excluding official grants)	192	308	434	545
Public sector	-19	-188	-46	-26
Private sector	210	496	481	571
Savings - investment balance	-284.3	-386.4	-555.2	-687.1
Public sector	-141.4	-460.3	-532.4	-657.9
Private sector	-142.9	73.9	-22.8	-29.2
(As a percentage of Gross Domestic Product)				
Internal demand	106.9	108.6	110.5	111.6
Total consumption	92.8	90.5	87.9	86.9
Public sector	9.0	13.1	10.3	10.8
Private sector	83.7	77.4	77.6	76.1
Total investment	14.1	18.1	22.6	24.6
Public sector	3.6	7.1	11.1	12.6
Private sector	10.5	11.0	11.5	12.0
Net external demand	-6.9	-8.6	-10.5	-11.6
Exports of nonfactor goods and services	34.0	33.9	36.5	39.0
Imports of nonfactor goods and services	40.9	42.4	47.0	50.5
Gross national savings	5.7	8.0	9.9	10.9
Public sector	-0.6	-4.9	-1.1	-0.5
Private sector	6.3	12.9	11.0	11.4
Savings - investment gap	-8.4	-10.1	-12.7	-13.7
Public sector	-4.2	-12.0	-12.2	-13.2
Private sector	-4.2	1.9	-0.5	-0.6

Table 19. Democratic Republic of Congo: Alternative scenario – Government flow of funds, 2006-2008

	2005		2006	2007	2008
	AM 10/22/06	Est.	Budget	Proj.	Proj.
(Billions of Congolese francs, unless otherwise indicated)					
<u>Fiscal and nonfiscal revenue</u>	<u>374.8</u>	<u>389.0</u>	<u>473.3</u>	<u>577.9</u>	<u>700.2</u>
Fiscal revenue	246.2	256.7	308.9	384.8	473.8
Customs and excise duties	140.7	145.4	174.0	216.8	266.9
Direct and indirect taxes	105.6	111.4	134.9	168.0	206.9
Nonfiscal revenue	33.0	34.1	52.4	65.3	80.4
Oil revenue (production)	95.5	98.1	112.0	127.8	146.0
Production (royalties)	42.0	98.1	49.3	56.2	64.2
Distribution (special tax)	53.5	0.0	62.7	71.6	81.7
<u>Total expenditure</u>	<u>549.0</u>	<u>514.9</u>	<u>923.6</u>	<u>1,102.3</u>	<u>1,350.1</u>
Current expenditures	344.6	330.0	443.9	564.9	663.4
Wages and salaries	134.5	142.0	180.0	205.3	234.4
Military, Police	33.7	36.5	34.8	39.7	45.4
Civilians	100.8	105.5	145.2	165.6	189.0
Transfers and subsidies	18.0	22.2	26.6	42.9	51.4
MIBA and GECAMINES	0.0	0.0	0.0	0.0	0.0
Supplementary budgets and other interventions	3.0	2.5	6.3	7.2	8.2
Onlending to financial authorities	15.0	19.7	20.3	35.7	43.1
Other	112.1	132.6	138.0	221.7	282.7
Institutions	19.0	25.1	21.9	25.0	28.6
Ministries	55.1	64.1	69.5	143.5	193.4
Centralized payments	23.0	25.5	24.2	27.6	31.6
Provincial services and EADs	15.0	17.9	22.3	25.5	29.1
Interest paid	80.0	33.2	99.3	95.0	95.0
External debt	67.7	15.6	97.3	95.0	95.0
Internal debt	12.3	17.6	2.0	0.0	0.0
Off-budget expenditures	0.0	0.0	0.0	0.0	0.0
Capital expenditures	117.5	112.0	253.2	434.6	578.0
From local resources	16.2	32.3	24.8	48.2	90.0
From external resources	101.3	79.7	228.5	386.4	488.0
HIPC expenditures	19.0	21.2	38.9	102.8	108.7
Special expenditures	52.5	36.2	187.5	0.0	0.0
From local resources	18.2	26.3	43.0		
From external resources	34.3	9.9	144.5		
Expenditures during additional period	15.4	15.5	0.0	0.0	0.0
General balance excluding grants (based on commitments)	-174.2	-125.9	-450.3	-524.4	-649.9
General balance including grants	-6.6	-73.7	-88.0	-94.1	-114.7
BCC operational income 1/	-16.0	-15.5	-10.0	-8.0	-8.0
<u>Consolidated general balance (excluding grants)</u>	<u>-190.2</u>	<u>-141.4</u>	<u>-460.3</u>	<u>-532.4</u>	<u>-657.9</u>
Consolidated general balance (including grants)	-22.6	-89.2	-98.0	-102.1	-122.7
<u>Total financing (excluding grants)</u>	<u>190.2</u>	<u>141.4</u>	<u>460.3</u>	<u>532.4</u>	<u>657.9</u>
Change in arrears	0.0	-0.6	0.0	0.0	0.0
Internal (net)	-3.8	52.8	-24.7	0.0	0.0
Banking system	-3.8	52.8	-10.0	0.0	0.0
BCC	-3.8	52.8	-10.0	0.0	0.0
Government credit 1/	-19.8	37.3	-20.0	-8.0	-8.0
BCC cash deficit 1/	16.0	15.5	10.0	8.0	8.0
Commercial banks	0.0	0.0	0.0	0.0	0.0
Nonbanking	0.0	0.0	-14.7	0.0	0.0
External (net)	194.1	89.1	400.6	468.6	581.7
Grants	72.5	27.2	224.2	283.4	380.0
Project grants	34.4	20.9	211.7	283.4	380.0
Budgetary grants	38.2	6.3	12.5		
Drawings	122.7	114.5	169.4	166.3	174.5
Budgetary loans	45.0	50.7	8.4	63.3	66.5
Project loans	77.7	63.8	161.1	103.0	108.0
Amortization due	-96.3	-77.6	-131.1	-128.0	-128.0
Other financing	0.0	0.0	0.0	0.0	0.0
HIPC Initiative	95.1	25.0	138.0	146.9	155.2
Funding gap (+) / Overfinancing (-)	0.0	0.1	84.4	63.8	76.2

