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REPORT NO: 27720

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

ON A PROPOSED CREDIT

IN THE AMOUNT OF SDR 135.2 MILLION

(US\$200 MILLION EQUIVALENT)

TO THE

DEMOCRATIC REPUBLIC OF THE CONGO

FOR A

POST-REUNIFICATION ECONOMIC RECOVERY CREDIT

JANUARY 30, 2004

Poverty Reduction and Economic Management 3
Country Department 9
Africa Regional Office

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CURRENCY EQUIVALENTS

SDR 1.00 = US\$1.4793

US\$1.00 = Francs Congolais 417

December 31, 2003

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

AU	African Union
CG	Consultative Group
DDR	Demobilization, Disarmament and Reinsertion
DRC	Democratic Republic of Congo
EDF	European Development Fund
EMRRP	Emergency Multi-sector Rehabilitation and Reconstruction Project
ERC	Economic Recovery Credit
EU	European Union
FEC	Fédération des Entrepreneurs du Congo
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
MDRP	Multi-Country Demobilization and Reintegration Program
MIGA	Multilateral Investment Guarantee Agency
MONUC	Mission d'Observation des Nations Unies au Congo
OECD	Organization for Economic Cooperation and Development
OGEDEP	Office de Gestion de la Dette Publique
PER	Public Expenditure Review
PREM	Poverty Reduction and Economic Management
PRERC	Post-Reunification Economic Recovery Credit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSDCP	Private Sector Development and Competitiveness Project
SDR	Special Drawing Rights
SNEL	Société Nationale d'Électricité
TSS	Transitional Support Strategy

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Post-Reunification Economic Recovery Credit
to the
Democratic Republic of Congo

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DEMOCRATIC REPUBLIC OF CONGO
POST-REUNIFICATION ECONOMIC RECOVERY CREDIT

CREDIT SUMMARY

Borrower:	Democratic Republic of Congo
Implementing Agency:	Ministry of Finance
Amount:	SDR 135.2 million (US\$200.0 million equivalent)
Terms:	Standard IDA terms, with 40 years maturity
Commitment Fee:	0.50 percent on undisbursed Credit balances, beginning 60 days after signing, less any waiver
Disbursement:	The proposed credit would be released in four tranches, the first of which would be of about US\$85 million; and three floating tranches, one for US\$47.5 million, US\$42.5 million, and US\$25 million. Release of the first tranche takes place immediately upon effectiveness. The three floating tranches could be released in any order when related triggers have been satisfied in respective program areas.
Net Present Value:	Not applicable
Map:	IBRD 31546
Project ID No.:	P082443
Background and Description:	The proposed Post-Reunification Economic Recovery Credit (PRERC) is consistent with the Bank's Transitional Support Strategy (TSS) discussed by the Board on July 31, 2001 and is an integral part of a new TSS to be discussed by the Board concurrently with this credit on February 26, 2004. It would assist the Democratic Republic of Congo in its economic and social recovery, in the context of the Government's 2004-2005 Reform, Growth, and Poverty Reduction Programs. Proceeds of the proposed credit would provide funds necessary to assist the Democratic Republic of Congo with foreign exchange needs.
Rationale for IDA involvement:	The Bank's involvement is justified by the need to: (i) support policies that continue to stabilize and revive the economy while introducing effective and transparent governance across a reunified country with substantially greater demands on its resources; (ii) improve the efficiency and integrity of the civil service; and (iii) encourage private sector investment and improvements in the productive capacity of the economy. The program supported by the credit will support the deepening of structural reforms, reunification of administrations, and the continued reform of the public sector to foster efficiency and enhance productive capacities. This operation is also part of a coordinated effort by partners and international financial institutions to help rehabilitate the country's social services.
Government/Country Commitment:	Since January 2001, Government has demonstrated forceful commitment to macroeconomic and structural reforms. The

Government's track record of sound economic policies and performance has been judged satisfactory by two PRGF reviews and various IMF missions, and as evidenced by implementation of IDA-supported programs. Exchange rates and prices have been liberalized. New investment, labor, mining and forestry codes have been approved. A law creating commercial courts has been published. Public enterprises have been audited and many of the general managers replaced. Commitment at the highest level of the country's leadership and the Government, as well as support from the civil society has been demonstrated and reaffirmed on several occasions. Since 2002 the Government has been implementing an I-PRSP based on wide consultations with civil society and community groups, and has been developing its full PRSP through a representative and participatory process.

Benefits and Risks:

The Credit would support policies that stabilize the economy and pave the way to environmentally and socially sustainable growth and poverty reduction through a number of interventions. The primary risks—and associated mitigating measures—are (i) renewed internal and/or regional conflict, which is reduced by UN intervention and by a Bank-led multinational regional demobilization and reintegration program; (ii) the DRC accruing new arrears on external debt because of the increased debt service burden in the short run, even though the overall debt burden in NPV terms has been reduced greatly; (iii) the DRC losing international financial support, with consequences in the country's ability to service debt as well as in financing necessary spending on social and economic rehabilitation, which is mitigated by IDA working with other donors to assure a continued high level of donor financing and providing guidance for the measures, including the PRSP process, that will make permanent the debt service reduction that followed the HIPC Decision Point; (iv) insufficient institutional capacity, which is being addressed by technical assistance and capacity-reinforcing activities provided by IDA, the IMF, UNDP, AfDB, and others; and (v) private sector response falling short of expectation, which is mitigated by activities by IDA and other donors to improve the investment climate.

Post-Reunification Economic Recovery Credit
to the
Democratic Republic of Congo

I. INTRODUCTION AND EXECUTIVE SUMMARY

1. This document proposes a Credit of SDR 135.2 million (US\$200 million equivalent) to the Democratic Republic of Congo (DRC) to finance a Post-Reunification Economic Recovery Credit.
2. The proposed Credit follows in an earlier Economic Recovery Credit (ERC, Cr 3660-DRC) and is intended to provide needed balance of payments support as the country, emerging from conflict and recently reunified, re-establishes government services in all provinces and works towards rebuilding its economic and fiscal base. It is an integral part of the Bank strategy in the DRC, as outlined in the Transitional Support Strategy (TSS) endorsed by the Board on July 31, 2001, and in the new TSS that is presented to the Board at the same time as this operation. It will build on the satisfactory implementation to date of the economic program supported by the Bretton Woods Institutions. It will complement investment activities financed by a number of multilateral and bilateral donors as well as by IDA, to support physical rehabilitation, competitiveness and private sector growth. It is closely coordinated with the provision of a complementary balance of payment financing which has recently been approved by the African Development Bank.
3. The Credit would consist of an effectiveness tranche of US\$85 million plus three floating tranches supporting (i) an end-of-service program to accompany the Government's retirement program for delayed retirees in support of civil service reform (US\$ 47.5 million), (ii) arrangements for repayment of the Government's internal debt to private creditors (US\$ 42.5 million), and (iii) the reform of utilities billing and payment (US\$ 25 million). The three floating tranches are mutually independent and can be released in any order when related triggers have been satisfied in respective program areas. The proposed credit would be on standard IDA terms, with a maturity of 40 years, including a grace period of ten years.
4. The primary risks—and associated mitigating measures—are (i) renewed internal conflict, which is reduced by UN intervention and by a Bank-led multinational regional demobilization and reintegration program; (ii) the DRC accruing new arrears on external debt because of its increased debt service burden in the short run; (iii) loss of international financial support, with consequences in the country's ability to service debt and to finance necessary spending on social and economic rehabilitation; these are mitigated by IDA working with other donors to assure a continued high level of donor financing and providing guidance for measures, including the PRSP process, that will make permanent the debt service reduction that followed the HIPC Decision Point; (iv) insufficient institutional capacity, which is being addressed by technical assistance and capacity-reinforcing activities being provided by IDA, the IMF, UNDP, AfDB and others; (v) the private sector response falling short of expectation, which is mitigated by activities by IDA and other donors to improve the investment climate; and (vi) renewed

regional conflict, which is mitigated by the international community's effort to take a regional approach to conflict resolution and development.

5. Actions supported by this operation will help the reunified economy's rehabilitation and reconstruction, through continued macro-economic stability and improved governance, new growth in private capital inflows and higher private investment, and support to lay the grounds for civil service reform aimed at providing more effective delivery of social services. Stability and growth will support Congolese efforts and progress toward national reconciliation and provide income-earning alternatives to violence for the poor.

II. COUNTRY BACKGROUND AND RECENT DEVELOPMENTS

6. The DRC has a population of around 58 million, distributed over 2.3 million square kilometers (more than two thirds of the European Union), and growing at more than 3 percent a year. The DRC is potentially one of Africa's richest economies, with extensive forest, mineral, and energy resources. Its regional importance, with its large labor force and potential market size, extensive navigable inland waterways and land links to nine states, makes the DRC a potential engine for regional growth as significant as Nigeria or South Africa.

7. However, this promise has been repeatedly thwarted. Successive governments have been able neither to translate this potential into satisfactory living conditions for the Congolese people nor to discourage corruption by special interests. As the State slowly collapsed in the last decade of the regime of Mobutu Sese Seko (1965-97), much of the productive capital was abandoned or destroyed. Per capita income declined steadily from about US\$380 in 1985 to US\$250 in 1990 and to US\$85 in 2000. From 1998 to 2002, disease and deprivation related to civil conflict caused more than 3.3 million deaths and extensive physical damage. It led to extensive predation in some regions; uncontrolled mining, forestry and poaching of rare animals in insecure areas caused extensive environmental damage as well as reported uses of forced labor. About half of the country (eastern and northern provinces) was administered by a variety of armed groups (some of them supported by foreign allies). While institutions and the economy are beginning to recover in the western and southern part of the country, those in the east and north are in shambles. The potentially rich DRC, victim of the "curse of natural resources," is instead one of the poorest countries in the world and its social indicators are among the worst in Africa.

A. Recent Political and Economic Developments

8. Progress towards peace and reconciliation has accelerated in 2003, within the context of the 1999 Lusaka Agreement. Since January 2001, the Congolese authorities have taken a number of important steps to implement the 1999 Lusaka Peace Accord and agreements reached through the inter-Congolese dialogue, to liberalize political life and to address key economic issues. A UN peacekeeping force, the *Mission d'Observation des Nations Unies au Congo* (MONUC) has been deployed throughout the country. The withdrawal of foreign troops was completed by end 2002, following agreements between the DRC Government and the Governments of Rwanda (in July 2002) and Uganda (in September 2002), and relations normalized with the countries that were involved in the

conflict. While localized ethnic violence continues in specific districts, UN forces are beginning to stabilize even these regions.

9. Political negotiations between the Government, armed groups, political opposition, and civil society culminated in an agreement on a power-sharing arrangement for a transition period leading to elections within 24 to 30 months and in the appointment on June 30, 2003 of an all-inclusive Government of national unity with representation of all key armed groups, unarmed opposition, and civil society. The mediation of the United Nations and the African Union, as well as the support of key bilateral partners such as South Africa were critical in this process. The command structure of the combined armed forces has been reunified and regional military commanders have been appointed and taken their posts throughout the country. The new Government is now functioning (with leaders of the two main groups of the former armed opposition serving as Vice Presidents), which puts an end to the violent division of the country and creates a political environment conducive to economic and social reunification.

10. The Government is satisfactorily implementing an economic program, which has been supported since 2001 by the World Bank and International Monetary Fund (IMF). The economy grew at 3 percent in 2002 and at an estimated 5 percent in 2003, after years of decline. Fiscal revenues have risen from only 5.1 percent of GDP in 2000 to 8.3 percent for 2003. The debt burden is becoming less onerous as DRC was granted debt relief on Naples terms by the Paris Club in September 2002, and reached the Decision Point under the enhanced HIPC Initiative in July 2003.

11. Such progress has consolidated the window of opportunity for peace and recovery in the DRC, and created an opportunity for peace in the entire Central African region. It has also increased the urgency of effectively reunifying the country. This effort will not be sustainable unless it is accompanied by a process of effective economic and social reunification—i.e. the reintegration of all provinces into a single and common economic space.

B. Future Prospects

12. The reunified DRC can harness important sources of recovery and growth. With implementation of a suitable investment climate, the DRC could achieve high levels of growth over the next decade, generated not only through mineral and extractive industries, but particularly through resumption of services, agriculture, and construction activities. Congolese businessmen and women have long been considered among the most entrepreneurial in Africa, and are responding to the creation of a fiscal and regulatory regime that supports their efforts at investment, economic activity, and the provision of services.

13. The process of harnessing these sources has only begun and faces constraints. The tax base remains narrow and highly concentrated, government administration remains weak particularly in the Eastern regions, the financial situation remains precarious with civil servants grossly underpaid—and those in the reunified provinces unpaid for six years—and most government services function on a survival basis. An “overhang” of civil servants past retirement age but not released due to lack of funding for the indemnities they are entitled to discourages renewal of the civil service. The sizeable

government debt to the private sector imposes a brake on private sector recovery and growth, while the continued accumulation of arrears by the central government on payments to public utilities continues to pose problems for the reform and restructuring of this important sector.

C. Macroeconomic Projections

14. The macro-economic framework for the next three years is based on a projection of strong growth in exports and public investment. On this basis, the growth rate would rise from 5 percent in 2003 to 6 percent in 2004, and then to 7 percent in the following two years.

15. Public finances have been improving. Over the period 2004 to 2006, revenues are projected to rise steadily from 8.2 percent of GDP to 11 percent, while external grants are expected to increase from 1.9 percent of GDP to 8.8 percent. Public expenditure would rise sharply from 13.2 percent of GDP in 2003 to a projected 21.5 percent in 2006, primarily due to a rapid rise in public investment, which increases to 11.5 percent of GDP in 2006 compared to 2.6 percent in 2003. This increase would be covered largely by foreign financing in the form of new credits and grants, as well as relief under the enhanced HIPC Initiative. Although the overall fiscal deficit on a commitment base will rise from 3.1 percent of GDP in 2003 to 4.3 percent in 2004 before declining to 1.7 percent in 2006, the primary balance will remain positive throughout the period.

16. Over the next three years, exports are projected to grow by 12 percent in volume terms, while imports are expected to grow at 25 percent in 2004, 14 percent in 2005, and 10 percent in 2006. The current account deficit, excluding debt relief and grants, is projected to rise from 10.7 percent in 2003 to 16.7 percent in 2006. However, grants and debt relief are expected to reduce the deficit to 3.5 percent in 2003, 4.7 percent in 2005, and 3.5 percent in 2006. Under this scenario, gross foreign exchange reserves would rise from 5.3 weeks of imports in 2003 to 11.9 weeks in 2006.

17. During the same period, the scheduled debt service, after the anticipated HIPC relief, would rise from 10 to 17 percent of exports of goods and services, but would fall from 25 to 22 percent of government revenues. As noted in the HIPC Decision Point document Tables 9 and 11, DRC faces an extremely difficult situation in the first few years following the Decision Point on account of the heavy burden imposed by the need to settle post cut-off arrears, for which the relief granted is much less than on pre-cut off debt.

III. THE GOVERNMENT'S MEDIUM-TERM REFORM PROGRAM

A. The I-PRSP, PRSP and Program of Reforms

I-PRSP and PRSP

18. Since 2002, the Government has been implementing an I-PRSP based on wide consultations with civil society and community groups. Although it was developed by a previous government, the Inter-Congolese Dialogue and later the new Transition Government endorsed this work. The I-PRSP rests upon three pillars: (i) restoration and consolidation of peace and sustainable good governance; (ii) macroeconomic

stabilization and pro-poor growth; and (iii) community dynamics (community-led development initiatives).¹

19. The Government has been developing its full PRSP through a representative and participatory process. With the allocation by the National Assembly of US\$600,000 as well as financing from several development partners, the funds necessary for these activities are now available and the work has been underway since October 2003. The Joint Staff Assessments of the I-PRSP and the 2003 annual update have been reviewed by the Boards of IDA and the IMF. With efforts continuing at the current pace, the full PRSP is expected to be completed by the beginning of the fourth quarter of 2005.²

Economic reforms

20. The Government has assiduously implemented a number of important economic reform measures with the support of the international community. These reforms include: (i) elimination of distortions in the foreign exchange market; (ii) liberalization of prices and the abolition of monopolies in certain sectors (e.g. export of diamonds); (iii) budgetary, fiscal, and judicial reforms; and (iv) taking up the fight against corruption and for promotion of good governance. These reforms have enabled the DRC to (i) break hyperinflation, as a result of prudent fiscal and monetary policies; (ii) implement a policy environment supportive of economic growth and private sector activities; (iii) re-establish the conditions for investment (new mining and forestry codes) and security of goods and persons; (iv) resume dialogue with donors; and (v) tackle the monumental external debt problem.

21. Under the impetus of the Inter-Congolese Dialogue and the reunification process, the Government has extended and deepened this program. The Transition Government has embarked upon the complex political process of institutional reunification coupled with decentralization of tasks and finances to local levels. To achieve this goal it needs to maintain political and economic stability and domestic security, as well as prepare the people of the DRC and particularly its own administration for the tasks of reconstruction and development that lie ahead.

22. The Government's medium-term development objectives are given in its Letter of Development Policy and corresponding policy matrix (Annexes 2 and 3). Its economic program for 2003-2005 covers (i) peace and governance (including demobilization and reintegration, anticorruption, public expenditure management and public administration reform, decentralization and judicial sector reform), (ii) the financial sector, (iii) private sector development, (iv) the reform of public enterprises, (v) natural resources, (vi) the social sectors (preparation of sector strategies and improving service delivery), (vii) agriculture and the rural sector development, and (viii) infrastructure rehabilitation.

¹ The people of DRC responded to the challenges of survival over the past decades by developing their own ad hoc solutions making innovative use of whatever resources available. This capacity for social innovation and maintenance has strengthened with time, and this "community dynamics" has been identified in the PRSP process as a building block for any strategy for pro-poor growth and development.

² In addition to the importance of the poverty-eradication orientation of the government strategy, a full year of satisfactory implementation experience of the PRSP would prepare the ground, and is required, for the HIPC Completion Point.

Through this program, the Government also expects to be well advanced towards the satisfaction of HIPC Completion Point triggers at the end of 2005.

B. Progress to Date

23. With the support of IDA's ERC (Cr 3660-DRC), the Government has implemented bold measures to carry out its priority agenda, and to rehabilitate areas with a strong impact on people. It has introduced a forestry code aimed at improving governance in the forestry sector and ensuring that the surrounding communities will retain part of the revenues. Production forest (60 million hectares) will be managed under sustainable forest management plans after concessions to speculative interests covering 40 million hectares are returned to public control for lease under the new code. Likewise, the new mining code establishes a legal framework to improve governance by pledging full transparency in allocation of permits, reducing the discretion of Government agents, promoting the disclosure of information, ensuring a non-discretionary treatment of all operators, and returning a share of revenues to local populations. These reforms are expected both to attract foreign investors and to support local communities. Restructuring of the state owned mining company Gécamines is proceeding satisfactorily. The program for the voluntary departure of about 10,000 redundant staff, agreed to by the firm's management and unions, and supported under the ERC, is being implemented. In order to strengthen public expenditure management, the Government conducted financial audits of provincial finances and public enterprises that have shown mismanagement, leading to replacement of entire administrations. Three state-owned banks are in the process of liquidation and a reform process for public enterprises is underway with IDA support.

24. The DRC is in the process of strengthening public expenditure management and fiscal systems to address the needs of its poorest people. The Government has strived to reform the customs and excise administration (also reducing incentives to corruption) and to rationalize the tax and customs codes, to eliminate exemptions and deferrals, and to simplify enforcement through centralized procedures. Reforms affecting economic competitiveness are underway with donor support, including IDA's Private Sector Development and Competitiveness Project (PSDCP, Cr 3815). More generally, the Government's track record of sound economic policies and performance has been judged satisfactory by two PRGF review missions, which is important because it is a prerequisite to qualify for the Completion Point under the HIPC initiative. This can come as early as 2006 if the PRSP is completed in a timely manner by 2005, so that the country can have one year of satisfactory implementation experience as specified under the HIPC agreement.

C. Next Steps

Priorities for the coming year

25. The Government has expressed its commitment to economic and social reunification and recovery as key conditions for the overall success of the peace and political reconciliation efforts. In parallel to the complex political process that is underway, the Government has indicated its intention to move along a three-track agenda: (i) keeping the economic reform program on track, with a particular attention to absorbing the monetary and fiscal shocks expected from the process of economic and

social reunification; (ii) restoring institutional unity while redefining the respective roles, responsibilities, and resources of the various levels of Government; and (iii) providing rapid financial support in the eastern and northern parts of the country with a view to generating peace dividends and stabilizing the social situation, while laying the ground for growth recovery. All major stakeholders have endorsed this agenda.

26. To move ahead in this direction, to face the twin challenges of recovery and reunification effectively, and to continue implementing measures included in the Letter of Development Policy, urgent actions are needed in the coming year, particularly in four areas:

- redefining the relationship between the various levels of Government;
- beginning institutional and civil service reform;
- tackling the issue of internal debt, which hampers private sector revival; and
- ensuring regular Government payments to key public suppliers, in particular the water and electricity utilities.

Redefining the relationship between the various levels of Government

27. The redefinition of the roles, responsibilities, and resources of the various levels of Government would help efforts in bringing public service delivery to the community. This will raise particular challenges as the revenue sources allocated to each decentralized level are poorly aligned with the responsibilities, as well as capabilities in some cases, of that level and the abilities to collect taxes efficiently and equitably. Efforts at centralizing State receipts in the general Treasury have led to a reduction in the resources allocated to the provincial administrative units under the regulations providing for retrocession to such units.

28. These problems are starting to be addressed by a decentralization law drafted in October-November 2003 that will be subjected to review by a broadly representative conference (including the parliament, the administration, civil society, academics, and political groups). The results will receive a trial implementation nationwide, and will be revised based on experience before the end of the transition.

29. A law on fiscal devolution and retrocession, also on a trial basis, will accompany the decentralization law. The DRC has made several attempts since independence at identifying revenue sources appropriate to each level of government and matching them to requirements, but immense disparities in revenue capability by province require a strong role for the central government to redistribute revenues through retrocession. It is likely that despite close monitoring, the transition period will be marked by provincial fiscal imbalances to which the central government would need to respond.

Beginning institutional and civil service reform

30. **Context.** The reform of public institutions, including the civil service, constitutes one of the four pillars of the Government's adopted strategy and action plan for restoring public service delivery, improving governance, stopping the brain drain, and combating corruption in the DRC. The authorities are fully aware that a comprehensive reform of the public administration at the central and provincial levels is required. Their approach is

focused on (i) redefining the key missions of priority ministries and public service agencies at the central and provincial levels, as well as (ii) upgrading the skill levels and productivity of their staffs. To this end, a strategy for “civil service reform and for institutional capacity reinforcement” has been drafted in 2003 with the technical assistance of a multi-donor program. Its priorities for the next two years are as follows:

- (i) defining a strategic framework which begins at the center and provincial branches of central ministries before moving to the provincial governments;
- (ii) performing an operational audit of key ministries to lead to their reorganization;
- (iii) auditing service delivery mechanisms, especially at the local level, covering health, education, and justice;
- (iv) establishing a modern personnel management system and payroll system, based on a comprehensive census of civil servants and an audit of the payroll management system; and
- (v) implementing an obligatory retirement program for those staff having passed the legal age for retirement by end 2004.

31. The case for the reform program is compelling. Operational audits are needed to help rationalize the structure of government. The personnel and payroll management systems are in need of overhaul. A comprehensive and integrated personnel information system does not exist: in its place is a multitude of administrative systems, some manual and some computerized. The total number of civil servants is known only approximately. The salary payment process is dispersed with several sources being entitled to give payment instructions. The Treasury directorate does not verify payment after instructions to process salaries have been passed to the Central Bank. Salaries are considered paid when payrolls have been passed to lower levels of government for attribution and disbursement, which means that salaries may not always reach their intended beneficiaries. Approximately 74,000 civil servants (including 24,500 teachers but excluding the newly reunified territories) who have already attained retirement age are still working because the government cannot pay the end-of-service package to which each retiree is legally entitled. The continued presence of so many retirees on the payroll impedes the advancement of younger staff and the hiring of new entrants.

32. Implementation of this reform program started in 2003, when the government began to: (i) prepare an end-of-service package and commenced the formal retirement of approximately 10,000 personnel already placed in retirement status without having received a retirement package; (ii) prepare a retirement program, phased in such a way as to ensure that lower echelon civil servants are assured coverage and that service provision is protected until replacements can be trained; (iii) prepare a civil service census in order to obtain accurate information on the number of employees, their age, and their grade; and (iv) audit and reform the salary payment process (and consequently, to establish a modern and secure personnel information and payroll system, to assure that civil servants receive their pay, and to verify that there are no “ghost” workers). The outcomes of these operations are expected for the end of 2004 or early 2005.

Internal debt

33. **Context.** Over the last period, much progress has been made on tackling the external debt: Paris Club rescheduling in 2002 and progress under the enhanced HIPC Initiative (paragraph 8) have greatly reduced the external debt service commitments of the DRC; London Club deliberations began in February 2003 to address the US\$833 million balance in external commercial debts.

34. In the coming period, the Government will need to shift its focus to start tackling the issue of internal debt in order to restore certainty to private investors as well as to the providers of essential public utilities, for whom the Government is the largest customer. Key steps include:

- negotiating the clearance of its existing debts to private enterprises and individuals; and
- establishing mechanisms to prevent the accumulation of new payment arrears pertaining, in particular, to water, electricity, petroleum products and telecommunications.

Clearance of existing debts and payments arrears

35. **Debt to the private sector.** Internal debt to private sector is divided into two categories, those accrued before June 30, 1997 by the previous regime, and those incurred later up to a cutoff date set at December 31, 2001, when the audit began. Pre-1997 arrears have been certified by the Ministry of Finance and their dossiers transferred to the Debt Management Agency, OGEDEP. An independent audit of these dossiers will be concluded in January 2004, and the final report is expected in March 2004.

36. For internal debt incurred by the governments between July 1, 1997 and December 31, 2001, the independent auditor has certified claims in the amount of US\$ 209 million. For its part, the Congolese Entrepreneurs' Federation (FEC) has calculated claims of US\$ 583 million for its members alone covering the pre- and post 1997 periods (the FEC does not address social debts, financial debts including the defaulted treasury bonds purchased under compulsion by banks and savings and credit networks, and claims of firms which are no longer in operation).³

37. The preliminary data suggest that the total amount of certified debt arrears would exceed US\$ 465 million. The precise amount will be determined when the audit of pre-1997 has been completed. The government wishes to arrive at a negotiated settlement of these claims, at a substantial discount to their face value. Such a settlement would remove an important element of uncertainty that limits the scope for the resumption of private investment.

38. While the ultimate discount cannot be determined a priori, for some classes of debt, a discount close to that achieved under the enhanced HIPC Initiative—as was done for similar internal debt processes in neighboring countries—might result. Negotiations will also be influenced by the current economic and fiscal realities of the DRC, which constrain the government's ability to repay its debts.

³ This figure represents 11 percent of GDP.

39. There are alternative approaches the Government may follow to use the debt settlement to assist the private sector. While assuring equality of treatment between creditors, priority can be given to those entities most likely to reinvest proceeds from the debt payments into the local economy (for instance, some pre-1997 claims are for firms which subsequently failed, while post-1997 creditors are more likely to be functioning firms for whom debt settlement remains a current problem).

40. **Debt to public enterprises.** The government has also accumulated substantial arrears to public enterprises, but has decided in the context of its program under the PRGF arrangement with the IMF that the arrears to public enterprises accumulated in the past will be written off.

Prevention of accumulation of new arrears to suppliers

41. The problem of internal debt is not limited to debt from the past. The Government continues to accrue arrears on its centralized payments, “*dépenses communes*,” for consumption of public utilities—water, electricity, petroleum products, and telecommunications in particular. The Government’s draft 2004 budget provides approximately US\$ 21 million for water and electricity expenditures while the providers estimate the combined amount due to be about three times that amount, or US\$ 61 million per year. Efforts are underway to reconcile these figures, as they are largely based on estimated consumption. Partly as a result of the on-going accumulation of arrears, utilities seek other means of covering their expenses. These means include charging high rates to good clients, the business and industrial consumers of electricity, or reducing expenses through lowering the quality of service to the public (such as non-potable water or frequent electricity outages). Resolution of the ongoing accumulation of arrears by their largest client – the Government and its agencies-- can permit the utilities to improve their service to the public.

42. To this end, assistance to the Government in reducing arrears should not only assist the Government in its own efforts to improve the management of its utility obligations but also be designed to help the utilities strengthen their billing processes. The Government is requiring all suppliers henceforth to provide more accurate bills for services rendered as a condition of payment. In the particular case of water and electricity, which present particular problems, the Government is also requiring the providers, SNEL and REGIDESO, to draw up action plans to improve the accuracy and reliability of their billings. For its part, the Government will take an important step toward the timely payment of utility bills in 2004 and for subsequent years.

IV. DONOR SUPPORT

A. Strategic Approach to Support Reunification

43. A consensus on the need to provide support to facilitate the process of economic and social reunification of the DRC emerged during the 2002 Consultative Group (CG) meeting, and was confirmed during the 2003 CG meeting. Donors emphasized that such support should be provided within the context of nation-wide programs (and as appropriate, with specific activities in northern and eastern provinces), with particular

attention to staying away from activities that could indirectly contribute to dividing the country. They also called for close coordination of economic support with other aspects of the reunification process, in particular humanitarian assistance. They finally underlined that external assistance should be provided early on, wherever security conditions are adequate.

44. In this context, donors adopted a priority four-fold agenda to support the Congolese strategy towards economic and social reunification: (i) help restore sound economic governance; (ii) mitigate the fiscal cost of reunification; (iii) support rehabilitation of essential infrastructure and the restoration of social services in eastern and northern areas to catch up with programs in other parts of the country; and (iv) assist in demobilization and reintegration of former combatants. They called in particular for substantial balance of payments support to be provided in order to help reunification become effective and to assist the Government in facing its obligations in the reunified provinces, as revenues, although increasing, remain very low.

45. Donors also called on the Bank to take the lead in preparing for assistance to eventually cover the entire country. They also encouraged the Bank to commit resources that could contribute rapidly to stabilizing the economic and social situation in the eastern and northern provinces, with a view to catalyzing donor resources.

B. Debt Relief

46. Under the Naples terms of the enhanced HIPC process, multilateral and bilateral donors have offered debt service relief of over 90 percent and the possibility of debt write-off as early as 2006, and provided access to financial program and project assistance. At the request of concerned bilateral donors, the Bank has created an initiating document for a multilateral debt service trust fund to address the still large burden (US\$30.1 million per year on average between 2003-2005) of international debt service remaining after HIPC reductions.

C. Increase in Donor and Partner Support

47. Donors have steeply increased their support to the DRC. Consultative Group meetings for the DRC have been re-established by the World Bank: a pre-CG was held in May 2002 and full CGs in December 2002 and 2003. Bilateral donors have announced significant increases in financial aid over the period 2003-2006, with particular focus on poverty reduction and post-conflict reconstruction. Disbursements have gone up by about 20 percent in 2003, which correspond to the implementation of a number of projects, in particular within the context of: (i) the US\$1.7 billion Emergency Multi-sector Rehabilitation and Reconstruction Program, which defines a broadly-endorsed priority investment program for infrastructure rehabilitation and support to social service delivery (supported through a \$454 million IDA credit); (ii) activities in the DRC under the US\$500 million Multi-country Demobilization and Reintegration Program (MDRP), supported by a series of IDA credits that could total over US\$150 million and grants through a multinational trust fund of US\$350 million, which helps coordinate partner efforts in breaking the conflict cycle through a transition of armed groups either into the national armed forces or back into civilian life; (iii) a variety of projects throughout the

country; and (iv) a substantial amount of technical assistance and other institution strengthening activities.

48. The DRC was granted access to the PRGF facility of the IMF in June 2002. This program is on track, and the third review was held in November 2003. In December 2003, the European Commission (EC) pledged grant financing of US\$865 million for the period 2004-2007. The African Development Fund has followed up grant assistance with additional project and program assistance, including an Economic Recovery and Reunification Assistance Program to provide support (including SDR 44.5 million credit and SDR 3.0 million grant) for key activities and to complement assistance provided under this Credit.

49. The civil service reform program has received strong donor support, under the overall coordination of UNDP and Belgium. The division of labor is as follows. Belgian-supported technical assistance has identified the priority administrative reforms and is preparing implementation of test reforms in three pilot ministries. The operational audits are also supported by Belgium. Belgium, the EU, and the African Development Fund are co-financing the comprehensive civil service census to be undertaken by Belgium. This census is required for the other legs of the reform to succeed. France is taking the lead on the audit and reform of the payroll system (which would also control against re-entry of civil servants after their retirement) and is considering providing technical assistance for the subsequent restructuring. IDA is providing support to institutional reform in the form of an Institutional and Governance Review, with a particular focus on service delivery at the local level. Through the proposed Credit, IDA would provide financial and technical support to the obligatory retirement program for civil servants already past retirement age. Since these measures are complementary and the right sequencing is an essential element for the success of the operations, close coordination among the donors has taken place.

D. Additional IDA Activities

50. At the national level, the IDA Economic Recovery Credit (Cr 3660) supported reforms in a wide range of areas including forestry and mining, labor law, and investment climate. At the same time, the Emergency Early Recovery Project, which was financed through an IDA Grant (Grant H005 DRC), and the Emergency Multisector Rehabilitation and Reconstruction Project (EMRRP, Cr 3703 and Grant H010 DRC) are financing emergency rehabilitation of key infrastructure that will directly benefit the population. Continuing the support of the rehabilitation and reform program, an Emergency Economic and Social Reunification Support Program (Cr 3824 and Grant H064 DRC, September 2003) is preparing *inter alia* for the extension of the EMRRP to formerly occupied areas. A Private Sector Development and Competitiveness Project (PSDCP, Cr 3815) provides support to reform of key state-owned enterprises and is supporting measures to promote the competitiveness of the Congolese economy. The World Bank Institute has provided capacity reinforcing training, and technical assistance under the Public Expenditure and Financial Accounting program supports the Government's efforts at redefining the roles of the various levels of Government.

V. BANK TRANSITIONAL STRATEGY TO SUPPORT THE GOVERNMENT'S PROGRAM

51. The objective of the Bank's strategy is to contribute to the transition to peace and stability in the DRC and the sub-region. Support has been framed within the context of a Transitional Support Strategy (TSS) which was discussed by the Board in July 2001 (TSS, Report P057300) and aimed to: (i) meet basic and urgent needs; (ii) rebuild effective public institutions and policies; (iii) revitalize economic activity; and (iv) rebuild implementation capacity. Support includes financial support, policy and technical advice, as well as donor mobilization. Specific objectives are given in Box 1 together with the program or activity intended to address them.

Box 1: TSS Objectives	
Objective	Description of Program or Activity
Meeting basic and urgent needs	<ul style="list-style-type: none"> • Support social service delivery and social infrastructure ruined by looting, war, and years of neglect • Reintegrate ex-combatants and displaced households • Establish and support an anti-HIV/AIDS task force at a level higher than the ministerial level. Establish safe blood transfusion.
Rebuilding effective public institutions and policies	<ul style="list-style-type: none"> • Strengthen transparency, accountability, and participation • Lay the groundwork for broad-based growth with disincentives to corruption and a new role for the State vis-à-vis local administrations, the private sector, and non-governmental groups
Revitalizing economic activity	<ul style="list-style-type: none"> • Aid the private sector through reconstruction of essential infrastructure • Initiate community-driven development activities • Promote revival of the food linkages from farmer to consumer. • Introduce regulatory and other incentives for investment while ensuring that all can broadly share the benefits of mineral wealth.

52. The new TSS, developed in parallel with this Credit, builds on the achievements of the last two years, with a view to deepening support in four key areas:

- *social stability and security*, including the need for the Government to establish rapidly the institutions to support a program of demobilization, disarmament and reintegration (DDR) and to reform of the combined army, and for the donor community to support such a program;
- *shared economic growth*, including deepening of ongoing economic reforms, reform of the payroll system for public servants, infrastructure rehabilitation, the rural sector development, and reviving a competitive private sector;
- *capacity and governance*, including transparency, equitable enforcement of regulations, redefinition of roles between levels of government, and continuation of reforms in the natural resource sector; and
- *social development*, including additional resources for education, health and community self-help activities.

VI. THE PROPOSED CREDIT

A. Objectives and Design

53. **Objectives.** The main objective of the proposed Post-Reunification Economic Recovery Credit (PRERC) is to assist the Government with foreign exchange in the post-reunification context, so as to support and facilitate the implementation of urgent reforms in critical areas: (i) supporting the continued implementation of economic reforms throughout the country; (ii) supporting civil service reform, and in particular the retirement of staff having reached retirement age; (iii) completing the process of debt reduction and restructuring begun under the ERC, in terms of both settling arrears and preventing the accumulation of new arrears. The proposed Credit, encompassing several key policy actions, would provide critical financing necessary to advance structural reforms and governance/transparency measures of the Government's program, as outlined in the policy matrix. The policy reform framework draws on the ongoing policy dialogue with the Government in various sectors, and on the preparatory work carried out in conjunction with the IMF Poverty Reduction and Growth Facility.

54. **Design.** The Credit, in an amount of US\$200 million equivalent, will be disbursed in four tranches as follows:

- the first tranche, in an amount of US\$85 million, to be made available at effectiveness;
- a floating tranche of US\$ 47.5 million for an end-of-service program to accompany the Government's retirement program for delayed retirees in support of civil service reform;
- a floating tranche of US\$ 42.5 million upon arrangements for negotiated repayment of the Government's internal debt to private creditors; and
- a floating tranche of US\$ 25 million for supporting the reform of utilities billing and payment.

55. The three floating tranches are mutually independent and can be released in any order. Release of each tranche will be undertaken against the background of general maintenance of a satisfactory macroeconomic framework.

56. Disbursement of these tranches would be made in U.S. dollars into the Ministry of Finance deposit account in a bank acceptable to IDA and would be subject to that account's use and audit requirements, following the model established under the ERC, which was found to work well. These resources would be used to finance imports subject to a negative list as specified in Schedule 1 of the Credit Agreement. These funds could also be subject to annual audits by auditors acceptable to IDA. The Government is considering using the funds and counterpart funds for certain hitherto-unfunded or underfunded priority areas, with possible uses including:

- i) retirement of the first cohort (already identified) of civil servants;
- ii) continuation and enlargement of the range of quick-impact and visible rehabilitation projects which have had a demonstrable impact on the poor under the ERC;

- iii) provision of financing to sub-national governments to implement local highly-visible rehabilitation projects;
- iv) support to the participatory process of developing a decentralization law;
- v) bridging finance to sub-national units to correct for temporary negative impacts of the recent and ongoing fiscal reform and decentralization, or early fiscal misalignments under the implementation of this law; or
- vi) essential deferred maintenance on public structures not financed by donors.

B. Justification for the Proposed Credit

57. The Government of the DRC has successfully sustained over a period of more than two and a half years a set of measures aimed at enhancing sound macroeconomic policies, stabilizing the economy, and preparing for growth. It must now maintain these sound policies across a reunified country with substantially greater demands on its resources.

58. The Government is seeking to re-launch broad-based growth while avoiding the model of the past based on the abusive exploitation of this wealth by an elite. This requires effective and transparent governance. In order to fulfill its role in poverty-reduction and the delivery of social services, the Government seeks to improve the efficiency and integrity of the civil service. Without a strong response of private sector investment and improvements in the productive capacity of the economy, higher growth would neither be achieved nor sustained.

59. The proposed Credit will support the deepening of structural reforms, reunification of administrations, and the continued reform of the public sector to foster efficiency and enhance productive capacities, while providing the Government with the resources to facilitate extensive transitional and reintegration adjustments.

C. Features and Content of the Credit

Conditions for release of the initial tranche

60. The initial tranche would be made available at effectiveness, and would aim to support continued implementation of the economic reform program, in line with the Government's Letter of Development Policy. In view of the Government's performance to date, there will be no condition for effectiveness.

Conditions for the release of the floating tranches

Civil service retirement tranche

61. The civil service retirement tranche of US\$ 47.5 million is intended to assist the Government in financing the retirement package for workers who have reached retirement age. For this tranche to be disbursed, a strategy and implementation plan will have been adopted by the Council of Ministers setting forth, *inter alia*: (i) the necessary legal and administrative steps to be followed to carry out the transition of civil servants from active duty into retirement after having fulfilled mandatory retirement criteria on the basis of current legislation; (ii) a program including proposed target groups, modalities of

payment, and the cut-off-date for being eligible for the retirement package; (iii) a transparent mechanism for identification of retirees, disbursement procedure, and the control of funds to be disbursed; and (iv) publication of regulations, administrative acts, and other information relevant to beneficiaries, such as the calendar of payments and calculation method used.

Internal debt tranche

62. The proposed tranche of US\$ 42.5 million would help the Government partially finance the arrears clearance for internal debt, excluding that to public enterprises and agencies. Release of this tranche is dependent on:

- (i) validation of the stock of debt pursuant to procedures satisfactory to the Association.
- (ii) publication in the Official Gazette and the press and media of wide circulation in the national territory of a cut-off date after which domestic creditors are precluded from (a) submitting further claims to be included in the stock of debt, or (b) completing or modifying already submitted claims to be included in the stock of debt;
- (iii) an agreement, binding under the laws of the DRC, having been concluded between the Government and its creditors representing at least 75 percent of the stock of debt, pertaining to a common discount factor, or discount factors as the case may be, satisfactory to the Association, applicable to the stock of debt; and
- (iv) appointment of a commercial bank, acceptable to the Association, following the application of a transparent competitive selection process satisfactory to the Association, called upon to effect payments to creditors.

Public utilities (centralized payments) tranche

63. The Public Utilities tranche (US\$ 25 million) would assist the government in making timely regular flat-rate payments of current bills to the water (REGIDESO) and the power (SNEL) companies for 2004. Release would be conditional upon:

- (i) adoption by the Government of an action plan, including an implementation schedule, in form and substance acceptable to IDA, to control its utility use and expenditures;
- (ii) adoption by both REGIDESO and SNEL of action plans, including implementation schedules, in form and substance acceptable to IDA, to improve the reliability, transparency and accountability of their billing procedures to public administration; the Government's protocol with these companies will specify expenditure plans for the funds that would be transferred to them.

64. **Monitorable Benchmarks.** Progress and outcome indicators will be monitored in the areas of management of the civil service reform process, and management of the internal debt. These indicators, designed to track progress toward achieving the goals of the DRC's reform program, have been agreed on with the authorities and are presented in

the matrix of policy reforms (Annex 3). Bank staff will monitor them to assess how the proposed Credit contributes to the success of the Government's efforts.

D. Credit Implementation and Institutional Arrangements

65. **Disbursement mechanism:** The Credit will be disbursed in four tranches, of which the first will be released upon credit effectiveness, and the remaining three upon completion of specific triggers. The Credit will follow the Bank's simplified disbursement procedures for adjustment credits.⁴ In case any portion of the proceeds of the Credit is used for ineligible purposes as set forth in the Credit Agreement (Schedule 1), IDA would require the borrower to either: (a) return that amount to the deposit account for use for eligible purposes; or (b) refund the amount directly to the IDA credit account. The deposit account will be independently audited by external auditors and in accordance with terms of reference acceptable to IDA.

66. The authorities intend to use the proceeds from the Internal Debt tranche as a partial contribution to the settlement of Government debts and arrears to domestic creditors, as part of a global settlement.

67. The authorities intend to use the proceeds from the Public Utilities tranche to make flat-rate payments to REGIDESO and SNEL for consumption during 2004. These payments may be less than actual consumption as determined by the companies but will be considered as complete settlement of 2004 payments due.

68. The authorities intend to use the proceeds from the Civil Service Retirement tranche to support the program of phased retirement, as described in paragraph 54 (i).

69. Upon approval of the Credit, the Ministry of Finance will open a deposit account in a commercial bank or at the Central Bank in which IDA will deposit the proceeds of the initial tranche of the Credit. The Ministry of Finance is expected to set up accounting and tracking arrangements similar to those that were found satisfactory for implementation of the SDR 360.4 million ERC, to ensure that resources from the Credit are committed and expended in accordance with the provisions of the Credit Agreement. The use of the funds deposited by the Bank in the deposit account will be subject to annual audits by external auditors based on terms of reference acceptable to IDA.

70. **Fiduciary and financial risk management.** Recognizing the capacity limitations as the DRC emerges from conflict, the authorities are making substantial efforts to strengthen public sector financial management and accountability with assistance from IDA and the IMF. The *Cour des Comptes*, the legislature's internal audit service, has submitted its report on the Government's Financial Statements to the National Assembly in January 2004, in conformity with the transition Constitution. Poverty expenditures, as captured by the 15 HIPC tracking benchmarks, were reviewed in an Assessment and Action Plan, which was introduced as part of the 2002 Public Expenditure Review. A full-fledged Country Financial Accountability Assessment, in which both PREM and

⁴ See "Simplifying disbursement procedures under Structural and Sectoral Adjustment Loans," Operational Memorandum, February 8, 1996.

Financial Management staff will participate, is planned for FY 2005. A Country Procurement Assessment Review is underway and will be completed in April 2004.

E. Environmental Aspects

71. The program is classified as environmental category C because no component is expected to have an environmental impact.

F. Government Ownership and Participatory Approach

72. The activities financed by this credit are an integral part of the Government's strategy for recovery and growth, as expressed in its Letter of Development Policy (Annex 2). On October 9, 2003 the Vice-Presidential Economic and Financial Commission approved the creation of an inter-ministerial steering committee for civil service reform. In October 2003 a commission responsible for decentralization commenced drafting a structural decentralization law that will be submitted for public and professional comments.

VIII. BENEFITS AND RISKS

A. Benefits

73. The potential benefits of support to the DRC in the form of the proposed PRERC largely outweigh the high level of risk. From a macroeconomic standpoint, the Credit would support policies that continue to stabilize and revive the economy. The civil service retirement and internal debt tranches will provide support to improved management of the delivery of social services, and to the re-launch of a competitive private sector. The second benefit is that the Credit will provide content to the national program to improve governance and reduce corruption with a focus on the civil service.

B. Risks

74. **Renewed conflict.** Since the establishment of a transitional government and the channeling of political conflict into the electoral process, the risk of renewed conflict has greatly diminished compared to the situation at the time of the design of the ERC in 2001. Nevertheless, violence continues in some districts.

- To address this, on July 28, the UN Security Council increased the size and the mandate (through July 30, 2004) of the United Nations Observation Mission in the Congo (MONUC), replacing an EU-led Interim Emergency Multinational Force. The danger of renewed nation-wide conflict appears to be greatly reduced.

75. **Renewed arrears.** Following the HIPC Decision Point, the multilateral debt service obligation of the DRC has declined from US\$ 61.31 million to US\$30.14 million per year (2003-2005 average). However, since the DRC was paying no service on its debts before late 2001, (a) total required expenditure on debt service has increased, and (b) there is no corresponding decline in debt service outlay to match the increase in poverty-related expenditures required by the HIPC process itself. As a result, total debt service has increased. Resolution of the underpayment of utilities charges would impose an additional expenditure stream of around US\$ 61 million per year. Civil service salaries

continue to be miniscule, and the social and political pressure to increase them is strong and growing. Revenues are growing, but there is no certainty that they will rise to the point where such expenditures can all be met in the medium term, nor may it be desirable given the pressing unmet social needs. A renewed default remains possible if government treasury cash flow is insufficient to service external debt.

76. **Lack of international support.** The development needs of the DRC are of an order of magnitude greater than those of other African countries. Failure for donors to maintain the current high levels of assistance pledged to date could hinder the Government's ability not only to service its debt, but also to reconstruct its administrative and economic infrastructure, and rehabilitate some of the social facilities. This would also exacerbate poverty and social distress. In this respect, the donor community will be watching closely the performance of the Transition Government.

- To mitigate these two sources of risk, continued high levels of donor support are required in the medium term. IDA is working with other donors to assure a continued high level of donor financing, and is providing guidance for the measures, including the PRSP process, that will make permanent the debt service reduction that followed the HIPC Decision Point.

77. **Compromised capacity.** The Government's limited institutional and administrative capacity could lead to delays in the implementation of key measures. These delays might be significant in the reform of the civil service, affecting the release of the retirement tranche and the effectiveness of the programs supported.

- To address this, IDA and donors are providing technical assistance for civil service reform.

78. **Private sector response.** Despite the improvement in the investment climate, it is possible that the private sector will not respond or that debt negotiations will not bring about the desired revival of private sector activities due to lack of confidence of foreign investors, lack of financial resources for domestic investors, or other reasons.

- This risk is being addressed by the Private Sector Development and Competitiveness Project (PSDCP, Cr 3815), as well as by other activities by IDA and donors to improve the investment climate. This risk appears to be diminishing, given the considerable international investor interest in the DRC that has been expressed over the last 18 months. If the domestic private sector fails to respond then the subsequent growth will be less robust than expected but will occur nonetheless.

79. **Regional conflict.** Finally, conflict in the Democratic Republic of Congo may not be amenable to national policies and programs when conflict continues in neighboring countries. The natural resource plunder across borders and, more generally, the poor reputation in the minds of international investors concerning the region as a whole are also linked to the regional conflict. Even if the DRC is able to obtain satisfactory progress in peace and stabilization, the possibility remains that the regionalization of other conflicts will exacerbate the other risks.

- The regional approach to conflict resolution and development, already begun by the Bank, AU, OECD and others, would be continued to manage this risk. The

MDRP addresses immediate issues of DDR directly. The Great Lakes Peace Conference, proposed since 1997 but now being actively designed by both regional governments and the broader international community, is an important first step toward addressing the larger issue of regional stability and peace.

80. **Fiduciary risks.** Fiduciary risks are considerable, but the government is making substantial efforts to mitigate them through its various efforts, set forth in this report, to strengthen public sector financial management with assistance from IDA and the IMF. Important lessons have been learned from the ERC. Funds provided to SNEL and REGIDESO as part of arrears stabilization would be spent according to expenditure plans agreed with the Government.

ANNEXES

1. Timetable of Key Processing Events
 2. Letter of Development Policy (Government)
 3. Policy Matrix
 4. Social Indicators
 5. Democratic Republic of Congo At a Glance
 6. Key Economic Indicators
 7. Status of Operations Approved Since 2001
 8. World Bank-IMF Relations
- Country Map

Annex 1

Timetable of Key Processing Events

Time taken to prepare the Credit:	6 months
Project prepared by:	Government and IDA staff
ROC Decision Meeting:	December 23, 2003
Appraisal:	January, 2004
Negotiations:	January 15-16, 2004
Board Presentation:	February 26, 2004
Effectiveness	March 2004
Project Completion:	June 2005

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The PREM Sector Manager is Cadman Atta Mills, and the Country Director is Emmanuel Mbi.

ANNEX 2

**Letter of Development Policy
Translated from the French Original**

Kinshasa, January 21, 2004

TO THE PRESIDENT

SUBJECT: POST-REUNIFICATION ECONOMIC RECOVERY CREDIT

DEVELOPMENT POLICY PAPER

INTRODUCTION

1. The Democratic Republic of the Congo has immense human and mineral resources. However, the deficient political and economic governance of the last 30 years after independence in 1960 were translated into negative economic growth and increasing poverty. The accumulation of multilateral and bilateral debt arrears led the donor agencies and creditors to suspend their cooperation with our country at the beginning of the 1990s, with harmful effects on the welfare of the Congolese population.
2. These counter-performances were exacerbated between 1997 and 2003 following the violent armed conflict on Congolese soil which involved the participation of several rebel movements and foreign armies from seven African countries, as well as the partition of our territory. The economic, social, political and environmental cost of this conflict was very high. More than three million lives were lost. The scope and complexity of the conflict were a serious challenge to institutional stability and basic socioeconomic infrastructure. It threatened the DRC's territorial integrity and threatened to expand to the entire sub-region.
3. In spite of its wealth, the DRC had become one of the poorest countries in the world by the end of the second millennium.

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TO Mr. James D. WOLFENSOHN

President, World Bank Group

Washington, D.C. 20433, USA

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4. In this context, a new government instituted, and, in the first quarter of 2001, committed itself immediately to carry out the following: (i) restore peace; (ii) normalize relations with external creditors; and (iii) revive growth and begin the fight against poverty.

5. In the political sphere, we are pleased to note that our efforts to strengthen the inter-Congolese peace and dialogue process, held in Lusaka and Sun City, have shown positive and encouraging results. An all-inclusive transition government, which brings together all the stakeholders, was installed on June 30, 2003. The country is now reunified.

6. With respect to the economy, our efforts have resulted in strong support since June 2002 from the international financial community, notably the International Monetary Fund, the World Bank (more specifically, the International Development Association), the African Development Bank and numerous bilateral creditors.