1/ Provisional situation

2/ Includes the change in arrears and the BCC cash deficit

Table 20. Democratic Republic of Congo: Alternative scenario – Integrated monetary survey, 2006 - 2008

	2005	2006	2007	2008
	Est. 1/	Proj.	Proj.	Proj.
(Volume at end of year, billions of Congolese francs)				
Net external assets	-272.0	-236.6	-214.4	-191.8
BCC	-356	-322.6	-301.7	-280.4
Commercial banks	84.3	86.0	87.3	88.6
Net internal assets	550.8	555.3	578.3	607.9
Internal credit	149.0	149.5	160.3	173.3
Net government credit	83.4	73.4	73.4	73.4
Credit to the economy	65.7	76.2	86.9	99.9
Credit to the private sector	65.2	75.7	86.3	99.2
Credit to the parastatal sector	0.4	0.5	0.6	0.7
Other net items	402	405.8	418.0	434.7
<u>Money and quasi-money (M2)</u>	<u>268.3</u>	<u>305.9</u>	<u>349.0</u>	<u>398.7</u>
Money (M1)	139	148	158	168
Notes	120	128	136	145
Demand deposits	19	20	22	23
Quasi-money	129	158	192	231
Term deposits in national currency	0	0.4	0.4	0.5
Deposits in foreign currency	129	158	191	231
Importation deposits	10	12.8	14.8	17.4
(Percentage change from previous year)				
Net external assets	3.5	13.0	9.4	10.6
Net internal assets	9.3	0.8	4.1	5.1
Internal credit	116.4	0.3	7.2	8.1
Net government credit	206.3	-12.0	0.0	0.0
Credit to the economy	57.6	16.0	14.1	14.9
Other net items	-7.7	1.0	3.0	4.0
<u>Money stock (M2)</u>	<u>24.6</u>	<u>14.0</u>	<u>14.1</u>	<u>14.2</u>
Money	18.6	6.5	6.5	6.5
Notes	18.0	6.5	6.5	6.5
Demand deposits	22.5	6.5	6.5	6.5
Quasi-money	31.8	22.1	21.2	20.6
Term deposits in national currency	6.1	6.5	6.5	6.5
Deposits in foreign currency	31.9	22.1	21.2	20.6
Importation deposits	50.7	22.0	15.6	17.7
<u>For the record:</u>				
Nominal GDP (CDF billion)	3,366	3,837	4,378	5,001
Money stock, including importation deposits	278.8	318.7	363.8	416.1
Money circulation speed	12.5	12.5	12.5	12.5
Foreign currency deposits, as a percentage of M2	48.1	51.5	54.7	57.8
Foreign currency deposits, as a percentage of deposits	86.9	88.4	89.6	90.7
Market intermediation ratio 2/	29.8	18.5	19.0	19.3