7. This is the case for the clearance of arrears to the multilaterals in June-July 2002, for which the International Monetary Fund granted 580 million SDR in support. Similarly, the World Bank approved an Economic Recovery Credit of 360.4 million SDR and a credit of 358.8 million SDR to support the Emergency Multi-Sector Emergency Rehabilitation and Reconstruction Program (EMRRP). In September 2002, the member countries of the Paris Club granted a rescheduling of our debt to them in accordance with the terms of Naples. The government's good program implementation since June 2002 culminated in the DRC's admission on July 24-25, 2003, to the Enhanced HIPC Initiative Decision Point, on the conclusion of the meetings of the IMF and World Bank Boards of Directors. This made it possible to reduce the stock of our external debt from 12 billion dollars to 1.5 billion. **On this point, we hope to reach the Completion Point within three years.** Moreover, the World Bank approved three other credits in September-October 2003: (i) the Private Sector Development Support Project for 87.1 million SDR; (ii) the Economic and Social Reunification Support Project for 152.7 million SDR; and (iii) the support project for Electricity Export Toward Southern Africa. Furthermore, two other projects on AIDS are being prepared (HIV/AIDS/MDRP).

8. Nevertheless, re-establishing peace and making progress in the fight against poverty throughout the newly reunified country constitutes an enormous challenge that requires ongoing support from the international community for several more years. To significantly improve the standard of living of the entire population and markedly reduce poverty, we will need: (a) strong and continuous economic growth for decades; (b) pro-poor budgets, especially in the education, health and infrastructure sectors; and (c) well adapted overall economic policy, structural and sector policies.

9. It is in this context that the government requests at least USD 150 million in the form of a development credit for the funding of its economic program for the years 2004-05, in general, and particularly for: (i) the partial clearance of the internal debt incurred before December 31, 2001; (ii) retirement indemnities for about 70,000 government employees who have met the conditions for retirement; and (iii) nationwide public works with a visible impact. On this subject, the attached memorandum describes the government's development policy for the period 2004-05. This policy is based on the three I-PRSP pillars approved by the IDA and IMF Boards of Directors in June 2002: (i) the consolidation of macroeconomic stability and recovery of pro-poor growth; (ii) the restoration of peace and the improvement of governance; and (iii) the strengthening of community dynamics. This Letter of Development Policy and the policy matrix that relates to it deal with the following topics in succession:

- Macroeconomic and budgetary frameworks
- Preparation of the poverty reduction strategy
- Restoration of peace and improvement of governance
- Structural and sector policies

We also note that good implementation of the measures described in the Letter of Development Policy should make it possible for the government to make good progress toward the achievement of structural benchmarks so as to reach the Completion Point in the context of the Enhanced HIPC Initiative by the 4th quarter of 2006.

MACROECONOMIC AND BUDGETARY FRAMEWORKS

10. The challenge to be met with respect to growth and poverty reduction is enormous. For example, it would take 40 years to reach the per capita revenue level of 1990 if we assume an annual real GDP growth rate of 5.3 percent and a 3 percent population growth rate. It would take 60 years to reach the 1960 level. To reach that objective, it would not only require an accelerated growth rate for decades, but also pro-poor budgets and adapted structural and sector policies.

11. It is with a view to conquering poverty that we designed the Enhanced Interim Program (EIP), which covered the period 2001-02, and the Government Economic Program (GEP) for 2002-05. These programs have enjoyed the support of the international financial community, the IMF, WB and AfDB in particular. We have also been able to benefit from a rescheduling of, and reduction in our external debt by Paris Club member creditors within the framework of the Enhanced HIPC Initiative.

12. The EIP and the GEP have already produced convincing results; this after a degradation of the situation for four years (1997-2000), with an average annual decline in the GDP of 5.5% and hyperinflation at an annualized rate of 635.1% from January to May 2001. The effort undertaken by the government and the BCC in the framework of the programs mentioned above caused the inflation rate to fall to 25% in 2002 and 13% in 2003. The growth rate, negative for the entire decade of the nineties, reached 3% in 2002 and 5% in 2003.

13. With respect to the external situation, the exchange rate, after the devaluation of the Congolese Franc in May 2001, has stabilized around 370 CF to the dollar in 2003, in spite of some fluctuations. The current account deficit prior to the debt reduction represented 10-11% of GDP. However, thanks to the reduction in debt service obtained from our bilateral (Paris Club) and multilateral creditors within the framework of the Enhanced HIPC Initiative, the current account deficit, after debt reduction, should be below 1% of GDP in 2003. This would allow us to increase our accumulation of gross external reserves from USD 22 million to USD 272 million between 2001 and 2004.

14. With respect to public finances, program implementation made it possible to increase income from 6.2% of GDP in 2001 to 8.3% in 2003. This, with external assistance (though smaller than planned) including grants (and excluding humanitarian aid), helped us increase our spending from 8.3% of GDP in 2001 to 15.2%, which indicates an overall deficit estimated at 2.7% of GDP. However, the composition of the expenses did not meet our objectives because the payment of unplanned arrears caused a greater-than-expected BCC treasury deficit. In addition, there was an accumulation of

arrears on payments of common expenses (water, electricity, etc.), and it was necessary to defer salary increases, which were planned to be 10%.

15. **The macroeconomic framework for 2004-2005.** The government's macroeconomic objectives for the next two years are an economic growth rate of 6% in 2004 and 7% in 2005 in real terms, whereas the inflation rate should be contained at 6% in 2004 and 5% in 2005¹. We also anticipate an increase in the current external deficit, which, however, will be financed by a large increase in external assistance. Thus the current external deficit, after rescheduling, may reach 4.1% of GDP in 2004.

16. The 2004 budgetary policy aims to consolidate the macroeconomic stabilization efforts, taking the effects of reunifying the country fully into account and reaping the peace benefits to reorient public expenditures toward poverty reduction. Income should reach 9% of GDP and expenditures 17.6%, thanks mainly to the recovery of investments financed by external resources.²

17. With the return of peace, we hope to be able to experience a considerable increase in investment expenditures and those related to the fight against poverty thanks to external financial support from various sources (WB, AfDB, EU, etc), as well as those made possible through the Enhanced HIPC Initiative.³ We hope that the expenditures related to poverty will reach 6.5% of GDP, of which 4.8% to be financed through the national budget and 1.7% of the GDP through budget savings attributed to the Enhanced HIPC Initiative. At the same time, we expect to contain military/security and institutional expenditures to the strict minimum needed, or 2% and 1.1%, respectively, of GDP. Moreover, the proposed 2004 budget notably includes the following expenditures:

- A 10% increase in salaries for all civil and military agents beginning in January 2004;
- A reduction of 10,000 active employees through the execution of a planned retirement scheme for government agents and other officials who meet the conditions as of December 31 2004;
- After the government appraisal mission in the reunified provinces, assuming responsibility for 135,000 civil agents (including those who could retire) from the reunified provinces and 15,000 national police officers; as well as the cost of merging the armies, which began in October 2003 and will continue until we actually initiate our national DDR program, which will, in theory, be funded by the international community;
- The timely payment of centralized utility charges based on billed usage from now on, or, in the absence of invoicing and while awaiting the installation of meters, on the basis of estimated usage. An action plan for this purpose to master the

¹ Over the longer term, we expect to maintain a growth rate of about 7 percent through 2010.

² In this case, the primary internal balance (cash basis) will produce a surplus of 2.1 percent of GDP, and consolidated governmental operations, including the net BCC operations balance (0.6 percent of GDP) should show an overall consolidated deficit (cash basis after debt rescheduling) of 3 percent of GDP.

³ Monitoring pro-poor expenditures will be easier thanks to the new expenditure nomenclature that contains a particular classification for this purpose.

centralized charges was adopted in December 2003 and will be implemented in 2004.

18. It is to be noted that we request World Bank support for the financing of these expenses through *this credit*. It will obviously be necessary to introduce an amended funding law to take into account the expenditures that should in fact appear in 2004.

POVERTY REDUCTION STRATEGY

19. **Objective.** The goal **from now to August 2005** is the formulation and adoption of a complete PRSP prepared in a participatory manner. We must remember that an interim PRSP was prepared and adopted **in June 2002**. The strategy proposed in this document is built upon three pillars, as follows: (i) the restoration of peace and good governance; (ii) stabilization of the macroeconomic framework and the revival of pro-poor growth; and (iii) strengthening community dynamics and community capacity in the planning, development and implementation of development activities.

1. Accomplishments since June 2002

20. Three types of activities have been carried out since October 2002. First, within the framework of setting up a statistical database, the Permanent Secretary of the Interministerial Committee, responsible for the poverty reduction strategy, undertook the organization of a national survey on the poverty threshold, the pilot testing of which was carried out in **November and December 2002**. Secondly, an action plan with a timeline was drafted and then adopted **in June 2003** by the government after discussions with all national and international stakeholders for the development of a complete PRSP. This will be adopted by the government during the third quarter of 2005.

21. The action plan describes the institutional arrangements and various works to be carried out, as well as the corresponding timeline for completing the PRSP **by August 2005**. In particular, it involves the following:

- a) The strengthening of the competencies of various agencies⁴ and the definition of the roles of the various stakeholders in the PRSP formulation process;⁵
- b) The preparation and holding of participatory consultations and their dissemination of their results to stakeholders at all levels (national, provincial, local and community);
- c) The contribution of specialized subject groups and technical ministries;
- d) The preparation and implementation of the poverty threshold survey;
- e) The preparation of the PRSP document based on all the above-mentioned contributions; and finally,
- f) Ownership of the process of developing the final PRSP by all the participants.

⁴ Interministerial Committee, Permanent Secretariat, Technical Committee, multidisciplinary specific subject groups, focal points and provincial and local committees for poverty reduction.

⁵ Civil society, NGOs, ministries involved, the private sector, Parliament, community associations, youth associations, vulnerable groups, religious communities, and local administrations.

2. *Actions to complete by the end of 2005*

22. **In December 2003**, a launch workshop for the PRSP formulation process was organized. At this time, an information, education and communication campaign is in progress. It involves: (i) *the process* of formulating the complete PRSP; (ii) the organization of participatory consultations at the national, provincial, local and community levels; and (iii) the finalization of the organization of the poverty survey, **the launching of which is planned for January 2004, with a view toward its completion a year later.**

23. The participatory consultations will take place from **February through May 2004**. The editing of the reports on the sector and community consultations and their dissemination to the technical ministries and communities will take place in **June-July 2004**. These reports will then be used by the specific subject groups and technical ministries to draft their contributions to the PRSP. The poverty threshold survey is organized in a participatory way and will be completed in urban and rural areas by statistical data sheets on household budgets/consumption, employment and the informal sector (“1-2-3 Survey”). The implementation of the survey will be done through a partnership involving the TPRSC and the National Institute of Statistics so that this structure can play its central role in the collection, analysis and dissemination of the poverty data. We are expecting the support of AFRISTAT and the National Secretariat for Capacity Building (SENAREC) in this exercise.

24. On the basis of the reports of the consultations and technical works, the specific subject groups and sector ministries will develop their contributions to the PRSP, which should be ready by the end of September 2004. After the completion of “1-2-3 Surveys” on the poverty threshold in **December 2004**, the report will be finalized by the **end of February 2005**. During the first week of May 2005, it will then be disseminated to sector ministries, the provinces, the communities and other partners. The next step would consist of the development of a first, preliminary version of the PRSP, which should be available **in April 2005**. Its distribution to the national and international partners will occur in **June 2005**. This will make it possible to finalize and disseminate the final version **in July and August 2005**, before it is submitted to the government at the end of **August 2005**. It is expected that it will be adopted two months later, or in **October 2005**.

STRUCTURAL AND SECTOR POLICIES

I. *Peace and Governance*

25. The I-PRSP insisted greatly on the maintenance of peace and improving governance as essential conditions for returning to economic growth and reducing poverty. For the next two years, we are focusing our efforts on: (i) peace, especially through the launching of the program for demobilizing and reinserting former combatants; (ii) good governance; (iii) intensification of the struggle against corruption; (iv) improved management of public finances; (v) reforms in the civil service, territorial administration (with decentralization as a priority) and in the judicial area.

Promotion of Peace

26. **Objective.** The main objective is to consolidate peace through the disarmament, demobilization and reintegration of the ex-combatants. In this perspective, the government launched a National Disarmament, Demobilization and Reintegration Program (NDDRP) for the armed Congolese groups that signed the Lusaka Accord, particularly the FAC, MLC, RCD-Goma, RCD-ML and the Mayi-Mayi. The program has three components: (i) demobilization and reintegration of the above-mentioned groups of combatants, estimated to be between 90,000 to 150,000; (ii) assistance in the socioeconomic reintegration of the ex-combatants; and (iii) special assistance to vulnerable groups. The NDDRP would be funded mainly by an IDA credit and a grant from the Multi-Country Demobilization and Reintegration Program (MDRP). Contributions from the national budget, the United Nations Observer Mission to the Congo (MONUC) and bilateral agencies remain to be defined.

1. *Achievements*

27. The government defined the institutional structures necessary for the DDR in consultation with donors. These include the National DDR Commission, responsible for defining strategic orientations and the Executive Secretariat, responsible for the implementation of these orientations. Until this structure is created, the government is developing the NDDRP within the framework of the Planning and Coordination Technical Committee (PCTC), created in October 2003, to coordinate emergency DDR activities. The NDDRP must be the result of national consultations and national ownership of the program. It will be validated formally by the National DDR Commission.

2. *Actions to be carried out by the end of 2005*

28. **By March 2004**, the government should: (i) finalize the development of the program for restructuring the army so as to be able to define the NDDRP, especially with respect to the demobilization criteria; (ii) set up the institutional structure necessary for strategic direction and implementation of the NDDRP through the National DDR Commission (NDDRC) and the Executive Secretariat respectively; (iii) appoint the Director General of the Executive Secretariat; and (iv) finalize the NDDRP after consultations and national assumption of responsibility. These activities are the preliminary ones necessary for the disarmament and demobilization phase.

29. If the above activities are carried out and security conditions permit, the disarmament and demobilization phase can begin in April 2004 (for a 7-month period). The reintegration phase may then begin in November 2004 (for 1 year).

Governance

Overall Objectives

30. Between now and September 2005, the objective pursued by the government is **to improve the management of public affairs at the national level** through the promotion of good governance, the fight against corruption and institutional reform. First, it will involve: (a) consolidating the gains and deepening the reforms with respect to the fight

against corruption and improving the management of public finances; and (b) initiating reforms with respect to the civil service, decentralization and the judiciary sector.

A. The Fight Against Corruption

31. After the enactment of the government decree that set forth the Government Employee's Code of Good Conduct in November **2002**, an extension campaign was launched in Mbuji-Mayi in **March 2003**. However, it had to be suspended for lack of funding. A compilation on the citizen's vade-mecum (compilation on the rights and obligations of citizens) was developed and is being approved by the government. A proposed anti-corruption law was drafted by the Ministry of Justice. It will be introduced to Parliament **by the end of January 2004**. A proposed law against money laundering and the funding of terrorism was prepared by the Central Bank of the Congo and examined by ECOFIN in October 2003. The government will introduce it to Parliament by the end of January 2004. This bill takes IMF and World Bank comments into account.

B. Management of Public Expenditures

30. **Objectives.** The government aims to strengthen budgetary and financial management, ensure transparency in the budget process and improve the capacity for monitoring public expenditures.⁶ The first step is to reform the process of preparing and executing the government's budget, including: (i) adoption of new budgetary nomenclature; (ii) the restoration of the budget execution system (including its rationalization and computerization); (iii) the re-establishment of monitoring and control functions on the expenditure system; that is, the drafting of monitoring and control statements at the various steps in the system; (iv) the development of an electronic information exchange system on government budget execution between the Central Bank and the Treasury; (v) the development of a government code of double entry accounting system; (vi) a complete reform of the procurement system; and (vii) a complete audit of government management of personnel costs and the re-organization of the payroll system.

1. Achievements

31. **The government expenditures** nomenclature was completely revised by the Ministry of Finance and Budget in July 2002. The new nomenclature presents expenditures in three classifications: expenditures by type, administration and major governmental function. The amended 2003 budget was presented to Parliament using the new functional nomenclature and the 2004 budget will be so presented as well. This nomenclature is the basis upon which all expenditure coding in the expenditure system will be executed from this point on, and on which all budget implementation reports will be drafted.

32. On this subject, In June 2003, the Minister of Finance and Budget validated a new overall system of regulations for the handling of public expenditures based on rationalized and simplified procedures. This system of regulations is contained in the

⁶ In this overall context, particular importance is attributed to the management of poverty reduction-related expenditures.

Expenditure System Manual, which has become the reference for public expenditure procedures. It was disseminated to government officials in an official campaign.

33. The official implementation of the **Treasury-Central Bank computer link** took place in August 2003. Once fully operational at the start of 2004, it will make possible the direct transmission of payment orders, debit notices that correspond to them, credit notices and Treasury account statements, among other functions.

In summary, the new expenditure system was officially launched in August 2003. Technically, the system is operational such that it is already possible to carry out all operations, from budget formulation to accounting for Treasury operations. However, external constraints on the system persist, the most serious of which are delays in connecting various parts of the system and the need for supplementary work to ensure the system's operational security. Once these problems are solved, it will be possible to produce budget monitoring statements on a regular basis.

34. In addition, the expenditures budget for the fight against poverty using HIPC resources was prepared in accordance with the new nomenclature. Furthermore, these expenditures were inputted to the computer system by type, administrative (or departmental) classification and by governmental function. For HIPC expenditures, a separate sub-account was opened at the BCC, where resources made available by the HIPC Initiative are deposited. A coding system for expenditures for the fight against poverty, either HIPC or non-HIPC resources, was introduced into the computer system through specific earmarking; that is, with codes set up according to the specificity and/or geographical location of the expenditure. In September 2003, the Ministry of the Budget established a monitoring committee. It consists of members of government ministries and institutions, civil society, and donor agency representatives. The committee's mission is to ensure the correct allocation of resources and equity in their allocation, and to monitor the execution of the expenses.

35. Work on reforming the **public procurement system** began with World Bank support, which organized missions in July and November 2003 with the goal of undertaking and completing a complete audit of the public procurement system **by the end of April 2004**. This audit will cover all the legal and institutional aspects of this activity, which is central to good public expenditure management.

2. 2004-05 activities

36. During the years 2004 and 2005, the main objectives are to consolidate the rationalization and computerization of the expenditure system. The public expenditure monitoring system will be perfected and, with respect to expenditures for the fight against poverty, special emphasis will be put on deepening the participatory monitoring and evaluation through the consultative committee on monitoring expenditures related to the fight against poverty. The government foresees beginning the progressive extension of all the elements involved in the expenditure system throughout the rest of the country, especially the rationalized procedures, the new nomenclature and its three types of classification, the organizational legislation, computer support, the training plan, etc.

37. **The priorities through March 2004** focus on the pursuit of the reforms linked to setting up the expenditure system in general, and, in particular, for the expenditures

related to the fight against poverty, notably those funded by the budgetary saving stemming from the HIPC Initiative. In particular, it is worth pointing out the actual production of a monthly series of budget implementation monitoring statements, including the overall budget implementation report over the four execution steps, the implementation monitoring report by administrative classification, the implementation report by type and geographical break-out, the report by major governmental function, and the report on the expenditures for the fight against poverty. The consultative committee for monitoring the expenditures for the fight against poverty will be made completely operational.

38. The work of putting the government's double-entry accounting system in place will begin at the start of 2004 with technical support by France. The objective is to make the system operational by the beginning of 2005. **It is a benchmark toward the Completion Point of the Enhanced HIPC Initiative.**

39. With respect to public procurement, the objective will be to begin reforms on the basis of the audit undertaken with World Bank support. Our objective is to develop and execute a new procurement code. The main implementation decrees will be enacted by 2006, **because it is a benchmark toward the Completion Point of the Enhanced HIPC Initiative.**

40. With respect to personnel expenditures, an **audit of the payroll system** will be undertaken with French Cooperation Agency support between January and the end of April 2004 with a view to reorganization of the implementation of a new secure and protected system beginning January 1, 2005 (at least its provisional version). To this end, a complete census of government agents will be organized, the results of which will be used as the basis for creating a secure central government personnel file at the end of 2004 and establishing a new payroll system.

C. Reform of the Civil Service

Objective. The government is aware that complete reform of the civil service must happen so as to improve its quality and the capacity of ministries and public agencies to provide quality basic services (health, education, etc.). The government's strategy is based on: (i) redefining the missions of priority ministries and service agencies; and (ii) increasing the quality and productivity of the personnel. With a view to establishing a renewed and performing system, the priority actions to undertake during the next two years will aim to:

- (i) Undertake a complete diagnostic of the main ministries (their missions, how they operate, organizational charts, etc.);
- (ii) Carry out an audit of systems for service delivery, especially at the local level, in the health, education and justice sectors;
- (iii) Undertake a complete census of government agents; and
- (iv) Facilitate the departure into retirement of agents who meet the conditions of age and seniority for which World Bank financing has been requested.

The audit of service delivery systems will permit the establishment of a basis for reform leading to the establishment up of a budget monitoring mechanism in the education,

health and rural development sectors that applies to: (i) the budget execution in the fight against poverty; (ii) beneficiary evaluation of the quality of government services; and (iii) supplier evaluation of the constraints of, and handicaps to service delivery.

1. Accomplishments

41. An Interministerial Commission and a steering committee have been formed with the main mission of directing and guiding the reform and overseeing the preparation of implementation steps. Belgium actively supports the civil service reform process by releasing a reform support fund. This fund will make it possible to carry out studies and actions to accompany this process.

2. The 2004-05 Program

42. **The Institutional Diagnostic.** The first phase focuses on the Civil Service Ministry and will serve as a pilot and model for the entire reform. The study includes the review of missions, the organizational framework and the statutes of this ministry. Similar studies will be carried out for the Ministries of Finance, Budget and Planning during the first phase. There will be two subsequent phases in which similar studies are planned for the rest of the civil service, as well as the optimization of the ministries toward good governance and increasing their efficiency, effectiveness and quality. These studies are scheduled for 2004 and 2005.

43. **Audit of service delivery systems.** Within the framework of the government reform, the government, in 2004, and in collaboration with the World Bank, wishes to analyze the mechanisms for local service delivery in three key sectors: education, health and justice. For this purpose, a series of surveys will be conducted with service providers, both public and private, so as to analyze the way they operate, how they are financed and the constraints that they face in providing services. The surveys will also bring out the user viewpoint concerning service accessibility and quality, as well as information on how the administrative structures in the layer above the service providers (deconcentrated and decentralized administrations) operate. Taken together, this information will serve as the basis for reform proposals.

44. **Census.** The information systems related to personnel management and remuneration have large gaps. Reflections on how to implement a census of government agents began in 2002. It is a matter of “housekeeping;” spotting those who are fictive or absent from service among those who are declared and regularly paid, and striking the former from payrolls and personnel files, to determine precisely the number of agents and officials in the civil service, their identity and what they do. Therefore, the government seeks to collect reliable information so to institute modern human resource management in the civil service. Through this census, the Government seeks to assemble valid information in order to: (i) remove improper or incorrect salaries from the wage bill, (ii) conduct the statistical analysis necessary for an administrative reform, (iii) establish a reference base of agents, at first to facilitate the mastery of personnel and salary data (through the payroll process), and also to become the pillar for a true modern management of human resources.

45. The TORs of the census were drafted and validated **in July 2003** by the Technical Public Administration Reform Committee and the Civil Service Ministry. The funding

for the census (US\$3.5 million) is now complete thanks to the participation of Belgium, the European Union and the African Development Bank. It has been agreed that the Belgian Technical Cooperation Agency will have the responsibility for selecting consultants responsible for undertaking the census in close collaboration with the project unit in the Civil Service Ministry that is monitoring the reforms.

46. The goal is to recruit the firm that will carry out the census through international bidding with a view to mobilizing as of **June 1, 2004**. The field work should occur during the period **September – November 2004**. The census will bring about the creation of a revised personnel file that can serve as the basis for the payroll list and be used by the new payroll system starting **January 1, 2005**. Moreover, on the basis of the government agent census results, a new cleaning out of the fictional personnel and the establishment of a list of active personnel eligible for the program for transition into retirement will follow. In addition, the database of government agents obtained as a result of the census will constitute one of the key elements in the preparation of a thorough reform of the public administration.

47. **Program for transition into retirement.** The program for transition into retirement aims to: (i) restore the application of the standard rules of civil service management; (ii) purge the civil service list and strike from the payroll those agents who have not been there for many years; (iii) pay the retiring agents the amount to which they are entitled at the date of retirement; and (iv) bring dynamism once more to the administration by stimulating personnel movement and bringing youth into the ranks of personnel.

48. The exact number of government employees eligible for retirement is not yet known with certainty. The figure most often cited is about 59,500 agents (24,500 for education), but more recent estimates place it at about 74,000, not counting those from the reunified territories. **Since the beginning of 2003**, the World Bank has assisted the Civil Service Ministry in defining a strategy for making the transition into retirement technically viable and financially supportable, and establishing a database. A strategy and methodology document for retiring appropriate staff was drafted, and, on that basis, the government requested World Bank support to fund the departures into retirement of people who will have reached retirement age by December 31, 2004, and who have been identified as eligible during the census.

49. The departures will occur in two groups. The first group, **during the second quarter of 2004**, will be those who have already left *de facto* without receiving their end-of-career indemnities. **The second group will occur as early as possible in 2005**, and will involve the people who have been identified during the census as being eligible for retirement by December 31, 2004.

D. Decentralization

50. **Objective.** The current DRC political climate is dominated by the issue of national reunification. In this perspective, all parties appear to agree on one basic postulate: the Congo will be a unified state but strongly decentralized. It is thus that the transition government proposes to review the way the country is organized and administered so as to: (a) contribute to stability and peace; (b) encourage participation in the management of public affairs by the people and by social and economic actors; (c) facilitate the cultural,

social and economic growth and development of all groups in the population in all the country's regions; (d) promote both qualitative and quantitative growth in the availability and accessibility of public services (health, education, security, etc.); and (e) promote good governance in public affairs and private business.

51. The reform of territorial organization and administration will be conducted from the perspective of: (a) establishing the democratization of public affairs; (b) ensuring greater proximity between decision-makers and those they administer, and service providers and beneficiaries; (c) introducing the principle of giving managers responsibilities, whether they are elected or appointed; and (d) ensuring transparency in the management of public affairs and private enterprise. In fact, this involves basic principles that define the main themes of the government's decentralization strategy.

1. Accomplishments

52. A working group has drafted a program of activities expected to lead to the adoption of a new law on territorial organization. At the end of June 2003, the group presented a working document to the Ministry of Finance and Ministry of the Interior that included, among other elements, a program and timeline leading in successive steps in the implementation of a new administrative organization of the Congo by **June 2005**. After the formation of the national unity government, *the Ministry of the Interior, Decentralization and Security* created a new working group that included representatives from all political persuasions and all regions of the country, and having as its mandate the drafting of a law concerning territorial organization in accordance with the spirit and letter of the Pretoria Agreement. Discussions are underway on this draft law within the *Commission Responsible for Political and Security Affairs* before being submitted to the Council of Ministers. Consequently, the proposed law will be conveyed to Parliament for discussion and adoption.

2. Next actions

53. Adoption of this draft law will prepare the way for the reform of Congolese territorial organization and administration. Indeed, this proposed law was conceived at the beginning as a temporary territorial reorganization. The year 2004 will be dedicated to pursuing actions to be taken to arrive at a method and system of organization and management of public affairs that responds in the long term to the needs and desires of the Congolese people.

54. As the inter-ministerial team proposed in June 2003, the government proposes, among other elements, to do the following during 2004: (a) draft an appraisal of the administrative and financial plans of the main subordinate administrative entities; (b) prepare economic and financial monographs of the main territorial subdivisions; (c) order detailed and critical analyses of the local governments' fiscal base; (d) prepare a guide for local management; (e) develop a training program for officials and agents of decentralized administrative units; and (f) proceed to consultations with people on the mandate and prerogatives of local governments.

55. The Government expects to pursue its reform of territorial organization by demonstrating transparency, realism, pragmatism, flexibility and progressiveness. The *transparency* of our approach is assured by the fact that the people will be consulted at

the time of the participatory surveys inherent to the PRSP process and through the surveys on the mechanisms by which services are provided at the local level in the three key sectors of health, education and justice. The approach's *realism* requires the government to take into account the fragility and weakness of the fiscal base, as well as the centrifugal forces at work in the country. *Pragmatism* will lead the government to consult actors who have led or lived similar experiences elsewhere in addition to thoroughly weighing the country's experiences in the past with respect to decentralization. Through concern for *flexibility*, we will ensure that they reorganize each sector in terms of its own set of issues, promoting centralization, deconcentration, decentralization, devolution or privatization according to situations and circumstances. Finally, wherever and whenever it can, the Government expects to adopt a *progressive* approach by conducting pilot experiences and proceeding to test examples in the sectors and regions that appear most promising.

E. Judicial system

56. With respect to the **judicial system**, an operational audit began in **October 2003** with the support of the European Union, and the report planned for end-December 2003 is now expected during the first quarter of 2004. This audit, which was carried out nationwide, had the goal of assessing the judicial system. On this basis, an action plan for sector reform will be established. At the same time, actions are planned to improve the legal and judicial environment for business.

II. FINANCIAL SECTOR

57. **Objectives.** An important part of the economic reform program concerns the rehabilitation and development of the financial sector with a view to reviving financial intermediation. There are three components: (a) reform of the legal and regulatory framework that regulates the banking sector; (b) restructuring of the Central Bank and improvement of its management; and (c) the restructuring of the commercial banks.

1. Accomplishments

58. The legal and regulatory framework was completely revised in 2002 through the adoption of new laws regulating the Central Bank, banking activities, as well as those of savings and credit cooperatives. The Central Bank is in the process of restructuring with the support and technical assistance of the International Monetary Fund. With respect to commercial banks, it was decided in March 2003 to proceed to the actual liquidation of three public commercial banks (BCCE, NBK and BCA). In addition, **a series of audits** of other commercial banks, which were undertaken with the financial assistance of the World Bank, were finalized in September 2003. They involved: (a) updating the audit already carried out of four banks, including the *Banque Commerciale du Congo* (Commercial Bank of the Congo - BCDC), the *Union des Banques Congolaises* (Union of Congolese Banks - UBC), the *Banque Internationale de Crédit* (International Credit Bank - BIC), and the Stanbic Bank; and (b) **complete** audits of five commercial banks that had not yet been audited, including the *Banque de Commerce et de Développement* (Bank of Commerce and Development - BCD), CITIBANK, the *Banque Internationale pour l'Afrique au Congo* (International Bank for Africa, Congo - BIAC), the *Banque Congolaise* (the Congo Bank), and the First Banking Corporation (FBC). The banks

deemed viable on the basis of the audits were requested to prepare and finalize recovery plans **before the end of January 2004**, the goal of which was, among other things, to ensure adherence to prudential standards and a realistic business plan.

2. *Actions for 2004-2005*

59. **In 2004**, for the banks deemed to be viable through the audits, a formal agreement with the BCC will be established concerning restructuring plans, as finalized in December 2003, with an implementation timetable and performance indicators. Moreover, the government will withdraw the operating authority of banks found to be non-viable by the above-mentioned audits. With respect to BCCE, BCA and NBK, independent liquidators funded with World Bank support will be **appointed by the end of March 2004** subject to completion of the recruitment process by the BCECO, with a view to initiating liquidation operations immediately thereafter. Furthermore, we strongly hope that the program for staff departures for these three banks will be completed, thanks to World Bank funding (Private Sector Competitiveness and Development Project).

60. **The other 2004 objectives** are the following: bank supervision will be strengthened through the establishment of a regular system of document control; improvement of the prudential framework will continue through the strengthening of approval procedures and eligibility criteria for stockholders. The BCC will issue appropriate instructions to that effect. A new bank accountability plan will be prepared for implementation as of **January 1, 2005**. Finally, an appropriate legal framework for regulating non-mutual microfinance institutions will be prepared.

III. Private Sector Development

61. **Objective.** The objective is to set up a business climate that would promote the growth of competitive enterprises able to create new jobs. The steps involved are: (i) improvement of the investment environment, both for national and foreign investors (legal and regulatory framework, business tax system, finalization of the Labor and Commercial Codes); and (ii) settlement of the domestic debts to enterprises. The reforms are all-inclusive and should also facilitate reform of public enterprises. In addition, it will be necessary to create the institutions and instruments necessary for economic regulation and fair competition.

1. *Accomplishments since 2001*

62. **With respect to the legal framework**, one major reform was initiated in 2002 with the approval of new investment and labor codes. A new mining code was published in 2002 and its main implementation decrees were issued in 2003. A new forestry code was promulgated in 2002 and its implementing decrees are presently being developed. In-depth study of overall business legal system reform (company, business and insurance law) is in progress.

63. **At the judicial level**, commercial courts were created in 2002 and key personnel designated in 2003. The physical infrastructure is being rehabilitated. Moreover, to facilitate the resolution of commercial disputes, a national arbitration center was created by ministerial decree on June 18, 2003, its office established and about 30 arbitrators registered.

64. The creation of ANAPI in 2002 should facilitate investment promotion and **administrative operations**. It should have a similar impetus to the foreign trade promotion following the creation of the Single Customs Counter at the port of Matadi, which became operational in July 2003.

65. **In the area of regulation**, the Telecommunications Regulatory Agency has been created. Work on the development of the sector policy continues and is giving special attention to the issue of pricing interconnections. A mining cadastre has been established. A regulatory agency for transport is in the process of being created.

66. **With respect to taxation**, reviews of the revenue and customs system were undertaken with IMF and World Bank assistance. The result was the publication of a new customs tariff (the objective of which is to rationalize the structure of effective protection of the domestic market) and significant reforms undertaken with respect to indirect taxation (the introduction of whose deductibility at the level of the turnover tax with a view to improve local industry competitiveness vis-à-vis the international market and, at the same time, prepare the way for a VAT. The turnover tax on exports has been eliminated. Furthermore, in November 2003, the government temporarily suspended the application of a certain number of tax and para-fiscal fees pending the preparation of an overall action plan for the reform of taxation and para-fiscal levies on businesses, to be prepared with World Bank support in 2004.

67. **Internal debt**. An audit of government payment arrears to the private sector was completed in September 2003 for debts incurred between July 1, 1997, and December 31, 2001. The total amount of debt certified by an independent auditor was fixed at US\$ 207 million. Similar work for debts generated before June 30, 1997, should be completed by the end of January, 2004. The Internal Debt Commission is being created and will support this work on the results of these audits so as to develop an agreement with private creditors and a payment schedule.

2. Objectives for 2004 and 2005

68. **In the legal field**, the work on the reform and modernization of the legal framework will continue, centered on an in-depth study of the implementation of an OHADA-style unified statute with a view to implementation before long.

69. **In the judicial area**, a training program for judges, assessors and their legal auxiliaries will be undertaken with World Bank funding. The work on making the commercial courts fully operational and reinforcing arbitration centers is proceeding.

70. **In the area of taxation, from now to the end of June 2004**, we will place emphasis on the preparation of an action plan and implementation timetable for the reform of direct and indirect taxation of enterprises with a view to its progressive application **during the second semester of 2004**.⁷ For customs and external commerce procedures, the objective is to issue a new customs code **by June 2004**. The restructuring of OFIDA will be done within the framework of the reform of public enterprises.

⁷ In this context, the consultant selection procedure has just begun, although the work will be done **during the first quarter of 2004**, whereas the original timetable called for the completion of the work and the implementation of the reforms starting January 1, 2004.

71. For **labor regulation**, the objective is to finalize and adopt the main implementing decrees for the Labor Code during 2004. However, the implementation timetable for this objective will flow into the conclusion of tripartite discussions (government, unions and employers) concerning the content of these decrees. We are very concerned about ensuring that the provisions of the decrees in question do not handicap either competitiveness or the creation of new jobs through overprotection of the existing employees' interests.

72. **Procedures and administrative harassment.** In this area, an audit will be undertaken during the first quarter of 2004 with World Bank support (Foreign Investment Advisory Service – FIAS) with the goal of preparing and implementing a comprehensive reform program as soon as possible thereafter.

73. **Internal debt.** The key objectives for 2004 are: (i) complete the process of certifying and reconciling the government's private enterprise debt; (ii) negotiate the settlement of these debts with creditors; and (iii) proceed to settlement. In this respect, we request the support of the World Bank Group through the proposed Post-Reunification Economic Recovery Credit that will support the Government's Economic Program. The action plan for settling the internal debt should be prepared **during the first quarter of 2004.**

74. **Centralized payments.** At present, and for many years, the payment of centralized utility expenses has been made extremely late – which, for the corresponding utilities (particularly SNEL and *Régideso*), constitutes a substantial cash flow deficit and considerably handicaps their capacity to provide services. We wish to find a definitive solution to this problem over the next two years as follows:

- The preparation by the end of December 2003 and implementation from January 2004 of an action plan for mastering the common expenses of the public sector departments and agencies whose common expenses are included in the budget;
- The payment of the centralized expenses (especially water and electricity) starting January 1, 2004, through full monthly lump-sum payments computed on the basis of estimated consumption, until the implementation of systems involving meters and billing based on actual consumption.

We also intend to ensure that the priority use for the resources freed up by these supplementary payments by the enterprises concerned will be to increase service availability to low-income individual consumers, both in quantity and quality. In this area, we await significant World Bank technical and financial support.

IV. Reform of Publicly-owned Enterprises

75. Aware of the necessity for a public-private partnership to revive the economy, the government has developed a strategy for reforming the public enterprise sector. The objectives of this reform are: (a) to ensure that public utilities are sustainably provided on a commercial basis **by calling upon the support of the private sector as much as needed in different forms (partnership, concession, partial or total sale of shares);** and (b) to reduce the quasi-fiscal costs of poor management of the public enterprises and/or their reorganization.

76. Thus, the preparatory work for the reform already enabled the government to produce an audit of public enterprises, making it possible to identify the main problems related to the governance of these enterprises. A workshop on reform took place under the leadership of the President of the Republic in September 2001. The Public Enterprise Reform Steering Committee (COPIREP) was created by Presidential Decree No. 136/2002 of October 30, 2002. The role of this committee is to prepare and establish the reform, especially through a diagnostic of all public enterprises via financial and operational audits and to formulate reform proposals. **The Committee has been in fact operational since July 2003.**

77. An accounting, functional and operational diagnostic of certain enterprises, which began in November 2002, was presented to the government in April 2003, and now serves as the basis for the sector working groups guided by the COPIREP. The following are the steps to be followed at this point: (a) the establishment of the sector working groups intended to assist in defining the reform's strategic aspect; (b) the definition of a timetable identifying the steps of the restructuring of, and/or divestiture of the government from certain key enterprises; and (c) the development of an organizational framework⁸ to be submitted to Parliament.

78. Studies have made it possible to assess the payment arrears, as well as the payments necessary for the eventual departure of certain OCPT agents within the framework of the presently envisaged restructuring, and the employees concerned in the liquidation of the NBK, BCCE and BCA. Once negotiated, the social cost of these departures will be funded by the World Bank's Private Sector Development Credit.

2. *Actions to be carried out in 2004-2005*

79. The following are the main objectives to meet **in 2004: first**, institutionally, we will establish the COPIREP Technical Committee, which is the agency responsible for designing, guiding and following up on the public enterprise reform process, and responsible for approving: (i) the technical studies developed by the COPIREP Executive Secretariat before they are submitted to the government; and (ii) the reform proposals prepared by the sector working groups. **Secondly**, we expect to make the sector working groups fully operational and carry out studies on the public enterprise reform process in the sectors deemed priorities.

80. The **third objective** is to prepare action plans during the year for a certain number of key enterprises, notably for the reform of Gecamines, the RVA, the SNCC, LAC, Cititrain, OCPT and the SNEL.⁹ We hope that the payment of the amounts that allow the voluntary departure of employees within the framework of restructuring the OCPT, as well as for employees concerned in the liquidation of the NBK, BCCE and BCA banks, can be carried out by June 2004.

81. **Fourthly**, we will prepare and have the Parliament adopt a revamping of the legal and regulatory framework that regulates public enterprises (general dispositions for public enterprises, registry law for public enterprises, a law disengaging the State from

⁸ Including the legal framework on public enterprises, the law on government divestiture and sector laws.

⁹ *Environmental pre-audits* of the SNCC, Citytrain, RVA, LAC, OCPT, and SNEL were also completed, thus facilitating the preliminary restructuring or reform of these enterprises.

public enterprises and the diverse forms of participation or association of the private sector in PEs.) Indeed, the current legal and regulatory system is not satisfactory, either for the management of public enterprises or for the promotion of public-private partnerships, an essential public enterprise reform element.

82. And **fifthly**, we intend to improve the public enterprise institutional capacity for management and supervision. On this point, the terms of reference for the recruitment of consultants/specialists are being drafted with a view to: (i) completing the work in the **first half of 2004**; and (ii) proceeding to the development of an action plan in the **second part of the year** with a view to its implementation as soon as possible thereafter.

V. Natural Resources

83. **Objectives.** In both sectors (forestry and mining), the overall objective is that the significant public assets of the DRC contribute better to the economic recovery, rural development and poverty reduction through conservation of the integrity of the ecosystems and the environment over the long term. The specific reforms aim to:

- (i) **Improve governance and transparency** in the management of forest and mineral resources through the adoption of new legal and regulatory frameworks (the mining code, the forestry code), which are favorable to the participation of private investment in the sectors and contribute to equitable and sustainable economic growth in the environmental field;
- (ii) **Make access** to forest and mineral resources **clearer and more equitable**; this also applies to the benefits stemming from their exploitation;
- (iii) **Strengthen the institutional capacity of both sectors to enforce** adherence to the new legal and regulatory framework;
- (iv) **Better secure** the rights (property and others) of all stakeholders;
- (v) **Rapidly rehabilitate** mine production in an economic, environmental and socially sustainable manner; and
- (vi) **Reform** public mining enterprises and reduce government participation in production activities.

A. The Forestry Sector

84. The government's priority agenda for reviving the forestry sector is geared to ensuring that these important public assets contribute better to economic recovery and to rural development, by conserving both the integrity of ecosystems over the long term and their environmental services. The reforms in progress within the framework of this priority depend entirely on the implementation of the new Forestry Code. Their aim is: (i) to make access to forest resources and access to the benefits of their exploitation clearer and more equitable; and (ii) to facilitate the recovery of the lumber industry by ensuring that it will be carried out sustainably and in the long-term interests of the national community.

1. Accomplishments

85. In 2002, in addition to getting the new Forestry Code adopted, our priority was to review the existing concessions so as to examine their conformance with their main contract clauses and ensure the return to the public domain of concessions that were not

reclaimed and/or not exploited per the terms of the contracts. The government has cancelled 140 of 300 contracts, and the work will continue in 2004.

86. The government also decided to put into place a moratorium on the granting of new contracts pending the definition of new methods of adjudication, notably bidding, set forth in the new Forestry Code.

2. *Actions to be carried out in 2004-2005*

87. **In 2003**, the government completed an economic review of the forest products subsector, the recommendations from which, presented in the form of scenarios, are being examined by the government. Their aim is to simplify the forester fiscal structure, reduce overall fiscal pressure and secure recovery procedures. Rebalancing the taxation consists of reducing export fees on logs, as well as para-fiscal charges particularly in the area of transportation by progressively raising the acreage tax so as to encourage the economic utilization of forests. On the whole, these measures should contribute to the sector's recovery and its contribution to the economy, as well as an increase in the forest-related rent returned to the State.

88. **By the end of 2004**, the following actions are envisaged. In the short term, by **the end of December 2003**, we anticipate the completion of the work related to the adjustment of the acreage tax and reduction of para-fiscality in the transportation system, as well as the export fees on logs. If necessary, these measures could go into effect as of January 1, 2004. **Secondly, by the end of March 2004**, we expect to publish the results of the recovery of the acreage tax for 2003 and to apply the contractual provisions that set forth the cancellation of the contracts of companies that have not met their acreage tax obligations. **Thirdly**, we expect to launch the program of converting former contracts into sustainable management concessions, per the new Forestry Code. This program will be carried out with the support of an independent observer and will be completed within 12 months. Expired contracts or those in default will be cancelled and the new list of valid concessions will be published.

89. In addition, **in 2004**, the government will continue to apply the moratorium on any allocations of forest ownership by mutual agreement. It will operationalize the Forest Income Security Program, which will be managed jointly by the Ministries of Finance and the Environment. The 40% share of the acreage tax will in fact be relented to local, decentralized entities. The application laws for the new Forestry Code (adjudication of concessions, management and exploitation, control of illegal exploitation) will be adopted. Finally, the new law on the Nature Conservation will be submitted to Parliament.

B. Mining Sector

90. **In the mining sector**, we are emphasizing: (i) reform of the legal, regulatory and institutional framework; (ii) restructuring of Gecamines; and (iii) an audit of the diamond sector.

1. Accomplishments

91. **Legal, regulatory and institutional framework.** The new Mining Code was promulgated by the President of the Republic on July 11, 2002, following its adoption by the Parliament, and the new mining regulations (Decree No. 038/2003) was approved on March 26, 2003. The new mining cadastre (CAMI) became operational in June 2003.

92. **With respect to restructuring Gecamines,** we first implemented a program of voluntary departures covering about 10,500 people with World Bank support. This program began on August 11, 2003, is going very satisfactorily and should be completed in January 2004. Parallel to that program, we have asked the society IMC to carry out a strategic audit. The diagnostic part was completed in **March 2003**, and approved by the government in **June 2003**. The consultant was then asked to prepare options for restructuring the company and presenting his conclusions to ECOFIN **at the end of September 2003**.

93. **On the basis of this report, the Government is examining the strategic choices for a definitive restructuring of this enterprise.**

2. Actions to be taken by the end of 2004

94. **Legal, regulatory and institutional framework.** For the legal and institutional reform of the mining sector, **in 2004** emphasis will be placed on the dissemination of the Mining Code and restructuring the mining cadastre. For that, the government will widely disseminate the law texts and carry out training campaigns on the new procedures **by the end of March 2004**.

95. Moreover, the government will restructure the management of the cadastre (land register) and establish financial management and audit provisions, as well as the monitoring and evaluating cadastre performance **by the end of March 2004**, so as to preserve the credibility of the new legal framework for the mining sector and the integrity of the mining administration. At the same time, the Mining Securities Validation Commission will be established, and its members appointed, **by the end of February 2004**, to analyze conflicts over mining rights. It will proceed immediately to a clean-up of mining titles with the objective of resolving at least 85% of the conflicts identified, **by the end of June 2004**.

96. **With respect to restructuring Gecamines,** the consultants hired to examine the partnership agreements and prepare the bye-laws of the new company should begin their work **in January 2004**, and submit their final reports **by the end of June 2004**. This should make it possible to validate in its final form the government's restructuring strategy **between July and September 2004**, and present it to Parliament by the end of December 2004, in the context of a Gecamines restructuring law that would define the program of activities and the institutions with the mandate to implement it, and would authorize the annulment of the company's shares or their transfer to a partnership. We think that the approach described above, including the adoption of a special law, is the best way to ensure success in the restructuring of Gecamines.

VI. Social sectors

97. **Objectives for the period 2003-2005.** The government's program focuses on significant reforms in the social sectors (health, education and social protection) by 2005. We note the following in particular: (a) the completion of sector studies and preparation of sector strategies with costs, which will constitute benchmarks toward the completion of the Enhanced HIPC Initiative; and (b) the rehabilitation of infrastructures. In the context, these sectors benefit from significant IDA technical and financial support through the Emergency Multi-Sector Reconstruction and Rehabilitation Program (EMRRP). In the context of this project, "physical" performance indicators have been defined.

1. Accomplishments

98. **Health.** Within the framework of the EMRRP, eight contracts have been signed with the Delegated Contractors (DC), representing a contemplated total of \$41.8 million of assistance to the 67 health areas targeted by the project. The Ministry's proposal for the institutional capacity building part of the EMRRP at provincial and national levels is being finalized. As expected, the Ministry of Health launched the Health-Poverty Status Report (HPSR) in September 2003 so as to set forth the sector diagnostic and initiate a dialogue on health problems.

99. **Education.** The government is presently rehabilitating 140 schools that have been selected by the project during the period. The National Educational System Status Report (NESSR) is in progress and the preliminary recommendations should be disseminated in the weeks to come. This basic diagnostic will constitute the starting point for: (i) the development of the sector strategy; and (ii) an action plan for meeting the criteria of the "Education for All" Program.

100. **Social Protection.** Qualitative studies on the risks and vulnerability of the poor, as well as those on the handicapped in the DRC, were carried out in 2002-03, and are presently being published. A proposal for a special social fund is presently being studied. Finally, the implementation manual for the EMRRP "vulnerable group" sub-component was adopted and a first group of eight micro-projects have been chosen for IDA funding.

2. Actions planned for 2004-2005

101. **Health. By March 2004,** the acceleration of the implementation of the 8 DC contracts should lead to visible results in improving basic service provision to the people covered by the EMRRP Project. The work of the Ministry of Health should be facilitated by the implementation of the \$7 million earmarked for institutional support at provincial and central government levels. A preliminary version of the HPSR is expected to be completed with World Bank support. The final version of the HPSR will be available **in October 2004.** It will be the basis for discussions on the DRC's overall sector strategy and will make it possible to make progress in the definition of the PRSP. This strategy will make it possible to initiate reflection during the period 2004-05 on sector reform within the regulatory and budgetary framework.

102. **Education.** The action plan for the "Education for All" Program will be presented to the donor community **in March 2004.** With respect to the rehabilitation of

infrastructure, the works should be in the final phase of rehabilitation **by the end of March 2004**. The preliminary results of the NESSR will also have been largely disseminated **by the end of March 2004**. The final version of the NESSR should be available **in August 2004**, which would make it possible to prepare the sector strategy. Like health, it will constitute an important element of the PRSP and a benchmark toward the Completion Point of the Enhanced HIPC Initiative.

103. **Social Protection.** An overall sector program will be developed during the next few months based on studies in progress and could be ready by the end of June 2004. This strategy will include: (i) the government's actions in the area of social protection; (ii) the actions of partners in that area; and (iii) the budget and funding sources for these activities.

VII. Agriculture and Rural Development

104. **Objectives.** In rural development, our objectives for the period 2003-05 are: (i) improvement in the food security of rural populations; and (ii) development of a medium- and long-term rural development strategy with a view to achieving sustained growth in agricultural production and incomes. This strategy is a benchmark toward the Completion Point of the Enhanced HIPC Initiative, presently planned for the third quarter of 2006.

105. **To increase agricultural production capacity,** the government, for the 2002-03 agricultural year, implemented (with EMRRP Project support) a seed multiplication program (cassava, corn, leguminous cultures). In addition, a pilot rehabilitation program over 32 ha. of rice growing area is being launched with Chinese assistance, the objective by 2005 being the rehabilitation of 850 ha. Finally, studies for a major program of improved aviculture, improvement in the breeding of small ruminants, the recovery of fish farming and traditional fishing are being prepared and should start up at the beginning of 2004.

106. Improvement in the efficiency of agricultural product marketing will be the result of a rehabilitation program for nearly 5,000 km. of rural roads by June 2005. The works in the program's first phase, supported by the EMRRP and covering 1,200 km., should begin by February 2004 (eight months later than planned). In the meantime, civil engineering works (bridge rehabilitation) began in June 2003. Also, we plan to establish an agricultural product price information system, which should be operational by June 2004.

107. **With respect to the development of a rural development strategy,** the two main themes are: (i) the revival of the main agro-industrial systems (oil palm, cotton, cacao, Robusta and Arabica coffee, rubber); and (ii) the development of small and medium-size private enterprises. The related studies should be launched in **the first quarter of 2004**, at the same time that a study on the agro-industry regulatory and fiscal environment will be carried out. The results of these studies, as well as the experience of implementing activities linked to the revival of production and improvement of community infrastructures will establish the bases for the formulation of the rural development strategy.

Viii. The Infrastructure Sector (Roads, Electricity and Water)

108. We have two objectives in the infrastructure area: **(a) rehabilitation of infrastructures at the national level; and (b) modernization of the legal and regulatory framework for the key sectors, notably energy and water.** Our efforts in the infrastructure rehabilitation area have, up to now, been largely funded by the Bank through: (i) the Emergency Rehabilitation and Reconstruction Project (EMRRP) for \$454 million, which covers the western and southern parts of the country, that is, the “secure” provinces at the time that the project began implementation in September 2002; (ii) the “budget support” component of the Economic Recovery Credit (\$42 million); and (iii) the Emergency Economic and Social Reunification Project, whose infrastructure component is over \$120 million (of a total \$214 million). This project essentially involves the northwestern provinces which have returned to government control after the reunification. This important project began in November 2003.