1/ Provisional situation

2/ Fiduciary circulation excluding banks/deposits

Table 21. Democratic Republic of Congo: Alternative scenario – Balance of payments, 2006 - 2008

	2005	2006	2007	2008
	Est.	Proj.	Proj.	Proj.
(Millions of US dollars, unless otherwise indicated)				
Balance of trade	-165	-389	-449	-447
FOB exports	2,069	2,350	2,585	2,973
FOB imports	2,234	2,740	3,034	3,420
Balance of services	-325	-326	-466	-655
Credits	343	474	593	741
Debits	668	800	1,059	1,396
Balance of goods and services	-490	-715	-915	-1,102
Credits	2,412	2,824	3,178	3,714
Debits	2,902	3,540	4,093	4,816
Balance of income	-320	-380	-478	-583
Credits	105	124	152	185
Debits	425	504	630	769
Balance of net transfers	210	255	289	375
<u>Current balance (excluding grants)</u>	<u>-600</u>	<u>-840</u>	<u>-1,103</u>	<u>-1,310</u>
<u>Balance of capital</u>	<u>600</u>	<u>840</u>	<u>1,103</u>	<u>1,310</u>
Net capital transfers	361	487	668	887
Official assistance	57	487	563	724
Program grants	13	27	0	0
Project grants	44	460	563	724
Other grants	303	0	104	162
Non-monetary capital	259	421	492	592
Private capital	-127	38	124	208
Direct investments	257	302	375	380
Portfolio investments	-384	-264	-251	-172
Errors and omissions	0	0	0	0
Official capital	387	383	368	385
Gross drawings	242	368	331	333
Program loan	107	18	126	127
Project loan	135	350	205	206
Amortization due (excluding IMF)	-164	-285	-254	-244
Special financing	256	0	0	0
Net change in arrears (excluding IMF)	0	0	0	0
Consolidation of arrears	0	0	0	0
Debt service relief	256	0	0	0
HIPC Initiative	53	300	292	296
Monetary capital (-) increase	-21	-77	-44	-43
<u>Funding gap (+) / Overfinancing (-)</u>	<u>0</u>	<u>8</u>	<u>-12</u>	<u>-125</u>

Annex III: SUBJECTIVE POVERTY PROFILE

Table 22. Profile of urban poverty

No.	Categories of poverty	Very poor	Poor and fragile	Poor but stable
	Facets of poverty			
1.	Family circumstances	Little or no support from family or community. Often living alone, such as elderly persons, widows, and childless women. If a united household remains, neither parental authority nor daily food can be guaranteed. The loss of family authority as exercised by parents means that food cannot be guaranteed on a daily basis. There is a daily effort to have enough cash to live and eat. Members of this category are powerless and shunned by society.	The family is more fragile, but is still capable of maintaining the immediate family structure. Low-income household. Unable to find enough work all the time. The household is losing its support network. Significant decline in social standing.	Struggling but stable. Maintains a social and family network. Willing to assist the oldest members of the family. Maintains the immediate family structure and an expanded network amounting to a social safety net. Maintains the family's social standing and contributes to community life. May consider oneself struggling but not poor.
2.	Source of income	No income-generating activity or else limited and very irregular sources of income.	Involved in a small-scale income-generating activity or casual labor in the private sector.	Working in private enterprises, banks, international organizations, and government offices.
3.	Diet	Eats haphazardly (once a day or almost nothing). <i>"It's like shedding the dietary load."</i>	Eats regularly, but just once a day.	Eats more than once a day.
4.	Transportation	Travels on foot or takes mass transit without paying.	Uses mass transit and pays the fare.	Can pay for a taxi.
5.	Living environment (housing and physical environment)	The walls of the house are made of adobe brick, covered with canvas, bags, or sheet metal, with ± two rooms. The house is often shared with several other groups. No furniture in the house; the inhabitants sleep on mats.	The walls of the house are made of adobe brick or durable materials, covered with sheet metal, with + three rooms. There are bamboo or iron beds with straw mattresses inside the house. The number of persons spending the night in a room is higher than normal.	The house is made of durable materials. There are foam rubber mattresses and furniture in the house.
6.	Drinking water	Uses well water.	Uses REGIDESO water drawn at a neighbor's house.	Has REGIDESO faucets on the lot.
7.	Energy	Uses an oil lamp. To prepare meals, makes use of old slippers or shavings instead of live charcoal.	Has an illicit electrical hook-up.	Has electric power and pays the bills.
8.	Quality of life: security and independence	Absolutely no security. Extremely low quality of life. Often depressed.	Little security—but mostly beyond family control. Struggling to maintain a semblance of family and parental control.	Security is a daily effort, but there is still hope in the future. The quality of life is acceptable so long as the family remains in good health.
9.	Health	For lack of cash, plants and leaves are used to treat illnesses and women give birth at home.	Reliance on traditional practitioners and self-medication. Goes to the hospital in an emergency but cannot pay the costs.	Goes to the hospital for treatment when ill and, for that purpose, must request loans from family or friends.
10.	School enrollment	Children do not attend school.	Access to education is provided first and foremost to intelligent boys. Girls and less intelligent boys stay at home.	Children go to school, but are often sent home for nonpayment of school fees.