A. Physical Rehabilitation Works

109. The Emergency Rehabilitation and Reconstruction Project (EMRRP): **The objective of the EMRRP is to give long-term impetus to the economic rehabilitation and reconstruction.**

110. This project covers the following sectors: transportation, electricity, potable water and urban utilities.

1. Accomplishments from June 2002 to September 2003

111. The international firm responsible for being the main contractor by Ministry of Finance delegation was selected in November 2002 and became active in May 2003. Starting then, it initiated studies on the entire program. Considering the importance of the infrastructure works to undertake, specific studies are necessary to define the exact nature of the works. It is therefore clear that the first year is dedicated to studies and, consequently, no visible works would be seen at first. Nevertheless, all the activities have begun in all project components.

2. Accomplishments from March 2003 to September 2005

112. The planned accomplishments over the next two years are summarized as follows:

- **Roads:** All the studies have been initiated for about 3,000 km. of roads. The works should begin in July 2004 after the selection of firms through an international call for bids, and should be completed two years later.
- **Transportation:** The studies have been initiated for all sectors (RVM, Onatra, RVF, SNCC, CNPR, etc.). The works could begin April 1, 2004, and be completed within two years.
- **Electricity:** An important study began in October 2003 concerning the status of the SNEL facilities and will last 11 months. Urgent works with a view to increasing the reliability of system capacity to 600 MW could begin during the first quarter of 2004. However, the major rehabilitation works will not begin until 2005 and will take about three years.

- **Water:** The studies for Kinshasa have been completed and the call for bids for the works is being launched. The beginning of the works is planned for April 2004 after the selection of the firms. These works will last 18-24 months. In addition, the master plan is being prepared. For institutional reform, the TORs are being developed.
- **Urban rehabilitation:** The studies have been completed; two calls for bids have been launched and contracts awarded. These two significant urban rehabilitation labor markets (Avenue Kasavubu and the Selembao erosions) should begin at the start of 2004 and be completed by the end of 2005.

Economic Recovery Credit

113. Moreover, within the framework of the budget support operation initiated in 2001 (ERC I), \$42 million was allocated to small- and medium-scale projects having, however, a visible and immediate socioeconomic impact.

Accomplishments

114. This financial package, directed by the BCeCo as delegated chief contractor, was released in December 2002. It is now entirely committed and must be 70% expended by the end of 2003. These funds have been used up to the limit of about 90% to fund infrastructure projects (roads and buildings) and technical equipment, essentially in transportation (70%), health and education. Because of transportation and communication difficulties, the truly vast majority (80%) of the projects are, however, in or near Kinshasa. The works will be completed by the end of March 2004.

Emergency Economic and Social Reunification Project.

115. The project's objective is to assist the government in the economic and social reunification process, and generate peace dividends that will contribute to the country's stabilization by funding rehabilitation activities in the eastern part of the country, where no major economic assistance program has yet been established.

116. There are two infrastructure programs:

- A road infrastructure program (\$90 million) with, in particular, the rehabilitation of two strategic arteries: Kisangani – Beni and Mbuji-Mayi - Bukavu. The project will also fund the last road section between the port of Matadi and the Mpozo bridge to complete the overall rehabilitation of the road between Kinshasa and the Port of Matadi.
- An urban rehabilitation program (\$30 million) involving, in one portion, four provincial capitals (Kisangani, Goma, Bukavu, Kindu), and, in the other, activities in various cities in the country.

The program should begin at the start of 2004.

B. Reform of the Legal and Regulatory Framework in the Energy Sector

117. In 2004, we expect to revise the legal and regulatory framework that regulates activities in the energy field (petroleum, electricity and water). We have begun this

process by holding a Water Round Table in October and we plan to do the same thing for the electricity sector in January 2004. In both cases, this is the first step in a process of discussions that we deem essential for facilitating the preparation of legislation that reflects a consensus shared by all stakeholders and the presentation of corresponding draft laws for submission to the National Assembly at the end of the year.

Please accept, Mr. President, my highest regards.

Dr ANDRE-PHILIPPE FUTA

Minister of Finance

A Monsieur James D. WOLFENSONHN

Président du Groupe de la Banque Mondiale

à Washington, D.C., USA

4. Dans ce contexte, un nouveau Gouvernement a pris ses fonctions au premier trimestre de l'an 2001 et s'est engagé immédiatement à (i) restaurer la paix, (ii) à normaliser les relations avec les créanciers extérieurs, à (iii) relancer la croissance et à engager la lutte contre la pauvreté.

5. Sur le plan politique, nous sommes heureux de constater que nos efforts pour renforcer le processus de paix et le dialogue inter-congolais, qui s'est tenu à Lusaka et à Sun City, ont eu des résultats positifs et encourageants. Un Gouvernement inclusif de transition, regroupant toutes les parties prenantes, a pris ses fonctions le 30 juin 2003. Le pays est maintenant réuni.

6. Sur le plan économique, nos efforts ont donné lieu à un fort soutien, à partir de Juin 2002, de la communauté financière internationale, notamment le Fonds Monétaire International, la Banque mondiale (plus exactement l'Association Internationale pour le Développement), la Banque Africaine de Développement et de nombreux créanciers bilatéraux.

7. C'est le cas de l'apurement des arriérés extérieurs vis-à-vis des institutions multilatérales en juin/juillet 2002 pour lequel le Fonds Monétaire International a accordé un soutien de 580 millions de DTS. De même, la Banque mondiale a approuvé un Crédit de Relance Economique de 360.4 millions de DTS, un crédit de 358.8 millions de DTS pour soutenir le Programme Multi-sectoriel d'Urgence de Réhabilitation et de Reconstruction (PMURR). En septembre 2002, les pays membres du Club de Paris ont accordé un rééchelonnement de leurs créances selon les termes de Naples. La bonne exécution de notre programme depuis juin 2002 a été couronnée les 24-25 juillet 2003 par l'admission de la RDC au Point de Décision de l'Initiative PPTE Renforcée à l'issue des réunions des Conseils d'Administration du FMI et de la Banque mondiale ; ce qui a permis de réduire le stock de notre dette de 13 à 1,5 milliards de dollars. **A ce propos, nous espérons atteindre le point d'achèvement d'ici trois ans.** Par ailleurs, en septembre-octobre 2003, la Banque mondiale a approuvé trois autres Crédits : (i) le Projet d'Appui au Développement du Secteur Privé pour 87.1 millions de DTS, (ii) le Projet de soutien à la Réunification Economique et Social pour 152.7 millions de DTS et (iii) le Projet de soutien aux exportations de l'électricité vers l'Afrique australe. Par ailleurs, deux autres projets sont en préparation (HIV AIDs/MDRP).

8. Toutefois, rétablir la paix et avancer dans la lutte contre la pauvreté sur l'ensemble du territoire, nouvellement réuni, constitue un défi énorme qui demande un appui continu de la communauté internationale pour plusieurs années encore. Pour augmenter de façon significative le niveau de vie de la population entière, réduire

sensiblement la pauvreté, il nous faudra (a) une croissance économique forte et soutenue pendant des décennies, (b) des budgets pro-pauvres, surtout dans les secteurs de l'éducation, de la santé et des infrastructures et (c) une politique économique générale et des politiques structurelles et sectorielles bien adaptées.

9. C'est dans ce contexte que le Gouvernement sollicite un soutien sous forme d'un Crédit de Développement d'au moins 150 millions de dollars US, pour le financement de notre programme économique pour les années 2004 et 2005 en général et en particulier pour (i) l'apurement partiel de la dette intérieure née avant le 31 décembre 2001, (ii) le paiement des indemnités de fin de carrière pour environ 70.000 fonctionnaires ayant déjà atteint l'âge de la retraite, et (iii) des travaux publics d'impact visible à l'échelon national. A ce propos, le mémorandum ci-joint décrit la Politique de Développement du Gouvernement pour la période 2004-2005. Cette politique est basée sur les trois piliers du DSRP-I, approuvé par les Conseils d'Administration de l'IDA et du FMI en juin 2002, à savoir : (i) la promotion de la stabilité macroéconomique et la relance de la croissance pro-pauvre; (ii) la restauration de la paix et l'amélioration de la gouvernance ; et (iii) le renforcement de la dynamique communautaire. Le mémorandum et la matrice des politiques y afférente traitent successivement des sujets suivants :

- Cadres macroéconomique et budgétaire
Préparation de la stratégie de réduction de la pauvreté
Restauration de la paix et amélioration de la gouvernance
Politiques structurelles et sectorielles

Il y a lieu de noter aussi que la bonne exécution des mesures décrites dans le mémorandum ci-dessous devrait nous permettre aussi de bien avancer vers la réalisation des repères structurels afin d'atteindre le point d'achèvement dans le contexte de l'Initiative PPTE Renforcée, soit au 4^e trimestre de 2006. (Annexe 2).

CADRES MACROECONOMIQUE ET BUDGETAIRE

10. Le défi à relever en matière de croissance et réduction de la pauvreté est énorme. Par exemple, pour atteindre le niveau de revenu par tête de 1990, il faudrait 40 ans si l'on suppose un taux annuel de croissance du PIB réel de 5.3 % et un taux de croissance de la population de 3 % et 60 ans pour atteindre le niveau de 1960. Pour réaliser cet objectif, il faudra non seulement un taux de croissance élevé pendant des décennies, mais aussi des budgets pro-pauvres et des politiques structurelles et sectorielles adaptées.

11. C'est dans la perspective de vaincre la pauvreté que nous avons conçu le Programme Intérimaire Renforcé(PIR) couvrant la période 2001-2002 et le Programme Economique du Gouvernement (PEG) depuis lors. Ces programmes ont déjà bénéficié du soutien de la communauté financière internationale, en particulier le FMI, la BM et la

BAD. Nous avons aussi pu bénéficier d'un rééchelonnement et d'une réduction de notre dette extérieure dans le contexte du Club de Paris et de l'Initiative PPTE Renforcée.

12. Le PIR et le PEG ont déjà donné lieu à des résultats probants. Après une dégradation de la situation au cours des quatre années (1997-2000) avec une baisse du PIB de 5,5 % par an en moyenne et une hyper-inflation à un taux annualisé de 635,1 % durant la période de janvier à mai 2001, l'effort entrepris par le Gouvernement et la BCC dans le cadre du PIR, le taux d'inflation a chuté à 25 % en 2002 et 13 % en 2003. Le taux de croissance, négatif pour toute la décennie 1991-2000, a atteint 3 % en 2002 et 5 % en 2003.

13. Sur le plan extérieur, le taux de change après la dévaluation initiale du 2001 s'est stabilisé, moyennant quelques fluctuations, aux alentours de 370 FC le dollar en 2003. Le déficit du compte courant, avant allègement de la dette, représentait 10-11 % du PIB. Mais, grâce à la réduction du service de la dette obtenue auprès de nos créanciers bilatéraux et multilatéraux dans le contexte du Club de Paris et de l'Initiative PPTE Renforcée, le déficit du compte courant, après allègement de la dette, serait inférieur à 1% du PIB. Ceci devrait nous permettre une accumulation de nos réserves extérieures brutes de 22 à 272 millions de dollars entre 2001 et 2004.

14. Sur le plan des finances publiques, l'exécution du programme a permis d'augmenter les recettes de 6.2 % du PIB en 2001 à 8.3 % en 2003. Ceci, assorti de l'aide extérieure (bien que plus faible que prévue) y compris les dons (mais hors aide humanitaire), nous a permis d'augmenter nos dépenses de 8.3 % du PIB en 2001 à 15.2 % du PIB, impliquant un déficit global de 2.7 % du PIB. Toutefois, la composition des dépenses n'a pas été conforme à nos objectifs, à cause du paiement d'arriérés non programmés, un déficit de trésorerie de la BCC plus élevé que prévu. Par ailleurs, il y a eu une accumulation des arriérés sur les paiements des charges communes (eau, électricité, etc) et il a fallu différer l'augmentation de 10 % des salaires prévue en 2003.

15. **Le cadre macroéconomique pour 2004-2005.** Les objectifs macroéconomiques du Gouvernement pour les deux prochaines années sont : (i) un taux de croissance économique de 6 % en 2004 et 7 % en 2005 en termes réels ; alors que le taux d'inflation devrait être contenu à 6% en 2004 et 5% en 2005.¹ Nous anticipons aussi une augmentation du déficit extérieur courant, qui serait cependant financé grâce à une forte augmentation de l'aide extérieure. Ainsi, le déficit extérieur courant, après rééchelonnement, pourrait atteindre 4,1% du PIB en 2004.

16. La politique budgétaire en 2004 vise à consolider les efforts de stabilisation macroéconomique, tout en prenant pleinement en compte les effets de la réunification du pays et en tirant les bénéfices de la paix pour réorienter la dépense publique en faveur de la réduction de la pauvreté. Les recettes devraient atteindre 9 % du PIB et les dépenses

¹ Dans le plus long terme, nous espérons maintenir un taux de croissance avoisinant 7 pour cent jusqu'en 2010.

17.6% du PIB grâce principalement à la reprise des investissements financés sur ressources extérieures.²

17. Avec le retour de la paix, nous espérons pouvoir augmenter considérablement les dépenses d'investissement et de lutte contre la pauvreté, grâce aux appuis financiers extérieurs de sources diverses (BM, AfDB, UE, etc), ainsi que celles dégagées par l'Initiative PPTE Renforcée.³ Nous espérons que les dépenses relatives à la pauvreté atteindront [x] % du PIB, dont [y₁] % financés sur le budget national, [y₂] sur financement extérieur et 1,7% du PIB sur l'épargne budgétaire imputée à l'Initiative PPTE Renforcée. En même temps, nous entendons contenir les dépenses militaires, de sécurité et des institutions au strict minimum, soit respectivement à 2% et à 1,1 % du PIB. Par ailleurs, le projet du budget 2004 inclut notamment les dépenses suivantes :

- Revalorisation des traitements de l'ensemble des agents civils et militaires de 10 % en janvier 2004 ;
- Réduction de 10.000 des effectifs actifs par la mise en œuvre du plan de départ à la retraite des agents ayant rempli les conditions requises au 31 décembre 2004; La prise en charge, suite à la mission gouvernementale d'état des lieux dans les provinces réunifiées, de 135.000 agents civils (y compris les retraitables) des provinces réunifiées et de 15.000 agents de la police nationale ; la prise en charge du coût relatif à la fusion des armées, qui a commencé en octobre 2003 et qui continuera jusqu'au début de la mise en place effective de notre programme national DDR qui sera en principe financé par la communauté internationale ; Le paiement à temps des charges communes désormais sur la base des consommations facturées ou, en l'absence de facturation et en attendant la mise en place de compteurs, sur la base d'estimations forfaitaires. A ce propos, un plan d'action pour la maîtrise des dépenses communes a été mis en place en décembre 2003 et sera mis en œuvre en 2004.

18. Pour toutes ces raisons, nous demandons un appui budgétaire à la Banque mondiale pour assurer le financement de ces dépenses et des autres besoins contraignants inhérents à la réunification du pays de façon à soutenir et consolider ce processus au courant de l'exercice budgétaire 2004.

STRATEGIE DE REDUCTION DE LA PAUVRETE

19. **Objectif.** Le but recherché d'ici août 2005 est la formulation et l'adoption d'un DSRP complet préparé de manière participative. Il y a lieu de rappeler qu'un DSRP Intérimaire a été préparé et adopté en mi-2002. La stratégie proposée dans ce document est bâtie sur trois piliers que sont : (i) la restauration de la paix et la bonne gouvernance

² Dans ce cas, le solde primaire intérieur sur base casse dégagera un surplus de 2.1 pour cent du PIB, et les opérations consolidées du Gouvernement, y compris le solde net des opérations de la BCC (0.6 pour cent du PIB) devrait accuser un déficit global consolidé (base caisse, après rééchelonnement de la dette) de 3 pour cent du PIB.

³ Le suivi des dépenses pro-pauvres sera facilité grâce à la nouvelle nomenclature des dépenses qui contient une codification particulière, conçue à cet effet.

- (ii) la stabilisation du cadre macroéconomique et la relance de la croissance pro-pauvre ;
- (iii) le renforcement de la dynamique communautaire et de la capacité des communautés dans la planification, l'élaboration et la mise en œuvre des activités de développement.

1. Réalisations depuis juin 2002

20. Trois types d'activités ont été entreprises depuis octobre 2002. Premièrement, dans le cadre de la mise en place d'une base de données statistiques, le Secrétariat Permanent du Comité Interministériel, responsable de la Stratégie de Lutte contre la Pauvreté, a entrepris l'organisation de l'Enquête Nationale sur le seuil de la pauvreté dont le test pilote est intervenu en **novembre et décembre 2002**. Deuxièmement, un Plan d'Action accompagné de son chronogramme a été élaboré et ensuite adopté **en mi-juin 2003** par le Gouvernement, après discussions avec toutes les parties prenantes nationales et internationales pour la formulation du DSRP complet. Ce dernier sera adopté par le Gouvernement au courant du troisième trimestre 2005.

21. Le Plan d'Action décrit les arrangements institutionnels et les différents travaux à effectuer ainsi que le calendrier correspondant afin d'achever le DSRP **d'ici août 2005**. Il s'agit notamment :

- a) du renforcement des compétences des divers organismes⁴ et de la définition des rôles des différentes parties prenantes au processus de formulation du DSRP ;⁵
- b) de la préparation et du déroulement des consultations participatives et leur restitution aux parties prenantes à tous les niveaux (national, provincial, local et communautaire) ;
- c) de la contribution des groupes thématiques et des ministères techniques;
- d) de la préparation et de l'exécution de l'enquête sur le seuil de la pauvreté;
- e) de la préparation du document DSRP sur la base de l'ensemble des contributions mentionnées ci-dessus ; et enfin
- f) de l'appropriation par l'ensemble des participants du processus d'élaboration du DSRP final.

2. Actions à réaliser d'ici fin 2005

22. **En décembre 2003**, un atelier de lancement du processus de formulation du DSRP a été organisé. Pour le moment, il se déroule une campagne d'information, d'éducation et de communication concernant (i) *le processus* de formulation du DSRP complet, (ii) l'organisation des consultations participatives aux niveaux national, provincial, local et communautaire ; et (iii) la finalisation de l'organisation de l'enquête sur la pauvreté, notamment **son lancement en janvier 2004** en vue de **son achèvement un an plus tard**.

⁴ Comité Interministériel, Secrétariat Permanent, Comité Technique, Groupes Thématiques Multidisciplinaires, Points Focaux, et Comités Provinciaux et Locaux pour la Réduction de la Pauvreté;

⁵ La société civile, les ONGs, les ministères impliqués, le secteur privé, le Parlement, les associations communautaires, les associations de jeunes, les vulnérables et les confessions religieuses), les administrations locales ;

23. Les consultations participatives se dérouleront de **janvier à mai 2004**. La rédaction et la restitution auprès des ministères techniques et communautés des rapports sur les consultations sectorielles et communautaires auront lieu **en juin -juillet 2004**. Ces rapports seront ensuite utilisés par les groupes thématiques et les ministères techniques pour l'élaboration de leurs contributions au DSRP. L'enquête sur le seuil de la pauvreté est organisée de manière participative et sera complétée en milieu urbain et rural par des fiches statistiques sur les budgets-consommations des ménages, l'emploi et le secteur informel (Enquête 1-2-3). L'exécution de l'enquête fera l'objet d'un partenariat entre le CTSRP et l'Institut National de la Statistique afin que cette structure puisse jouer son rôle central dans la collecte, l'analyse et la dissémination des données sur la pauvreté. Le concours d'AFRISTAT et du Secrétariat national pour le renforcement des capacités (SENAREC) est attendu dans cet exercice.

24. Sur la base des rapports des consultations et des travaux techniques, les groupes thématiques et les ministères sectoriels élaboreront leurs contributions au DSRP qui devraient être prêtes à fin septembre 2004. Après l'achèvement de l'enquête 1-2-3 sur le seuil de la pauvreté en **décembre 2004**, le rapport sera finalisé à **fin février 2005**. Il fera ensuite l'objet d'une restitution au courant de la première semaine du mois de mai 2005 auprès des ministères sectoriels, des provinces, des communautés et d'autres partenaires. La prochaine étape consisterait en l'élaboration d'une première version provisoire du DSRP, qui devrait être disponible **en Avril 2005**. Sa restitution aux partenaires nationaux et internationaux aurait lieu en **Juin 2005**. Ceci permettrait de finaliser et de restituer la version définitive **en juillet et août 2005**, avant son dépôt au niveau du Gouvernement à fin **août 2005**. Son adoption devrait intervenir deux mois plus tard, soit avant **fin octobre 2005**.

POI IQUES STRUCTURELLES ET SECTORIELLES

I Paix et Gouvernance

25. Le DSRP-I a beaucoup insisté sur le maintien de la paix et l'amélioration de la gouvernance comme des conditions essentielles d'un retour à la croissance économique et de réduction de la pauvreté. Nous focalisons nos efforts dans les deux ans à venir sur : (i) la paix à travers surtout la mise en route du programme de démobilisation et de réinsertion des ex-combattants ; (ii) la bonne gouvernance ; (iii) l'approfondissement de la lutte contre la corruption ; (iv) l'amélioration de la gestion des finances publiques ; (v) les réformes dans les domaines de la fonction publique, de la territoriale (avec comme axe prioritaire la décentralisation) et dans le domaine judiciaire.

Promotion de la Paix

26. *Objectif.* L'objectif général est de consolider la paix à travers le désarmement, la démobilisation et la réinsertion des ex-combattants. Dans cette optique, le Gouvernement a mis sur pieds un Programme national de désarmement, démobilisation et réinsertion (PNDDR) pour les groupes armés congolais signataires de l'accord de Lusaka, notamment les FAC, MLC, RCD-Goma, RCD-ML, et les Mayi-Mayi. Ce programme comprend trois composantes : (i) démobilisation et réinsertion des combattants des

groupes susmentionnés, estimés à 90.000-150.000; (ii) assistance à la réinsertion socio-économique des ex-combattants; (iii) assistance particulière aux groupes vulnérables. Le PNDDR serait financé principalement par un crédit IDA et un don du Programme Multi-Pays de Démobilisation et Réinsertion (PMDR). Les contributions du budget national, de la Mission d'Observation des Nations Unies au Congo (MONUC) et des bilatéraux restent à définir.

1. Réalisations

27. Le Gouvernement a défini la structure institutionnelle nécessaire au DDR en consultation avec les bailleurs. Il s'agit de la Commission Nationale de DDR, responsable de la définition des orientations stratégiques et le Secrétariat Exécutif, chargé de la mise en œuvre de ces orientations. Jusqu'à la création de cette structure, le Gouvernement développe le PNDDR dans le cadre du comité technique de planification et de coordination (CTPC) créé en octobre 2003 pour assurer la coordination des activités DDR d'urgence. Le PNDDR doit faire l'objet des consultations et d'une appropriation nationale. Il sera validé de façon formelle par la Commission nationale de DDR.

2. Actions à réaliser d'ici fin 2005

28. Le Gouvernement devrait, **d'ici mars 2004**, (i) finaliser l'élaboration du programme pour la restructuration de l'armée, afin de pouvoir définir le PNDDR, notamment en ce qui concerne les critères de démobilisation ; (ii) mettre en place la structure institutionnelle nécessaire au pilotage stratégique et à la mise en œuvre du PNDDR à travers, respectivement, le Comité National de DDR (CNDDR) et le Secrétariat exécutif ; (iii) nommer le Directeur général du Secrétariat exécutif et (iv) finaliser le PNDDR après consultations et appropriation nationale. Ces activités sont des préalables nécessaires pour la phase de désarmement et démobilisation.

29. Si les activités ci-dessus sont réalisées et que les conditions sécuritaires le permettent, la phase de désarmement et démobilisation peut commencer en avril 2004 (durée 7 mois). La phase de réinsertion pourrait alors débuter en novembre 2004 (durée 1 an).

Gouvernance

Objectifs globaux.

30. D'ici à septembre 2005, l'objectif poursuivi par le Gouvernement est **d'améliorer la gestion des affaires publiques à l'échelon national**, à travers la promotion de la bonne gouvernance, la lutte contre la corruption et la réforme des institutions. Il s'agira d'abord : (a) de consolider les acquis et d'approfondir les réformes au niveau de la lutte contre la corruption et l'amélioration de la gestion des finances publiques ; (b) d'initier les réformes au niveau de la fonction publique, la décentralisation et le secteur judiciaire.

A Lutte contre la corruption

31. Après la promulgation du Décret-Loi portant Code de Bonne Conduite de l'Agent Public de l'Etat en novembre 2002, une campagne de vulgarisation a été lancée en mars 2003 à Mbuji-Mayi. Un recueil sur le vade-mecum du citoyen (recueil des droits et obligations du citoyen) a été élaboré et est en instance d'approbation au niveau du Gouvernement. Un projet de loi anti-corruption a été élaboré et confié au Ministère de la Justice pour harmonisation avec les textes existants. Il sera déposé au Parlement avant la fin du mois de janvier 2004. Un projet de loi portant lutte contre le blanchiment des capitaux et le financement du terrorisme a été préparé avec le concours de la Banque Centrale du Congo et examiné à l'ECOFIN en octobre 2003. Le Gouvernement le déposera au Parlement avant fin janvier 2004. Ce projet tient compte des observations du FMI et de la Banque Mondiale.

B Gestion des dépenses publiques

30. **Objectifs.** Le Gouvernement a pour objectif le renforcement de la gestion budgétaire et financière, la transparence du processus budgétaire et l'amélioration de la capacité de suivi de l'exécution des dépenses publiques.⁶ Cela passe par la réforme du processus de préparation et d'exécution du budget de l'Etat y compris (i) l'adoption d'une nouvelle nomenclature budgétaire, (ii) la restauration de la chaîne d'exécution des dépenses (y compris sa rationalisation et son informatisation), (iii) le rétablissement des fonctions de suivi et de contrôle sur la chaîne de la dépense, c'est-à-dire l'élaboration des états de suivi budgétaires aux différents stades de la chaîne, (iv) la mise en place d'un système d'échange, par voie électronique, des informations sur l'exécution du budget de l'Etat entre la Banque Centrale et le Trésor, (v) la mise en place d'un plan comptable de l'Etat en partie double, (vi) une réforme globale du système de passation des marchés et (vii) un audit complet des procédures de gestion des dépenses de personnel de l'Etat et la réorganisation du circuit de la paie.

1. Réalisations

31. **La nomenclature des dépenses de l'Etat** a été révisée par le Ministère des Finances et Budget en juillet 2002. Elle présente désormais les dépenses sous trois classifications : dépenses par nature, par administration et par grandes fonctions de l'Etat. Le Budget rectificatif pour 2003 a été présenté au Parlement sur la base de cette nouvelle nomenclature, et le budget 2004 le sera aussi. Elle servira de référence à toutes les codifications des dépenses au sein de la chaîne des dépenses, et à l'élaboration de tous les rapports d'exécution du budget.

32. A ce propos, une nouvelle réglementation globale du traitement des dépenses publiques ayant pour base une rationalisation et une simplification des procédures a été validée par le Ministre des Finances et Budget en juin 2003; cette réglementation est

Dans ce contexte général, une importance particulière est placée sur la gestion des dépenses liées à la réduction de la pauvreté.

contenue dans le **Manuel du Circuit de la Dépense**, qui est devenu la référence des procédures des dépenses publiques. Il a fait objet d'une campagne officielle de vulgarisation auprès des cadres de l'administration.

33. La mise en place officielle de la **liaison informatique Trésor-Banque Centrale** a eu lieu en août 2003. Une fois pleinement opérationnelle en début 2004, la liaison informatique permettra, entre autres, la transmission directe des ordres de paiement, des avis de débit correspondants, des avis de crédit et des relevés des comptes du Trésor.

La nouvelle chaîne de la dépense a été lancée officiellement en août 2003. Techniquement, cette chaîne est opérationnelle, de telle sorte qu'il est déjà possible d'exécuter toutes les opérations, depuis la constitution du budget jusqu'à la comptabilisation des opérations au Trésor. Cependant, des contraintes externes à la chaîne de dépenses subsistent, dont les plus sérieuses sont les retards dans l'interconnexion des sites informatiques des différents intervenants de la chaîne et la nécessité des travaux complémentaires pour assurer la sécurité d'exploitation du système. Une fois ces problèmes résolus, il sera possible de produire les états de suivi budgétaires sur une base régulière.

34. En outre, la budgétisation des dépenses de lutte contre la pauvreté sur ressources PPTE a été préparée selon la nouvelle nomenclature. Par ailleurs, ces dépenses ont été saisies informatiquement, classifiées par nature et par classification administrative (ou services) et par grande fonction de l'Etat. Au niveau des dépenses PPTE, un sous compte spécifique a été ouvert à la BCC, où sont déposées les ressources libérées par l'initiative PPTE. Un système de codification des dépenses de lutte contre la pauvreté, soit sur ressources PPTE, soit sur ressources non PPTE, a été introduit dans le système informatique à travers un marquage particulier, c'est-à-dire avec des codes selon la spécificité et/ou la localisation géographique de la dépense. En septembre 2003, un comité de suivi a été mis en place par le Ministère du Budget ; il est composé des représentants des ministères et institutions du Gouvernement, de la société civile ainsi que des représentants des bailleurs de fonds. Le comité a pour mission de garantir la bonne affectation des ressources, l'équité dans l'affectation et faire le suivi de l'exécution de ces dépenses.

35. Les travaux relatifs à la **réforme du système de la passation des marchés publics** ont été lancés avec le concours de la Banque mondiale qui a organisé des missions en juillet et novembre 2003 ayant pour but d'entreprendre et d'achever un audit complet du système de passation des marchés publics **avant fin avril 2004**. Cet audit couvrira tous les aspects juridiques et institutionnels de cette activité centrale à la bonne gestion des dépenses publiques.

2. *Les activités pour 2004-2005*

36. Durant les années 2004 et 2005, les objectifs principaux seront de consolider la rationalisation et l'automatisation de la chaîne de la dépense. Le système de suivi des dépenses publiques sera perfectionné et, en ce qui concerne les dépenses de lutte contre la pauvreté, un accent particulier sera mis sur l'approfondissement du suivi et de l'évaluation participatifs à travers le comité consultatif de suivi de dépenses de lutte

contre la pauvreté. Le Gouvernement envisage de commencer l'extension progressive de tous les éléments qui constituent la chaîne de la dépense sur le reste du pays, notamment, les procédures rationalisées, la nouvelle nomenclature et ses trois classifications, les textes organisationnels, le support informatique, le plan de formation, etc.

37. Les priorités jusqu'à fin mars 2004 sont focalisées sur la poursuite des réformes liées à la mise en place de la chaîne des dépenses en général et pour les dépenses de lutte contre la pauvreté en particulier, notamment celles qui sont financées par l'épargne budgétaire découlant de l'Initiative PPTE. Il y a lieu de relever en particulier, la production effective de toute une série d'états mensuels de suivi de l'exécution budgétaire, dont le rapport global d'exécution budgétaire selon les 4 phases de la dépense, le rapport de suivi d'exécution par classification administrative, le rapport d'exécution par nature et répartition géographique, le rapport par grandes fonctions de l'État et le rapport relatif aux dépenses de lutte contre la pauvreté. Le comité consultatif de suivi de dépenses de lutte contre la pauvreté sera rendu pleinement opérationnel.

38. Les travaux de la mise en place d'un système comptable de l'Etat à partie double commenceront dès le début 2004 avec l'appui technique de la France. L'objectif est de rendre ce système opérationnel au début de 2005. **Il s'agit d'un repère à réaliser pour le point d'achèvement dans le contexte de l'Initiative PPTE renforcée.**

39. En ce qui concerne la passation des marchés publics, l'objectif sera de commencer les réformes effectives sur la base de l'audit entreprise avec le concours de la Banque mondiale. Notre objectif est d'élaborer et de mettre en exécution un nouveau code des marchés publics. Les principaux décrets d'application seront pris d'ici 2006, **car il s'agit d'un repère pour le point d'achèvement dans le cadre de l'Initiative PPTE Renforcée.**

40. Au niveau des dépenses de personnel, un **audit du circuit de la paie** sera entrepris avec le concours de la Coopération Française, entre janvier et fin avril 2004, en vue de sa réorganisation et de la mise en œuvre d'un nouveau système sécurisé et verrouillé à compter du 1^{er} janvier 2005 (du moins dans sa version provisoire). A ce propos, il sera organisé un recensement complet des agents de l'État dont les résultats serviront de base pour confectionner un fichier central sécurisé du personnel de l'Etat à la fin de 2004 et pour établir un nouveau système de la paie.

C. Réforme de la Fonction publique

Objectif. Le Gouvernement est conscient qu'une réforme complète de l'Administration Publique s'impose afin d'améliorer sa qualité et la capacité des ministères et services publics à fournir des services de base de qualité (santé, éducation, etc). La stratégie du Gouvernement repose sur (i) une redéfinition des missions des ministères prioritaires et des structures publiques de prestations des services et (ii) l'augmentation de la qualité et de la productivité du personnel. Dans l'optique de la mise en place d'un appareil étatique rénové et performant, les actions prioritaires à entreprendre pendant les deux prochaines années viseront ce qui suit :

- (i) Entreprendre un diagnostic complet des ministères principaux (missions, modes de fonctionnement, cadres organiques, etc) ;
- (ii) Effectuer un audit des systèmes de prestations des services, surtout au niveau local, dans les secteurs de la santé, de l'éducation et de la justice;
- (iii) Entreprendre un recensement exhaustif des agents de l'Etat ; et
- (iv) Faciliter le départ à la retraite des agents réunissant les conditions d'âge et d'ancienneté pour lequel un appui financier a été sollicité auprès de la Banque Mondiale.

L'audit du système de prestations des services publics permettra de jeter les bases d'une réforme devant conduire à la mise en place d'un mécanisme de suivi budgétaire dans les secteurs de l'éducation, la santé et le développement rural portant sur (i) l'exécution des dépenses de lutte contre la pauvreté, (ii) l'évaluation par les bénéficiaires de la qualité des services publics et (iii) l'évaluation par les fournisseurs des contraintes et des handicaps à la prestation des services.

1. Réalisations

41. Une commission interministérielle et un comité technique de pilotage de la réforme ont été établis avec pour mission principale de diriger et orienter la réforme et d'accompagner la préparation et la mise en place des actions. La Belgique soutient activement le processus de réforme de la fonction publique à travers le déblocage d'un fonds d'appui à la réforme. Ce fonds permettra de mener des études et des actions pour accompagner ce processus.

2. Le programme pour 2004-2005

42. **Le diagnostic institutionnel.** La première phase portera sur le Ministère de la Fonction Publique qui devra servir de pilote et de modèle pour l'ensemble de la réforme. L'étude inclut la révision des missions, du cadre organique et du statut de ce ministère. Des études similaires seront réalisées pour les Ministères des Finances, du Budget et du Plan au cours de cette première phase. Deux phases subséquentes prévoyant des études similaires pour le reste de l'administration publique ainsi que, l'optimisation des ministères vers la bonne gouvernance et amélioration de son efficacité, efficience et qualité ont également été prévues. Le calendrier pour ces études est de 2004-2005..

43. **Audit du système de prestations des services.** Dans le cadre de la réforme de l'Etat, le Gouvernement, en collaboration avec la Banque Mondiale, souhaite analyser, dans le courant de 2004, les mécanismes de prestations des services au niveau local dans trois secteurs clés ; en l'occurrence, l'éducation, la santé et la justice. A cet effet, une série d'enquêtes seront conduites auprès des prestataires de services, qu'ils soient publics ou privés, afin d'analyser leurs modes de fonctionnement, leurs mécanismes de financement et les contraintes auxquelles ils font face en matière de provision des services. Ces enquêtes apporteront également le point de vue des usagers sur l'accessibilité et la qualité des services, ainsi que des informations sur le mode de fonctionnement des structures administratives en amont des prestataires de services

(administrations déconcentrée et décentralisée). L'ensemble d de base à des propositions de réforme.

44. **Le recensement.** Le système d'information relatif à la gestion administrative du personnel et de sa rémunération présente d'importantes lacunes. La réflexion sur la réalisation d'un recensement général des agents de l'Etat a commencé en 2002; il s'agit de « faire le ménage », en repérant parmi tous ceux régulièrement déclarés et payés, les agents fictifs ou absents du service, et de les faire disparaître de la paie et des fichiers de personnel, ainsi que de savoir combien d'agents l'administration compte, qui ils sont et ce qu'ils font. A travers ce recensement, le Gouvernement cherche à réunir des informations fiables, pour pouvoir : (i) apurer la masse salariale des salaires indus ou incorrects, (ii) mener les analyses statistiques nécessaires à la conduite de la réforme administrative, (iii) mettre en place une base de référence des agents, d'abord destiné à faciliter la maîtrise des effectifs et des salaires (via la paie), et aussi destiné à devenir le pilier d'une véritable gestion moderne des ressources humaines de l'administration.

45. Les termes de référence de ce recensement ont été élaborés et validés **en juillet 2003**, par le Comité Technique de la Réforme de l'Administration Publique et par le Ministre de la Fonction Publique. Le financement nécessaire à la réalisation de ce recensement (USD 3.5 millions) est aujourd'hui bouclé grâce à la participation de la Belgique, de l'Union Européenne et de la Banque Africaine de Développement. Il a été convenu que la Coopération Technique Belge aura la responsabilité de la sélection des consultants chargés d'entreprendre le recensement, en liaison étroite avec l'unité de projet au sein du Ministère de la Fonction Publique qui suit les réformes.

46. Le but est de recruter, par voie d'appel international, un cabinet chargé d'effectuer ce recensement en vue de sa mobilisation effective à compter **du 1^{er} juin 2004**. Le travail sur le terrain devrait intervenir dans la période **septembre/novembre 2004**. Le recensement donnera lieu à la création d'un fichier révisé du personnel devant pouvoir servir de base pour le fichier de la paie, et être exploité par le nouveau système de la paie à compter **du 1^{er} janvier 2005**. Par ailleurs, sur la base des résultats du recensement des agents de l'Etat, il sera procédé à un nouvel assainissement des effectifs fictifs et à l'établissement d'une liste du personnel actif éligible pour le programme des départs à la retraite. En outre, la base de données sur les agents de l'Etat, obtenue grâce au recensement, constituera un des éléments-clé dans la préparation d'une réforme en profondeur de l'administration publique.

47. **Programme de départs à la retraite.** Le programme de mise à la retraite vise à : (i) restaurer l'application effective des règles normales de gestion de la fonction publique, (ii) apurer l'effectif et radier de la paie des agents qui ne devraient plus s'y trouver depuis de nombreuses années, (iii) verser aux agents retraités, dès leur mise à la retraite, le pécule auquel ils ont droit, (iv) redynamiser l'administration en provoquant en son sein un mouvement du personnel, et en rajeunissant l'effectif.

48. Le nombre exact des fonctionnaires éligibles à la mise à la retraite n'est pas encore connu avec certitude. Le chiffre le plus souvent cité est d'environ 59.500 agents

(dont 24.500 pour l'Education) mais des estimations plus récentes parlent d'environ 74.000, et ceci n'inclut pas l'ensemble des territoires réunifiés. **Depuis le début de 2003**, la Banque Mondiale a assisté le Ministère de la Fonction Publique, dans la définition d'une stratégie de mise à la retraite techniquement viable et financièrement supportable et dans l'établissement d'une base de données. Un document de stratégie et de méthodologie de mise à la retraite a été élaboré et sur cette base le Gouvernement a demandé le concours de la Banque mondiale pour financer les départs à la retraite des personnes ayant rempli les conditions requises pour une retraite d'office au plus tard le 31 décembre 2004 et ayant été identifiées comme éligibles lors du recensement.

49. Les départs auront lieu en deux lots. Le premier lot qui interviendra **pendant le deuxième semestre 2004 concernera** ceux qui sont déjà partis à la retraite de facto sans toucher les allocations de fin de carrière. **Le deuxième lot interviendra le plus tôt possible en 2005**, et concernera les personnes ayant été identifiées lors du recensement comme éligibles à la retraite au plus tard le 31 décembre 2004.

Décentralisation

50. **Objectif.** La conjoncture politique immédiate de la RDC est dominée par la question de la réunification nationale. Dans cette perspective, toutes les parties semblent s'entendre sur un postulat de base : le Congo sera un Etat unitaire fortement décentralisé. C'est ainsi que le Gouvernement de transition se propose de revoir le mode d'organisation et d'administration du territoire national, afin (a) de contribuer à la stabilité et à la paix, (b) d'encourager la participation à la gestion des affaires publiques de la part des populations et des acteurs sociaux et économiques, (c) de faciliter l'épanouissement et le développement culturel, social et économique de toutes les populations, dans toutes les régions du pays, (d) de favoriser l'accroissement, qualitatif aussi bien que quantitatif, de la disponibilité et de l'accessibilité des services d'utilité publique (santé, éducation, sécurité...), et (e) de promouvoir la bonne gouvernance des affaires publiques et privées.

51. La réforme du mode d'organisation et d'administration du territoire sera conduite dans la perspective (a) d'instaurer la démocratisation des affaires publiques, (b) d'assurer une plus grande proximité entre les décideurs et leurs commettants, les prestataires et les bénéficiaires de services, (c) d'introduire le principe de la mise en responsabilité des gestionnaires, qu'ils soient élus ou désignés, et (d) de garantir la transparence dans la gestion des affaires publiques et privées. Ces principes définissent les grands axes de la stratégie du Gouvernement au sujet de la décentralisation.

Réalisations

52. Une équipe de travail a élaboré un plan et un programme de travail susceptible de conduire à l'adoption d'une nouvelle loi portant organisation du territoire. Cette équipe a présenté à la fin de juin 2003 au Ministère des Finances et au Ministère de l'Intérieur un document de travail comportant, un programme d'activités et un chronogramme menant, par étapes successives, à la mise en œuvre en **juin 2005** d'une nouvelle organisation

administrative du territoire congolais. Après la formation du Gouvernement d'union nationale, le *Ministère de l'Intérieur, de la Décentralisation et de la Sécurité* a créé un nouveau groupe de travail, comprenant des représentants de toutes les tendances politiques et de toutes les régions du pays, et ayant pour mandat de rédiger, conformément à l'esprit et à la lettre de l'Accord de Prétoria, un projet de loi portant organisation du territoire. Des discussions sont en cours sur ledit projet au sein de la Commission gouvernementale *chargée des affaires politiques, de défense et de sécurité* avant d'être soumis au Conseil des ministres. Une fois approuvé, ce projet sera transmis à l'Assemblée Nationale pour adoption.

2. Prochaines actions

53. L'adoption de ce projet de loi jettera les bases de la réforme du mode d'organisation de l'administration du territoire. En effet, ce projet de loi a été conçu à l'origine comme une réorganisation temporaire du territoire. L'année 2004 sera consacrée à la poursuite des actions en vue d'en arriver à un mode et un système d'organisation et de gestion des affaires publiques qui répondent, à long terme, aux besoins et aux désirs des populations congolaises.

54. Le Gouvernement se propose entre autres choses pour l'année 2004 (a) de dresser un état des lieux aux plans administratif et financier des principales entités administratives subalternes, (b) de préparer des monographies économiques et financières des principales subdivisions territoriales, (c) d'initier des analyses détaillées et critiques de l'assiette fiscale des entités administratives décentralisées, (d) de préparer un guide de gestion locale, (e) d'élaborer un programme de formation pour les cadres et les agents des entités administratives décentralisées, et (f) de procéder à des consultations populaires sur les attributions et les prérogatives des gouvernements locaux.

55. Le Gouvernement entend poursuivre sa réforme du mode d'organisation du territoire en faisant preuve de transparence, de réalisme, de pragmatisme, de flexibilité et de progressivité. La *transparence* de notre démarche est assurée par le fait que les populations seront consultées au moment des enquêtes participatives inhérentes au processus du DSRP, et par le biais des enquêtes sur les mécanismes de prestation des services au niveau local dans les trois secteurs-clés que sont la santé, l'éducation et la justice. Le *réalisme* nous contraint de tenir compte de la fragilité et de la faiblesse de la répartition spatiale de l'assiette fiscale. Le pragmatisme nous conduira à consulter les acteurs ayant conduit ou vécu des expériences similaires ailleurs en plus à prendre la pleine mesure des expériences que le pays a connues par le passé en matière de la décentralisation. Par souci de *flexibilité*, nous veillerons à réorganiser chaque secteur en fonction de sa problématique propre, en favorisant la centralisation, la déconcentration, la décentralisation, la dévolution ou la privatisation selon les situations et suivant les circonstances. Finalement, le Gouvernement entend adopter une démarche *progressive* en conduisant des expériences-pilotes dans les secteurs et les régions qui s'y prêteront le mieux.

E. Système judiciaire

56. Au niveau du système judiciaire, une opération d'audit du système judiciaire congolais a démarré en octobre 2003 avec l'appui de l'Union Européenne, et le rapport attendu avant fin décembre 2003 pourrait être disponible au courant du premier trimestre 2004. Cet audit effectué sur tout le territoire, a pour but d'établir un état des lieux du système judiciaire. Sur cette base, un plan d'action de la réforme du secteur sera établi et le démarrage de sa mise en œuvre effectivement lancé. Parallèlement, des actions sont prévues afin d'améliorer l'environnement légal et judiciaire des entreprises.

II. SECTEUR FINANCIER

57. **Objectifs.** Une partie centrale du programme de réforme économique concerne la réhabilitation et le développement du secteur financier, dans le souci de relancer l'intermédiation financière. Il y a trois composantes : (a) réforme du cadre légal et réglementaire régissant le secteur bancaire; (b) restructuration de la Banque Centrale et l'amélioration de sa gestion; et (c) la restructuration des banques commerciales.

1. Réalisations

58. Le cadre juridique et réglementaire du secteur financier a été complètement révisé en 2002, à travers l'adoption de nouvelles lois régissant la Banque Centrale, les activités bancaires et les activités des coopératives d'épargne et de crédit. La Banque Centrale est en train de se faire réhabiliter avec l'appui et l'assistance technique du Fonds Monétaire International. Au niveau des banques commerciales, il a été décidé en mars 2003 de procéder à la liquidation effective de trois banques commerciales publiques (BCCE, NBK, et BCA).

Par ailleurs, une série d'audits des autres banques commerciales, entreprises avec l'assistance financière de la Banque mondiale, a été finalisée entre juillet et septembre 2003. Il s'agit (a) de la mise à jour de l'audit déjà réalisé de 4 banques, à savoir la Banque Commerciale du Congo (BCDC), l'Union des Banques Congolaises (UBC), la Banque Internationale de Crédit (BIC), et la Stanbic Bank ; et (b) des audits complets des cinq banques commerciales qui n'ont pas encore fait l'objet d'un audit, à savoir la Banque de Commerce et de Développement (BCD), la CITIBANK, la Banque Internationale pour l'Afrique au Congo (BIAC), la Banque Congolaise, et First Banking Corporation (FBC). Pour les banques, tant publiques que privées, qui auront été jugées viables sur la base des audits, il sera demandé la préparation et la finalisation des plans de redressement ayant pour objet, entre autres, d'assurer le respect des normes prudentielles et un plan d'affaires réaliste. Par ailleurs, les audits patrimoniaux de la Nouvelle Banque de Kinshasa (NBK), la Banque de Crédit Agricole (BCA), et la BCCE ont été terminés avant fin novembre 2003.

2. Les actions pour 2004-2005

59. Pendant 2004, pour les banques jugées viables à travers les audits, il sera procédé, avant fin mars à l'établissement d'un accord formel avec la BCC sur les plans de restructuration, tels que finalisés avant fin décembre 2003, avec un calendrier de mise en application ainsi que des indicateurs de performance. Par ailleurs, nous procéderons au retrait des agréments des banques jugées non viables à la suite des audits précités. En ce qui concerne la BCCE, BCA et NBK, des liquidateurs indépendants,

financés avec le concours de la Banque mondiale, seront nommés **avant fin mars 2004**, sous réserve de l'achèvement du processus de recrutement par BCECO, dans le souci de commencer les opérations de liquidation immédiatement après. Par ailleurs, nous espérons vivement que le programme de départs du personnel de ces trois banques sera effectivement achevé, grâce au financement de la Banque mondiale (projet compétitivité et développement du secteur privé).

60. **Les autres objectifs pour 2004.** La supervision bancaire sera renforcée à travers la mise en place effective d'un système régulier de contrôle sur pièces. L'amélioration du cadre prudentiel se poursuivra, par le renforcement des procédures d'agrément et des critères d'éligibilité pour les actionnaires. A cet effet, la BCC émettra les instructions appropriées. Un nouveau plan comptable bancaire sera préparé en vue de sa mise en vigueur à compter du **1^{er} janvier 2005**. Finalement, il sera procédé à la préparation d'un cadre légal approprié régissant les institutions de micro-finance non mutuelles.

III. Développement du secteur privé

61. **Objectif.** L'objectif est de mettre en place un environnement des affaires susceptibles de promouvoir la croissance d'entreprises compétitives créant de nouveaux emplois. Cela passe par (i) l'amélioration du climat des investissements tant pour les investisseurs nationaux qu'étrangers (cadre juridique et réglementaire, fiscalité des entreprises, fiscalité et parafiscalité, Code du Travail, facilitation du commerce) ; et (ii) le règlement de la dette intérieure envers les entreprises. Les réformes sont de portée sera nécessaire de renforcer ou de créer les institutions et instruments nécessaires à la régulation économique et la bonne concurrence.

1. Réalisations depuis 2001

62. **Au niveau du cadre juridique**, une grande réforme a été entamée avec l'approbation de nouveaux codes des investissements et du travail en 2002. Un nouveau code minier a été publié en 2002, et ses principaux décrets d'application en 2003. Un nouveau code forestier a été promulgué en 2002, et ses décrets d'application sont actuellement en élaboration. Une réflexion approfondie sur la réforme globale du dispositif juridique pour les affaires conforme au cadre de l'OHADA est en cours (droit des sociétés, des affaires, des assurances, etc).

63. **Au niveau judiciaire**, des Tribunaux de Commerce ont été créés en 2002, et le personnel-clé désigné en 2003. Les infrastructures physiques sont en voie de réhabilitation. Par ailleurs, pour faciliter la résolution des différends commerciaux, un centre national d'arbitrage a été créé par Arrêté ministériel du 18 juin 2003, son bureau établi et environ 30 arbitres enregistrés.

64. La création de l'ANAPI en 2002 a eu pour effet la promotion des investissements et la facilitation des **opérations administratives** relatives aux investissements. Il en est de même de celles relatives au commerce extérieur qui bénéficient des services du Guichet Unique Douanier au Port de Matadi, devenu opérationnel depuis juillet 2003.

65. **Dans le domaine de la régulation**, l'Agence de Régulation des Télécommunications a été créée. Les travaux sur l'élaboration de la politique sectorielle se poursuivent et accordent une attention particulière à la question de la tarification des interconnexions. Le cadastre minier a été établi. Une agence de régulation des transports est en cours de création.

66. **Au niveau de la fiscalité**, des revues du système fiscal et douanier ont été entreprises avec l'assistance du FMI et de la Banque Mondiale. Il en a résulté la publication en 2002-2003 d'un nouveau tarif douanier dont l'objet est de rationaliser la structure de la protection douanière du marché intérieur. De même, d'importantes réformes ont été entreprises au niveau de la fiscalité indirecte dont l'objectif principal est d'introduire la déductibilité au niveau de l'impôt sur le chiffre d'affaires et par là d'améliorer la compétitivité des industries locales vis-à-vis du marché international. L'ICA sur les exportations a été supprimée. Par ailleurs, en novembre 2003, le Gouvernement a provisoirement sursis à l'application d'un certain nombre de prélèvements parafiscaux, en attendant la préparation d'un plan d'action global pour la réforme de la parafiscalité appliquée aux entreprises, qui sera préparé avec le concours de la Banque Mondiale en 2004.

67. **Dettes intérieures.** Un audit des arriérés de paiement de l'Etat envers le secteur privé a été achevé en septembre pour les créances nées entre le 1^{er} juillet 1997 et le 31 décembre 2001. Le montant total de la dette certifiée par un auditeur indépendant a été arrêté à US\$ 207 millions. Un travail similaire pour les créances générées avant le 30 juin 1997 devrait être terminé avant fin janvier 2004. La Commission interministérielle sur la Dette Intérieure a été créée et appuiera ses travaux sur les résultats de ces audits, afin de conclure un accord avec les créanciers privés de l'Etat et établir un échéancier de paiement.

Les objectifs pour 2004 et 2005

68. **Dans le domaine juridique**, les travaux relatifs au niveau de la réforme et la modernisation du cadre juridique se poursuivront, autour d'une réflexion approfondie sur la mise en place d'un acte unique du style OHADA en vue d'une adhésion prochaine.