Table 23. Profile of rural poverty

No.	Categories of poverty	Very poor	Poor and fragile	Poor but stable
	Facets of poverty			
1.	Family circumstances	Little or no support from family or community. Often completely alone, such as elderly persons, widows, and childless women. The loss of family authority as exercised by parents means that food cannot be guaranteed on a daily basis. There is a daily effort to have enough cash to live and eat. Shunned by society.	The family is more fragile, but is still capable of maintaining the immediate family structure. Low-income household. Unable to find enough work all the time. The household is losing its support network. Significant decline in social standing.	Struggling but stable. Maintains a social and family network. Willing to assist the oldest members of the family. Maintains the family's social standing and contributes to community life. May consider oneself struggling but not poor.
2.	Source of income	No source of income and not involved in any income-generating activity, living by begging.	Wages obtained by working for others, maintaining or planting the fields of others, handling the livestock of others.	Has one's own fields and livestock and sells harvest or livestock products.
3.	Diet	No regular meal each day, only when possible. The meal consists of vegetables with no salt or oil.	The population feels that it observes a forced daily fast, only eating karibu na kesho (close to tomorrow) so as to be in shape to work the next morning.	Has at least two meals per day.
4.	Transportation	With no personal means of transportation and unable to pay transportation costs, must travel on foot.	Travels on foot or by bicycle.	Uses a bicycle as a means of transportation and can pay travel costs.
5.	Living environment (housing and physical environment)	Very poor, homeless or living in an adobe house with a thatched roof and a door fashioned from reeds. No furniture, no bed, no table, no chairs. Sleeps on the ground, either on a mat or on cardboard.	Has an adobe house, with clay placed over sticks and a thatched roof. Has a "mungele" bamboo bed.	Has a house made of adobe brick with sheet metal. Has a radio, a mattress, and a battery.
6.	Drinking water	With no developed well, water is drawn some five kilometers from the village.	With no developed water source, water is drawn some five kilometers away.	With no developed water source, must travel less than five kilometers to obtain water.
7.	Energy	With a nearly total absence of electric power, matchsticks are used to enter the house. Villages remain plunged in darkness.	Uses a lantern made from a tin can and a wick submerged in palm oil, called different names by different populations (Katoritori, RCD, etc.).	Uses oil lamps.
8.	Quality of life: security and independence	No security of any sort. Abandoned by family, with no support network. Ignored or sent away by government offices. Suffers from complete social and economic exclusion. Extremely low quality of life. Often depressed and fearful about the future.	Security concerns diminish. Obligated to work in circumstances of insecurity. Children expected to contribute to happiness. Suffers from marginalization and increasing exclusion. Slowly abandoning hope in the future. Losing the struggle to maintain the actual family unit and family control.	Minimal security is assured. Suffers from some minimal marginalization but retains hope in the future. The quality of life is acceptable so long as the family remains in good health.
9.	Health	Treats ailments with traditional plants. Childbirth takes place at home or in the bush/forest.	Seeks treatment at medical centers without having the capacity to pay.	Seeks treatment at medical centers and pays for treatment.
10.	School enrollment	Children do not attend school because they have no way to pay school fees.	Education is a matter that falls to children themselves who sell small items to pay for their studies.	School enrollment is provided to boys as a priority, and not to girls.

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