69. **Dans le domaine judiciaire**, un programme de formation des juges, des assesseurs et des auxiliaires de la justice sera entrepris avec un financement de la Banque mondiale. Les travaux pour rendre pleinement opérationnels les tribunaux du commerce et renforcer le centre d'arbitrage se poursuivront.

70. **Dans le domaine de la fiscalité**, l'accent sera mis, d'ici fin juin 2004, sur la préparation d'un plan d'action et son calendrier d'exécution pour la réforme de la fiscalité directe et indirecte appliquée aux entreprises, en vue de son application progressive au courant du deuxième semestre 2004.⁷ Au niveau des procédures

⁷ Dans ce contexte, la procédure de sélection d'un consultant vient de commencer, si bien que le travail sera effectué dans le premier semestre de 2004 alors que le calendrier original prévoyait l'achèvement du travail et la mise en œuvre des réformes à compter du 1^{er} janvier 2004.

douanières et du commerce extérieur, l'objectif est d'arrêter un nouveau code des douanes **avant juin 2004**. La restructuration de l'OFIDA se fera dans le cadre de la réforme des entreprises publiques.

III II

71. Au niveau de **la réglementation du travail**, l'objectif est de finaliser et adopter les principaux décrets d'application du Code de Travail durant 2004. Cependant, le calendrier de réalisation de cet objectif est tributaire de la conclusion des discussions tripartites (Gouvernement, syndicats et employeurs), concernant le contenu desdits décrets. Nous sommes très soucieux d'assurer que les dispositions de ces décrets ne puissent handicaper ni la compétitivité, ni la création de nouveaux emplois par une protection démesurée des intérêts des employés existants.

72. **Procédures et tracasseries administratives.** Dans ce domaine, une revue exhaustive sera entreprise au cours du premier trimestre 2004 avec le concours de la Banque Mondiale (Foreign Investment Advisory Service –FIAS), dans le but de préparer et mettre en application un programme de réforme.

73. **Dettes intérieure.** Les objectifs-clé pour 2004 sont (i) d'achever le processus de certification et réconciliation des créances des entreprises privées sur l'Etat, (ii) de négocier avec les créanciers le règlement de ces créances et (iii) procéder à la mise en paiement. A ce propos, nous sollicitons l'appui du Groupe de la Banque Mondiale à travers le Crédit de relance économique post-réunification qui soutient le Programme Economique du Gouvernement. Le plan d'action pour le règlement de la dette intérieure devrait être préparé au cours du **premier semestre 2004**.

74. **Dépenses communes.** A l'heure actuelle, et depuis de maintes années, le paiement des dépenses communes accusent beaucoup de retard – ce qui entraîne pour les fournisseurs des services correspondants (SNEL et Régideso en particulier) un déficit substantiel au niveau du cash flow et un handicap considérable dans leur capacité de fournir des services. Nous voulons dans les deux années à venir trouver une solution définitive à ce problème comme suit :

Préparation, avant fin décembre 2003, et mise en œuvre dès janvier 2004, d'un plan d'action pour la maîtrise des dépenses communes au niveau des ministères et organismes du secteur public dont les consommations au titre des dépenses communes sont prises en charge par le Budget ;

Paiement, à compter du 1^{er} janvier 2004, des dépenses communes (notamment eau et électricité) par le biais d'enveloppes mensuelles forfaitaires libératoires, calculés sur la base des consommations estimées, et cela jusqu'à la mise en place de systèmes de compteurs et facturation sur les consommations réelles en résultant.

Nous avons aussi l'intention de nous assurer que les ressources dégagées par ces paiements supplémentaires sont utilisées en priorité par les entreprises concernées pour augmenter la disponibilité des services, tant en quantité que qualité, auprès des

consommateurs individuels de bas revenu. Nous attendons dans ce domaine un appui technique et financier important de la Banque Mondiale.

IV. Réforme des Entreprises du Portefeuille

75. Conscient de la nécessité d'un partenariat public-privé pour la relance de l'économie, le Gouvernement a élaboré une stratégie pour la réforme du secteur des entreprises publiques. Les objectifs de cette réforme sont de : (a) s'assurer que les services publics sont fournis de manière durable et sur une base commerciale, **en faisant appel, en tant que de besoin, au concours du secteur privé sous diverses formes (partenariat, concession, cession partielle ou totale d'actions)**; et (b) réduire les coûts quasi-fiscaux résultant de la mauvaise gestion des entreprises publiques et/ou de leur réorganisation..

76. Ainsi, les travaux préparatifs de la réforme ont déjà permis au Gouvernement de produire un audit des entreprises publiques permettant d'identifier les problèmes principaux liés à la gestion de ces entreprises. Un atelier de réflexion autour de l'idée de réforme a été organisé en septembre 2001 sous l'égide de la Présidence de la République. Le Comité de Pilotage de la Réforme des Entreprises Publiques (COPIREP) a été créé par décret présidentiel n° 136/2002 du 30 octobre 2002. Le rôle de ce Comité est de préparer et mettre en place la réforme, notamment par un diagnostic de toutes les entreprises publiques effectué au moyen d'audits financier et opérationnel. **Ce comité est effectivement opérationnel depuis juillet 2003.**

77. Un diagnostic comptable, fonctionnel et opérationnel de certaines entreprises, qui avait commencé en novembre 2002, a été rendu au Gouvernement au mois d'avril 2003, et sert maintenant de base de travail pour les groupes sectoriels de travail animés par le COPIREP. Les étapes à suivre maintenant sont les suivantes: (a) la mise en place des groupes sectoriels de travail devant aider à définir l'aspect stratégique de la réforme ; (b) la définition d'un calendrier identifiant les étapes de la restructuration et/ou du désengagement de l'Etat de certaines entreprises ; et (c) l'élaboration du cadre organique donnant l'orientation de ce secteur à soumettre⁸ au Parlement.

78. Des études ont permis d'évaluer les arriérés de paiement ainsi que les indemnités nécessaires au départ éventuel de certains agents de l'OCPT dans le cadre d'une restructuration actuellement envisagée, et des employés dans le cadre de la liquidation de la NBK, la BCCE et la BCA. Une fois négocié, le coût social des départs sera financé par le Crédit de Développement du Secteur Privé de la Banque Mondiale.

2. Les actions à réaliser en 2004-2005

79. Les objectifs principaux à réaliser pendant l'année 2004 sont comme suit. **Premièrement**, sur le plan institutionnel, il s'agira de mettre en place le Comité Technique du COPIREP, qui est l'organe de conception, d'orientation et de suivi du

⁸ Incluant la loi-cadre sur les entreprises publiques, la loi sur le désengagement de l'Etat et les lois sectorielles.

processus de la réforme des entreprises publiques, chargé d'approuver: (i) les dossiers techniques élaborés par le Secrétariat Exécutif du COPIREP avant leur présentation au Gouvernement ; et (ii) les propositions de réforme préparées par les Groupes Sectoriels de Travail. **Deuxièmement**, nous entendons rendre pleinement opérationnels les groupes sectoriels de travail et d'études sur le processus de la réforme des entreprises publiques dans les secteurs jugés prioritaires.

80. Le **troisième objectif** est de préparer dans le courant de l'année des plans d'actions pour un certain nombre d'entreprises-clé, dont notamment pour la réforme de certaines entreprises publiques, dont notamment Gécamines, RVA, SNCC, LAC, Citytrain, OCPT et SNEL.⁹ Nous espérons que l'enveloppe devant servir au paiement d'indemnités en faveur des partants volontaires dans le cadre de la restructuration de l'OCPT, et des employés dans le cadre de la liquidation des banques NBK, BCCE et BCA aura été complétée avant juin 2004.

81. **Quatrièmement**, il s'agira de préparer et faire adopter par le Parlement une refonte du cadre juridique et réglementaire régissant les entreprises publiques (dispositions générales régissant les entreprises publiques, loi régissant les établissements publics, et loi régissant le désengagement de l'Etat des entreprises publiques et les formes diverses de participation et/ou d'association du secteur privé dans les Eps. En effet, les dispositifs juridiques et réglementaires actuels ne sont satisfaisants ni pour la gestion des entreprises publiques, ni pour la promotion de partenariats publics privés qui sont un élément essentiel de la réforme des entreprises publiques.

82. Et **cinquièmement**, nous attendons améliorer les capacités institutionnelles de gestion et de surveillance des entreprises publiques. A ce propos, les termes de référence pour le recrutement des consultants spécialisés sont en élaboration dans le but (i) d'achever les travaux dans la première moitié de 2004 ; et (ii) de procéder à l'élaboration d'un plan d'actions dans la deuxième partie de l'année en vue de leur mise en œuvre aussitôt que possible après.

V. Ressources naturelles

83. **Objectifs.** Dans les deux secteurs (forestier et minier), l'objectif global est que l'important patrimoine public du pays puisse mieux contribuer à la relance économique, au développement rural et à la réduction de la pauvreté, tout en préservant sur le long terme l'intégrité des écosystèmes et l'environnement. Les réformes spécifiques visent à :

- (i) **améliorer la gouvernance et la transparence** dans la gestion des ressources forestières et minières, par l'adoption de nouveaux cadres juridiques et réglementaires (code minier, code forestier), qui sont propices à la

⁹ Des *pré-audit environnementaux* de la SNCC, Citytrain, RVA, LAC, OCPT, SNEL ont aussi été effectués, facilitant ainsi le travail préliminaire de restructuration ou de réforme de ces entreprises.

participation de l'investissement privé dans ces secteurs et contribuent à la croissance économique équitable et soutenable sur le plan environnemental; **rendre plus clair et plus équitable l'accès** aux ressources forestières et minières, ainsi que l'accès aux bénéfices issus de leur exploitation; **renforcer la capacité des institutions des deux secteurs à faire respecter** les nouveaux cadres juridique et réglementaire;

- (iv) **mieux sécuriser** les droits (fonciers et autres) de toutes les parties prenantes;
- (v) **réhabiliter rapidement** la production minière de manière durable du point de vue économique, environnemental et social ; et,
- (vi) **réformer** les entreprises publiques minières et réduire la participation de l'Etat dans les activités de production.

A. Secteur Forestier

84. L'agenda prioritaire du Gouvernement pour la relance du secteur forestier vise à ce que cet important patrimoine public dont dispose le pays contribue mieux à la relance économique et au développement rural, tout en préservant sur le long terme l'intégrité des écosystèmes et leurs services environnementaux. Les réformes en cours dans le cadre de cet agenda prioritaire s'appuient entièrement sur la mise en œuvre du nouveau Code forestier. Elles visent (i) à rendre plus clair et plus équitable l'accès à la fois aux ressources forestières et aux bénéfices issus de leur exploitation ; et (ii) à faciliter la relance de l'industrie du bois tout en assurant que celle-ci se déroule de façon durable et dans l'intérêt à long terme de la communauté nationale.

1. Les réalisations

85. En 2002, après l'adoption du nouveau code forestier, notre priorité a été de passer en revue les concessions existantes afin d'examiner la conformité avec les clauses principales des contrats et pour assurer le retour au domaine public des concessions non mises en valeur et/ou non exploitées selon les termes des contrats. Sur 300 contrats, le Gouvernement a annulé 140 contrats et le travail continuera pendant 2004.

86. Le Gouvernement a aussi décidé de mettre en place un moratoire sur l'octroi de nouveaux contrats en attendant de définir les nouvelles méthodes d'adjudication, notamment les appels d'offre, prévues par le nouveau Code forestier.

2. Les actions à réaliser en 2004-2005

87. **Pendant 2003**, le Gouvernement a accompli une revue économique de la filière-bois dont les recommandations, présentées sous forme de scénarios, sont à l'examen par le Gouvernement. Celles-ci visent à simplifier la structure du régime de fiscalité forestière, à diminuer la pression totale et à sécuriser les procédures de recouvrement. Le ré-équilibre de la fiscalité consiste à réduire les droits de sortie sur les grumes, ainsi que les charges parafiscales surtout dans le domaine du transport, tout en relevant progressivement la taxe de superficie pour encourager la mise en valeur effective des forêts. Dans leur ensemble, ces mesures pourraient contribuer à une relance du secteur et

sa contribution à l'économie ainsi qu'une augmentation de la part de la rente forestière revenant à l'Etat.

88. **D'ici fin 2004**, les actions suivantes sont envisagées. Dans le court terme, nous anticipons, avant **fin décembre 2003**, l'aboutissement des travaux relatifs à l'ajustement de la taxe de superficie et la réduction de la parafiscalité dans la chaîne des transports ainsi que des droits de sortie sur les grumes. Le cas échéant, ces mesures pourraient rentrer en vigueur à compter du 1^{er} janvier 2004. **Deuxièmement**, nous entendons publier **d'ici fin mars 2004**, le bilan de recouvrement de la taxe de superficie pour l'année 2003 et d'appliquer les dispositions contractuelles qui prévoient la résiliation des contrats pour les sociétés qui ne se sont pas acquittées de leurs obligations fiscales au titre de la taxe de superficie. **Troisièmement**, nous entendons lancer le programme de conversion des anciens contrats en concessions d'aménagement durable, conformément au nouveau code forestier. Ce programme sera conduit avec l'appui d'un observateur indépendant et sera achevé dans une période de 12 mois. Les contrats caducs ou défaillants seront résiliés, et la nouvelle liste de concessions valides publiée.

89. Par ailleurs, **au cours de l'année 2004**, le Gouvernement continuera d'appliquer le moratoire sur toute allocation de titre forestier par gré-à-gré. Il rendra opérationnel le Programme de Sécurisation des Recettes Forestières, qui sera géré conjointement par le Ministère des Finances et le Ministère de l'Environnement. La quote-part de 40% de la taxe de superficie sera effectivement rétrocédée aux entités locales décentralisées. Les textes d'application du nouveau code forestier (adjudication des concessions ; aménagement et exploitation, lutte contre l'exploitation illégale) seront adoptés. Enfin, la nouvelle loi sur la Conservation de la Nature sera soumise au Parlement.

B. Secteur Minier

90. **Dans le secteur minier**, nous mettons l'accent sur (i) la réforme du cadre juridique, réglementaire et institutionnel; (ii) la restructuration de la Gécamines ; et (iii) un audit du secteur diamant.

1. Les réalisations

91. **Cadre juridique, réglementaire et institutionnel.** Le nouveau code minier a été promulgué le 11 juillet 2002 après son adoption par le Parlement. Le nouveau Règlement minier a aussi été approuvé le 26 mars 2003. Quant au nouveau cadastre minier (CAMI), il est devenu opérationnel en juin 2003.

92. **Pour ce qui est de la restructuration de la Gécamines**, il a été d'abord procédé à un programme de départs volontaires, couvrant environ 10 500 personnes avec l'appui de la Banque Mondiale. Ce programme, démarré le 11 août 2003, se déroule de façon très satisfaisante, et devrait s'achever dans le courant du mois de janvier 2004. En

parallèle, nous avons fait entreprendre un audit stratégique par la société IMC. La partie diagnostic a été achevée en **mars 2003**, et approuvée par le Gouvernement en **juin 2003**. Le consultant a été ensuite chargé de préparer des options en matière de restructuration de la société et a présenté ses conclusions à l'ECOFIN à la **fin septembre 2003**.

93. **Sur base de ce rapport, le Gouvernement est en train d'examiner les choix stratégiques à prendre pour une restructuration définitive de cette entreprise.**

2. *Actions à prendre d'ici fin 2004*

94. **Cadre juridique, réglementaire et institutionnel.** En ce qui concerne la réforme du cadre légal et institutionnel du secteur minier, l'accent sera mis **pendant 2004** sur la diffusion et la vulgarisation du Code minier et la restructuration du Cadastre minier. Pour cela, le Gouvernement va procéder à une ample diffusion des textes et à des campagnes de formation aux nouvelles procédures **avant la fin mars 2004**.

95. Par ailleurs, le Gouvernement va procéder à la restructuration de la gestion du Cadastre minier et à la mise en place de dispositifs de gestion financière, d'audit et de suivi et évaluation de la performance cadastrale **avant la fin mars 2004**, de façon à préserver la crédibilité du nouveau cadre légal pour le secteur minier et l'intégrité de l'Administration minière. Parallèlement, la Commission de Validation des Titres Miniers sera mise en place, et ses membres désignés, **avant fin janvier 2004**, pour analyser les conflits liés à la propriété minière. Il procédera immédiatement à un nouvel assainissement des titres miniers dont l'objectif est de résoudre, dans la période, au moins 85% des conflits identifiés avant **fin juin 2004**.

96. **Au niveau de la restructuration de la Gécamines**, les consultants retenus pour examiner les accords de partenariat et préparer les statuts de la nouvelle société devraient commencer leur travail **durant janvier 2004** et déposer leurs rapports définitifs **avant fin juin 2004**. Ceci devrait permettre la validation définitive de la stratégie de restructuration au niveau gouvernemental **entre juillet et septembre 2004**, et sa présentation au Parlement **avant fin décembre 2004**, dans le contexte d'une loi de restructuration de la Gécamines qui définirait le programme d'activités ainsi que les institutions mandatées pour sa mise en œuvre, et autoriserait la cession des actifs ou la mise en partenariat des actifs de cette entreprise. Nous pensons que l'approche décrite ci-dessus, y compris l'adoption d'une loi particulière, est le meilleur moyen d'assurer la réussite de la restructuration de la Gécamines.

T. Secteurs sociaux

97. **Les Objectifs pour la période 2003-2005.** Le programme du Gouvernement vise des réformes importantes dans les secteurs sociaux (santé, éducation et protection sociale) d'ici 2005. Il y a lieu de noter en particulier (a) la réalisation d'études sectorielles et la préparation de stratégies sectorielles chiffrées qui constituent des repères pour le point d'achèvement dans le contexte de l'Initiative PPTE renforcée ; et (b) la réhabilitation des infrastructures. Ces secteurs bénéficient d'un appui technique et financier important de l'IDA, à travers le «Programme Multisectoriel d'Urgence de Reconstruction et de

Réhabilitation (PMURR)» dont les indicateurs de performance « physiques » ont été définis.

1. Réalisations

98. **Santé.** Dans le cadre du PMURR, huit contrats ont été signés avec les Maîtres d'Ouvrages Délégués (MOD) représentant dorénavant un total de 41,8 millions de dollars d'assistance aux 67 zones de santé ciblées par le projet. La proposition du Ministère pour la partie renforcement des capacités institutionnelles au niveau provincial et national du projet PMURR est en cours de finalisation. Comme prévu, le Ministère de la Santé a lancé le rapport d'Etat Santé-Pauvreté (RESP) en septembre 2003 afin d'établir le diagnostic du secteur et construire un dialogue de politique santé.

99. **Education.** Le gouvernement procède actuellement à la mise en œuvre de la réhabilitation des 140 écoles qui ont été sélectionnées par le projet au cours de la période. Le Rapport d'état du système éducatif national «RESEN» est en cours d'exécution et les recommandations préliminaires devraient être diffusées **dans les semaines à venir**. Ce diagnostic de base constituera le point de départ pour (i) l'élaboration de la stratégie sectorielle, et (ii) d'un plan d'action pour atteindre les critères du programme « Education pour Tous ».

100. **Protection sociale.** Des études qualitatives sur les risques et la vulnérabilité des pauvres ainsi que sur les personnes handicapées ont été réalisées en 2002-2003 et sont maintenant en cours de publication. Un projet de fonds social est actuellement à l'étude. Enfin le manuel d'exécution de la sous-composante « groupes vulnérables » du PMURR a été adopté et un premier lot de huit micro-projets a été retenu pour financement par l'IDA.

Les actions prévues en 2004-2005

101. **Santé.** **D'ici mars 2004**, l'accélération de la mise en œuvre des 8 contrats de MODs devrait montrer des résultats visibles dans l'amélioration de la prestation des services de bases aux populations couvertes par le projet PMURR. Le travail du Ministère de la Santé devrait être facilité par la mise en œuvre des \$7 millions consacrés au support institutionnel au niveau provincial et central. Une version préliminaire du RESP devra avoir été réalisée avec le concours de la Banque mondiale. La version finale du RESP sera disponible **en octobre 2004**. Il servira de base aux discussions sur la stratégie globale sectorielle de la RDC et permettra d'avancer dans la définition du DSRP. Cette stratégie permettra dans la période 2004-2005 de débiter la réflexion sur la réforme du secteur dans le cadre réglementaire et budgétaire.

102. **Education.** Le plan d'action pour le programme « Education pour Tous » devra être présenté à la communauté des bailleurs de fonds **en mars 2004**. En ce qui concerne la réhabilitation d'infrastructures, les ouvrages devront être dans la dernière phase de la réhabilitation **avant fin mars 2004**. Les résultats préliminaires de l'étude RESEN auront été largement diffusés **avant fin mars 2004**. La version finale du RESEN devrait être disponible **en août 2004**, ce permettrait la préparation de la stratégie sectorielle de bien

avancer. Comme pour la santé elle constituerait un élément important du DSRP et constituerait par ailleurs un repère pour le point d'achèvement dans le contexte de l'Initiative PPTE renforcée.

103. **Protection sociale.** Un programme global pour le secteur sera développé au cours des prochains mois sur la base des études qui ont été menées jusqu'à présent, et **pourrait être prêt d'ici fin juin 2004**. Cette stratégie inclura (i) les actions du gouvernement dans le domaine de la protection sociale (ii) les actions des partenaires dans le domaine de protection sociale et (iii) le budget et les sources de financement pour ces activités.

VII. Agriculture et développement rural

104. **Objectifs.** Nos objectifs en matière de développement rural pour la période 2003-2005 sont: (i) l'amélioration de la sécurité alimentaire des populations rurales ; et (ii) le développement d'une stratégie de développement rural à moyen et à long terme en vue d'une croissance soutenue de la production et des revenus agricoles. Cette stratégie est un repère pour le point d'achèvement dans le contexte de l'Initiative PPTE, actuellement prévu pour le troisième trimestre de 2006.

105. **Pour augmenter la capacité de production agricole**, le Gouvernement a mis en œuvre pour la campagne 2002-2003 (avec l'appui du projet PMURR) un programme de multiplication de semences (manioc, maïs, légumineuses). En outre, un programme pilote de réhabilitation de 32 ha de périmètres rizicoles est en cours de lancement avec l'appui de la coopération chinoise ; l'objectif d'ici 2005 étant la réhabilitation de 850 hectares. Enfin, les études pour un programme d'aviculture améliorée, de l'amélioration de l'élevage des petits ruminants, de relance de la pisciculture et de la pêche artisanale sont en cours de préparation et devraient démarrer en début 2004.

106. L'amélioration de l'efficacité de la commercialisation des produits agricoles procède d'un programme de réhabilitation de près de 5000 km de pistes rurales **d'ici Juin 2005**. La première phase de ce programme, qui est appuyé par le PMURR et couvre environ 1200 km est en cours de lancement et les travaux devront démarrer d'ici février 2004. Entre temps, les travaux sur les ouvrages d'art (réfection des ponts) ont démarré depuis juin 2003. De même, il est prévu la mise en place d'un système d'information sur les prix des marchés des produits agricoles, qui devrait être opérationnel d'ici juin 2004.

107. **En ce qui concerne le développement d'une stratégie rurale**, les deux principaux axes sont (i) la relance des principales filières agro-industrielles (palmier à huile, coton, cacao, café robusta et arabica, hévéa, et (ii) le développement des petites et moyennes entreprises privées. Les études y afférentes devraient être lancées dans le **premier trimestre de 2004**, en même temps qu'une étude sur l'environnement réglementaire et fiscal des agro-industries. Les résultats de ces études ainsi que l'expérience de la mise en œuvre des activités liées à la relance de la production et l'amélioration des infrastructures communautaires établiront la base pour la formulation de la stratégie de développement rural.

VIII. SECTEUR DES INFRASTRUCTURES (ROUTES, ENERGIE ELECTRIQUE ET EAU)

108. Dans le domaine des infrastructures, nous avons deux objectifs : (a) la **réhabilitation des infrastructures à l'échelon national** et (b) la **modernisation du cadre juridique et réglementaire pour les secteurs-clé, notamment l'énergie et l'eau**. Nos efforts dans le domaine de la réhabilitation des infrastructures sont largement financés jusqu'à présent par la Banque Mondiale à travers (i) le PMURR pour un montant de \$454 millions, qui couvre l'ouest et le sud du pays, c'est à dire dans les provinces « sécurisées » au moment de l'entrée en vigueur du projet en septembre 2002; (ii) le volet « appui budgétaire » du Crédit de Relance Economique (\$42 millions) et (iii) le Projet d'Urgence de Soutien au Processus de Réunification Economique et Sociale (ECOP) dont la composante Infrastructure s'élève à plus de \$ 120 millions (sur \$ 214 millions). Ce projet concerne essentiellement les provinces du nord-est du pays qui ont été réunifiées. Ce projet important est entrée en vigueur depuis le mois de novembre 2003.

A. Travaux de Réhabilitation physique

109. **Projet d'Urgence de Réhabilitation et de Reconstruction (PMURR). L'objectif du Projet d'Urgence de Réhabilitation et de Reconstruction (PMURR) est de donner une impulsion au processus à long terme de réhabilitation et de reconstruction économique.**

110. Ce projet couvre les secteurs suivants : les transports, l'électricité, l'eau potable et les services urbains .

1. Réalisations depuis Juin 2002 jusqu'à Septembre 2003

111. La firme internationale, chargée de la maîtrise d'ouvrage par délégation du Ministère des Finances, a été sélectionnée en novembre 2002 et s'est effectivement installée en mai 2003. Elle a ,depuis lors, lancé des études sur l'ensemble du programme. Considérant l'importance des travaux d'infrastructures à entreprendre, des études précises sont nécessaires pour définir la nature exacte des travaux. Il est donc clair que la 1ere année est consacrée aux études et que, par conséquent, aucuns travaux visibles ne seraient perceptibles dans un premier temps. Néanmoins, toutes les activités ont commencé dans toutes les composantes du projet.

Réalisations d'ici mars 2003 et septembre 2005

112. Les prévisions de réalisations se résument comme suit, pendant les deux prochaines années:

Routes : toutes les études ont été lancées pour approximativement 3.000 km de routes. Les travaux devraient commencer à partir de juillet 2004, après la sélection des entrepreneurs par appel d'offre international, et devraient s'achever 2 ans plus tard.

- **Transport** : les études ont été lancées pour l'ensemble des secteurs (RVM, Onatra, RVF, SNCC, CNPR, ..). Les travaux pourraient commencer à compter du 1^{er} avril 2004 et seront terminés dans deux ans.
- **Electricité** : une étude importante a commencé en fin octobre 2003, concernant l'état des lieux des installations de la SNEL et durera 11 mois. Des travaux urgents de fiabilisation de la capacité de production à 600 MW pourraient commencer au courant du premier semestre de 2004. Mais les grands travaux de réhabilitation ne débiteront qu'en 2005 et prendront environ 3 ans.
- **Eau** : Les études pour Kinshasa sont terminées ; les appels d'offre de travaux sont en cours de lancement. Le début des travaux est prévu pour avril 2004, après la sélection des entreprises ; ces travaux devraient durer 18 à 24 mois. D'autre part, le plan directeur est en cours de préparation. En ce qui concerne la réforme institutionnelle, les TDR sont en cours d'élaboration.
- **Réhabilitation urbaine** : les études ont été achevées ; deux appels d'offre ont été lancés et attribués ; ces deux importants marchés de travaux de réhabilitation urbaine (avenue Kasa-Vubu et les érosions de Selembao) devraient commencer au début de 2004 pour se terminer avant fin 2005.

Crédit de Relance Economique

113. Par ailleurs, dans le cadre de l'opération d'appui budgétaire initiée en 2001 (CRE I), un montant de \$ 42 millions a été affecté à la réalisation de projets de petite ou de moyenne envergure, ayant cependant un impact socio-économique visible et immédiat.

Réalisations

114. Cette enveloppe financière, gérée par le BCCo à titre de maître d'ouvrage délégué, était décaissée en décembre 2002. Elle est maintenant entièrement engagée et doit avoir été décaissée à hauteur de 70% en fin d'année 2003. Ces fonds ont servi à concurrence d'environ 90% au financement de projets d'infrastructures (routes et bâtiments) et d'équipements techniques, et ce, essentiellement dans les secteurs des transports(70%), de la santé et de l'éducation. En raison des difficultés de transport et de communication, la très grande majorité (80%) des projets se sont toutefois réalisés dans et aux alentours de la ville de Kinshasa. Les travaux seront achevés avant fin mars 2004.

Projet d'Urgence de Soutien au Processus de Réunification Economique et Sociale (ECOP).

115. Le projet aura pour objectif d'assister le Gouvernement dans le processus de réunification économique et sociale, de générer des dividendes de la paix qui contribueront à la stabilisation du pays en finançant des activités de réhabilitation dans l'Est du pays où aucun programme majeur d'assistance économique n'a encore été mis en place.

16. Deux programmes ont été retenus dans le domaine des infrastructures :

Un programme d'infrastructures routières (90 M \$) avec en particulier la réhabilitation des 2 axes stratégiques : Kisangani - Beni et Mbuji-Mayi - Bukavu. Le projet financera également le dernier tronçon entre le port de Matadi et le pont Mpozo pour clôturer la réhabilitation globale de la route entre Kinshasa et le Port de Matadi.

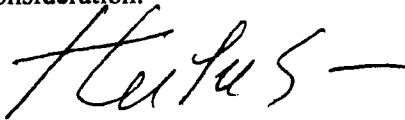
Un programme de réhabilitation urbaine (30 M \$), concernant d'une part 4 capitales provinciales (Kisangani, Goma, Bukavu, Kindu), et d'autre part des activités dans diverses villes du pays.

Le programme devrait commencer au début de 2004.

B. Réforme du Cadre Juridique et Réglementaire dans le secteur énergétique

117. En 2004, nous entendons réviser le cadre juridique et réglementaire régissant les activités dans les domaines de l'énergie (pétrole, énergie électrique et eau). Nous avons commencé ce processus par la tenue d'une Table Ronde sur l'Eau au courant du mois d'octobre et nous envisageons de faire la même chose pour le secteur de l'électricité au de janvier 2004. Il s'agit dans les deux cas de la première étape d'un processus de concertations, que nous estimons essentiel pour faciliter la préparation d'une législation reflétant un consensus partagé par toutes les parties prenantes et la présentation des projets de textes correspondants à déposer à l'Assemblée Nationale à la fin de l'année.

Je vous prie d'agréer, Monsieur le Président, l'expression de ma très haute considération.



Dr ANDRE-PHILIPPE FUTA
Ministre des Finances

Annex 3

Letter of Development Policy – Policy Matrix English Translation of French Original

A. Poverty

Area of intervention	Activities	Due date	Comments
I-PRSP	Preparation of I-PRSP	Mid-2002	Completed
Preparation of final PRSP	Elaboration and adoption of action plan and chronogram	Mid-June 2003	Completed
	Organization of workshop launching an Information, Education, Communication campaign	By end November 2003	Held during 8-10 December 2003
Consultations	Hold participatory consultations	January – May 2004	Information and education campaign on the PRSP process began on December 15, 2003 via radio, television and printed press; province-level committees were created at the end of December 2003; methodology and questionnaire for consultations were finalized and will be validated during an international workshop scheduled for 26-28 January 2004, prior to beginning consultations.
	Editing and delivery of reports	June – July 2004	
Thematic groups	Contributions of thematic groups and sector ministries	By end October 2004	Groups already defined methodology and are working
Poverty survey	Pilot test of national poverty survey	November – December 2002	Completed April 2003
	Launch of poverty survey	January 2004	The quantitative survey was expanded upon; with the help of Project CAPNAT (French) and technical assistance of AFRISTAT, a workshop validating and finalizing the questionnaire was held on 23 January 2004; the first stage of data collection will begin in mid-April.
	Completion of survey	December 2004	The 1-2-3 Survey is scheduled to be completed by January 2005.
	Finalization of report	End February 2005	
	Distribution of report to ministries, provinces, communities, partner organizations	Early May 2005	
Draft PRSP	First draft of full PRSP completed	April 2005	
	Distribution of draft PRSP to international and national partner organizations	June 2005	
	Finalization of draft	July – August	

		2005	
	Distribution of draft PRSP to Govt	End August 2005	
	Adoption of PRSP	End October 2005	This is a HIPC Completion point trigger

B. Maintaining Peace and Improving Governance

Area of intervention	Activities	Due date	Comments
Support peace	Decisions on security sector reform to define the national DDR program, including demobilization criteria	December 2003	
	Put in place the institutional structure to steer and implement the national program, notably the National DDR Commission and the Executive Secretariat. The Manager of the Executive Secretariat is appointed.	December 2003	The Interministerial Commission Responsible for the Formulation and Direction of DDR matters was created by decree No 03/041 on December 18, 2003; the National Commission on Disarmament, Demobilization and Reinsertion was created by decree No. 03/042 on December 18, 2003; the Committee Managing Disarmament, Demobilization and Reinsertion funds was created by decree No. 03/043 on December 18, 2003. All of these decrees await Presidential approval.
	The national DDR program is finalized after consultations and national dissemination	January 2004	
	Disarmament and demobilization phase	Beginning in April 2004	Individual demobilization orders have been given; demobilized children were placed in transit centers and orientation; identification and certification were carried out by the National Bureau of Demobilization and Reinsertion
	Reinsertion and reintegration phase	Beginning in November 2004	
Fight against corruption	Enactment of decree on Code of Good Conduct for Civil Servants	November 2002	Done
	Preparation and submission to Parliament of anti-corruption law	Before end November 2003	The draft law was sent to the Ministry of Justice for re-reading and for taking into consideration observations from the IMF Legal Department. It will be presented to the government at the beginning of February 2004.
	Preparation and transmission to Parliament draft law against money laundering and financing of terrorism	October 2003	This draft law was discussed at ECOFIN; it will be presented to the government during January 2004. It will be submitted to Parliament before end January 2004.
	Adoption of law against money laundering	Before end December 2003	Under preparation during February 2004

Area of intervention	Activities	Due date	Comments
Public expenditure management	Revision of budget nomenclature	July 2002-present	Classification of expenditures is subjected to constant changes; the last revision took place in November 2003.
	Modernization of public expenditures system, and preparation of manual on expenditure chain	July 2001- June 2003	The expenditures chain was published in May 2003; all stages of implementation of the new chain have been accomplished; it is ready to be used.
	Implementation of computer link between Treasury – and Central Bank	August 2003	Operational but not yet fully so.
	Implementation of new expenditure chain	August 2003	Ongoing Expenditure chain was launched; but Finance and Budget are awaiting radio transmission of new chain.
	Classification of expenditures by their nature	Starting November 2003	The revised budget was adopted in November 2003 and was presented using new classifications. The first budget is currently subjected to application of new classifications.
	Establishment of poverty expenditure monitoring committee	September 2003	Created in October 2003
	Production of quarterly budget execution reports (i) using economic, administrative and functional classifications; and (ii) for HIPC-financed expenditures.	Beginning in 2004	HIPC completion point triggers
	Audit of salary payment process	January – end April 2004	TOR approved; Consultant recruitment under way
	Implementation of new system	Before end January 2005	To be based on audit results.
	Securization of central file on government personnel	End of 2004	
	Implementation of double-entry national chart of accounts	2004 - 2005	This is a HIPC completion point trigger
Procurement system reform	Completion of a complete audit of procurement system	Before end April 2004	Bank mission completed on time in November.
	Elaboration and implementation of a new procurement code and its principal application decrees	2004 - 2006	This is a HIPC completion point trigger Final CPAR is being awaited.

Area of intervention	Activities	Due date	Comments
Civil service reform	Institutional audits of selected ministries	2004-2005	Institutional audits of selected ministries is ongoing for the Civil Service Ministry; the Ministries of Finance and Budget were audited; the work on financial administration is due soon; the program aims to do the audit of the Ministry of Plan beginning in April. These audits are being financed by Belgian Technical Cooperation.
	Audit of service delivery system for health, education and justice and rural development	During 2004	This is a HIPC completion point trigger
	Brainstorming on completion of general census of civil servants	2002	Completed
	Elaboration on and validation of terms of reference for census	July 2003	Completed
	Recruitment of group in charge of leading the census, by international procurement	By 1 June 2004	Process, managed by Belgium, is under way International procurement bidding notice will be issued before end February; census of Civil Service Ministry will be managed by Belgian Cooperation; the general census will benefit from financing from the World Bank and the EU.
	Field work (census)	September/November 2004	
	Creation of revised personnel file which can serve as the basis for a file for payments of civil servants, and can be used for the new pay system	1 January 2005	Awaiting general census results.
	Definition of a framework for retirement program of civil servants already at retirement age	Start of 2003 to now	Strategy was suspended

Area of intervention	Activities	Due date	Comments
	Definition of a detailed strategy and action retirement program of civil servants already at retirement age	2004	Tranche release condition for CSR reform floating tranche The Civil Service Ministry prepared a retirement program which has 2 components: (i) retreat of 73,769 civil servants having spent 30 years or longer in service or having reached 50 years of age on December 31, 2003; the creation of a commission composed of representatives from the Ministries of Civil Service, Finance, Budget and Interior is envisaged; this commission will be responsible for determining the procedures for paying out the retirement packages in Kinshasa and the provinces.
	Departure of first group of civil servants into retirement	During second half of 2004	
	Second group of departures	During second half of 2004 and 2005	
Decentralization	Presentation, discussion and adoption of a draft law on the organization of the country	December 2003	The decentralization law is being prepared by the Ministry of Interior, Decentralization and Security.
Judicial system	Audit report on the Congolese judicial system	Before end December 2003	Report will be ready in February 2004
Modernize and strengthen legal and regulatory framework	Revision of the judiciary and legal framework	2002	Completed through adoption of new laws governing central bank, commercial banks and savings institutions
Strengthen Central Bank	Annual audits, undertaken by international auditors	2000-2002	Completed, under IMF supervision
	Implement action plan to strengthen BCC as a financial institution per se, and in its role as monetary authority	2001- present	Ongoing, under IMF supervision.

C. Financial Sector

Area of intervention	Activities	Due date	Comments
Restructure commercial banks	Decision to liquidate 3 public commercial banks (NBK, BCA, BCCE)	March 2003	Decision has been made
	Finalization of a series of audits of other commercial banks	July – September 2003	Audits have been completed; audit reports have been given to the Central Bank. Banks have until January 31, 2004 to submit restructuring plans.
	Preparation and finalization of bank restructuring plans for audited banks	Before end December 2003	The banks obtained a moratorium until January 31, 2004 so that they can present their restructuring plans; the banks which are judged insolvent based on audit results and for whom restructuring plans are inadequate will face the danger of liquidation.
	Completion of patrimonial audits of NBK, BCA and BCCE	Before end November 2003	
	Establishment of formal agreement with BCC on restructuring plans	Before end March 2004	See above
	Cancellation of operating licenses of banks determined as non-viable following audits	Before end March 2004	See above
	Implementation of regular supervision of banks	During 2004	
	Reinforcement of procedures of agreement on criteria of eligibility for stockholders	During 2004	
	Preparation of a new chart of accounts	To be operational as of January 2005	

D. Private Sector Development

Area of intervention	Activities	Due date	Comments
Judicial reform	Reform of new investment and labour codes	2002	Completed
	Publication of new mining code	2002	Completed
	Publish principal decrees of application of new mining code	2003	Completed
	Adoption of new forestry code	August 2002	Completed
	Creation of commercial tribunals	2002	Completed
	Designation of personnel to work at the commercial tribunals	2003	Ongoing
	Creation by ministerial decree of a national arbitration center	June 2003	Completed
	Creation of ANAPI	2002	Completed
	Creation and operationalization of Single Customs Window at Port of Matadi	July 2003	Completed
Taxation	Publication of new customs tariff	2002-2003	Completed
	Finalize new customs code	Before end June 2004	
	Suspension of certain fiscal and parafiscal levies	Nov 2003	Completed
	Preparation of action plan for reform of direct and indirect taxes	Now until end June 2004	
	Preparation of global action plan for direct and indirect tax reform as concerns firms	2004	
Labour regulations	Finalization and adoption of main decrees concerning application of Labour Code	During 2004	Ongoing
Business-related administrative procedures	Comprehensive audit	First trimester of 2004	To be undertaken with assistance from FIAS
Domestic debt	Audit of government arrears to the private sector between 1 July 1997 and 31 December 2001	September 2003	Completed
	Audit of claims generated before 30 June 1997	Before end December 2003	The audit is ongoing until January 31, 2004, due date for submission of report.
	Preparation of action plan for resolving problem of internal debt	First semester of 2004	Plan satisfactory to IDA, and adopted by government, will be tranche release condition for the "Internal Debt" Tranche
	(i) Complete process of certification and reconciliation of private enterprises' financial claims on the State; (ii) negotiate with creditors the payment of credits and (iii) actual payment of credits	During 2004	An ministerial commission was created to negotiate with creditors and fix conditions of guaranteed debt payments.

Area of intervention	Activities	Due date	Comments
	Adoption of an Action Plan for the control of utility bills financed by the government budget (petroleum, water, electricity and telephone)	December 2003	The Ministry of Budget, PTT and Public Works and Investment have arrangements to modernize phone, water and electricity and gas utilities and consumption.
	Establishment of a system of monthly flat rate payments, for electricity and water, on the basis of estimated consumption	By January 2004	The Ministry of Budget is working together with SNEL and REGIDESO ; procedures will be defined before end January 2004.
	Implementation of action plans, acceptable to IDA, by the electricity company (SNEL) and the water company (REGIEDESO) to improve billing to government entities.	2004	Tranche release condition for the “public utility” tranche SNEL already presented its plan; REGIDESO is currently finishing its own.
	Establishment of Trust Accounts by SNEL and REGIEDESO, for reception of the flat-rate payments for utilities.	2004	Tranche release condition for the “public utility” tranche The Ministry of Budget, REGIDESO and SNEL are working together on procedures for provision of these accounts and use of funds to be placed in these accounts.

E. Public Enterprise Reform

Area of intervention	Activities	Due date	Comments
	Brainstorming workshop on desirability and principles of reform	September 2001	Completed
	Creation of COPIREP by presidential decree	30 October 2002	Completed
	Nomination of Executive Secretary and two deputies	July 2003	Completed
	Implementation of technical committee of COPIREP	During 2004	Ongoing
	Distribution to Government of accounting and operational audits of certain enterprises	April 2003	Completed
	Make fully operational sectoral working groups and studies on process of reform of public enterprises in key sectors	During 2004	Sector groups are currently being created.
	Preparation of action plans for reform of public enterprises : Gecamines, RVA, SNCC, LAC, Cititrain, OCPT and SNEL	During 2004	
	Preparation and adoption by Parliament of a judicial and regulatory framework on public enterprises	During 2004	
	Improve institutional capacity in management and surveillance of public enterprises	To be completed before end June 2004	

F. Natural Resources

Area of intervention	Activities	Due date	Comments
Forestry sector	Adopt new forestry code	August 2002	Completed
	Adoption of application decrees of new forestry code	During 2004	Under preparation
	Cancellation of contracts not in line with new forestry code and moratorium on new contracts	2002 - 2004	The list of cancelled contracts was published in December 2002.
	Completion of economic review	2003	Completed in September 2003
	Beginning of work relative to adjustment of area tax and reduction of indirect taxation on transport, and exit	Before end December 2003	An interministerial decree is being circulated for signature; the Minister of Environment already signed it and sent it to the Ministry of Transportation; this decree will have to also be signed by the Ministries of Finance and Industry.
	Publish area tax collected in 2003 and apply contractual arrangements	Before March 2004	The General Directorate of Administrative Receipts is currently preparing this.
	Launch program converting old contracts into sustainable management concessions	Before end of 2004	Based on the results.
	Make operational program of Forestry Revenues	During 2004	Brainstorming is ongoing and based on Cameroonian experience.
	40% of area tax redistributed to local entities	During 2004	
	Submission to Parliament of new law on Nature Conservation	During 2004	
Mining sector	Enactment of new mining code	11 July 2002	
	Approval of new mining law	26 March 2003	
Mining cadastre	Operationalization of new mining cadastre	June 2003	
	Distribution of mining code and restructuring of mining cadastre	During 2004	
	Restructuring of management of Cadastre and implementation of financial management tools, auditing and monitoring and evaluation of cadastral performance	Before end March 2004	
	Creation of Commission on Validation of mining titles	Before end December 2003	The draft decree on nomination of members awaits examination by the Council of Ministers.
	New cleaning-up of mining titles	Before end June 2004	Awaiting operationalization of Commission on Validation of Mining Titles.

Area of intervention	Activities	Due date	Comments
Restructuring of Gecamines	Completion of diagnostic audit	March 2003	
	Preparation and presentation of options for restructuring	End September 2003	
	Submission of final report on restructuring	Mid-November 2003	Completed
	Examination by ECOFIN and preparation of management plans	2 nd half of November 2003	The report was examined by ECOFIN; upholding measures are under preparation.
	Completion of voluntary departures program	January 2004	Completed
	Examine agreements and prepare statutes of new company	January 2004 – before end June 2004	
	Definitive validation of restructuring strategy at government level	Between July and September 2004	
	Presentation of restructuring strategy to the Parliament	Before end December 2004	

G. Social sectors

Area of intervention	Activities	Due date	Comments
Health	Speeding up implementation of 8 MOD contracts, should show visible results in improvement of basic service delivery to people affected by the PMURR	March 2004	
	Final version of Country Health Status Report made available	October 2004	Work already under way
	Start of brainstorming on reform of the sector and the regulatory and budgetary framework	2004-2005	
	Preparation of sectoral strategy	2006	This is a HIPC completion point trigger
Education	Action plan for the program « Education for all » must be presented to the donor community	March 2004	
	Rehabilitation of infrastructure, works must be in the first phase of rehabilitation	Before end March 2004	
	Preliminary results of the CSR study to be broadly disseminated	Before end March 2004	
	Final version of the CSR ready	August 2004	
	Preparation of sectoral strategy	Before 2006	This is a HIPC completion point trigger
Social Protection	Completion of qualitative risk and vulnerability study	2002-2003	Reports available
	Global program for the sector will be developed within the coming months based on studies already completed	Before end June 2004	

H. Agriculture and Rural Development

Area of intervention	Activities	Due date	Comments
Increase level of agricultural output	Implementation of program of increasing seeds	2002-2003	
	Rehabilitation of 850 ha of irrigated land	From now until 2005	
	Studies for improved aviculture program, improvement of small livestock raising, fish farms and local fishing	Beginning of 2004	
	Improvement of sale of agricultural products (access to local markets) resulting from rehabilitation of 5000 km of rural tracks	From now till June 2005	
	First phase of program, supported under the PMURR, covering approximately 1200 km currently in the works	Beginning now through February 2004	
	Repairing bridges	Since June 2003	
	Implementation of an information system on market prices for agricultural products	Now till June 2004	
Develop a rural strategy	Begin studies	Strategy due in 2006	Adoption of strategy as a HIPC completion point trigger

I. Infrastructure (Roads, electricity, and water)

Area of intervention	Activities	Due date	Comments
Rehabilitation works	Selection of international firm in charge of works	November 2002	
	Launching of studies for the entire program	2003	
Roads :	Works to begin, following selection of and mobilization of entrepreneurs by international bid procurement notice	Starting July 2004 through 2006	
Transportation :	Works in progress	1 April 2004 through 2006	
Electricity :	Study on state of SNEL installations	July 2004	
	Urgent works on production capacity at 600 megawatts to begin	First semester of 2004	Consultant has finished works
	Large rehabilitation works	2005-2007	
Water	Execution of works	April 2004 – 2006	Works are going to start following final discussions among the Ministry of Energy, the international company Louis Berger and REGIDESO.
Urban :	Execution of 2 important works (Kasa-Vubu urban rehabilitation and Selembao erosion works)	2004 – end 2005	Works have already begun
Legal and Regulatory reform	Prepare new legal and regulatory frameworks for petroleum, energy and water sectors	2003-2005	The Ministry of Energy has begun this work prior to the operationalization of COPIREP. The two institutions have taken the work up together.

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I. Pauvreté

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
DSRP-I	DSRP Intérimaire préparé	Mi-2002	Achevé
Préparation du DSRP complet	Plan d'action et chronogramme élaborés et adoptés	Mi-juin 2003	Achevé
	Organisation d'un atelier de lancement du processus, campagne d'information, d'éducation et communication	D'ici fin novembre 2003	Cet atelier a eu lieu du 8 au 10 décembre 2003.
Consultations	Tenir les consultations participatives	Janvier – mai 2004	La campagne d'information et d'éducation sur le processus de formulation du DSRP a démarré le 15 décembre à la radio, à la télévision et dans la presse écrite ; les comités provinciaux ont été installés à la fin du mois de décembre 2003 ; la méthodologie et le questionnaire des consultations ont été finalisés et devront être validés lors de l'atelier international prévu du 26 au 28 janvier 2004, avant de lancer les consultations.
	Rédaction et restitution des rapports	Juin – juillet 2004	
Groupes thématiques	Contributions des groupes thématiques et les ministères sectoriels	Fin octobre 2004	Les Groupes thématiques ont déjà défini leur méthodologie et travaillent.
Enquête sur pauvreté	Teste pilote de l'Enquête nationale sur le seuil de pauvreté	Novembre – décembre 2002	Achevé avril 2003
	Lancement de l'enquête sur la pauvreté	Janvier 2004	Un calendrier des activités de l'enquête quantitative a été élaborer ; avec le concours de la Coopération française (Projet CAPNAT) et de l'appui technique d'AFRISTAT, un atelier de validation et de finalisation du questionnaire a eu lieu le 23 janvier 2004 ; la collecte Phase 1 commencera en mi-avril.
	Achèvement de l'enquête	Décembre 2004	Le calendrier des activités de l'enquête 1-2-3 prévoit la fin pour janvier 2005.
	Finalisation du rapport	Fin février 2005	
	Restitution du rapport auprès des ministères, provinces, communautés, partenaires	Début mai 2005	
1^e ébauche du DSRP complet	1 ^e ébauche du DSRP	Avril 2005	
	Restitution aux partenaires internationaux et nationaux	Juin 2005	
	Finalisation du projet du DSRP	Juillet – août 2005	
	Dépôt du projet du DSRP au Gouvernement	Fin août 2005	
	Adoption du DSRP	Fin octobre 2005	Repère pour le point d'achèvement PPTE

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J. Soutien de la paix et bonne gouvernance

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Soutenir la paix	Prendre les décisions relatives à la restructuration de l'armée qui permettront de définir le PNDDR, notamment en ce qui concerne les critères de démobilisation	Décembre 2003	
	Mettre en place la structure institutionnelle nécessaire au pilotage stratégique et à la mise en œuvre du PNDDR à travers, respectivement, la Commission nationale de DDR (CNDDR) et le Secrétariat exécutif. Nommer le Directeur général du Secrétariat exécutif.	Décembre 2003	La Commission interministérielle chargée de la conception et de l'orientation en matière de DDR a été par décret n°03/041 du 18 décembre 2003 ; la Commission Nationale de Désarmement, Démobilisation et Réinsertion (CONADER) a été créée par décret n°03/042 du 18 décembre 2003 ; le Comité de Gestion des Fonds de Désarmement, Démobilisation et Réinsertion a été créé par le décret n°03/043 du 18 décembre 2003. Pour tous ces décrets, les arrêtés d'application ont été pris et attendent d'être visés par la Présidence de la République.
	Finaliser le PNDDR après consultations et appropriation nationale	Janvier 2004	
	Phase de désarmement et démobilisation	A partir d'avril 2004	Les ordres de démobilisation individuels ont été donnés ; les enfants démobilisés sont cantonnés dans les centres de transit et d'orientation (CTO) ; l'identification et la certification ont été effectuées par le Bureau National de Démobilisation et de Réinsertion.
	Phase de réinsertion et réintégration	A partir de novembre 2004	
Lutte contre la corruption	Promulgation du Décret-Loi portant Code de Bonne Conduite de l'agent public de l'état	Novembre 2002	Achévé
	Préparation et soumission au Parlement du Projet de loi anti-corruption	Avant la fin novembre 2003	Le projet de loi a été envoyé au Ministère de la Justice pour relecture et prise en compte des observations formulées par le Département Juridique du FMI. Il sera présenté au Gouvernement au début du mois de février 2004.
	Préparation et transmission au Parlement du Projet de loi portant lutte contre le blanchiment des capitaux et le financement du terrorisme	Octobre 2003	Cet projet de loi a été discuté à l'ECOFIN ; celle-ci le présentera au Gouvernement au courant du mois de janvier 04. Il sera déposé au Parlement avant la fin du mois de janvier 04.
	Adoption de loi contre le blanchiment des capitaux	Avant fin décembre 2003	Au courant du mois de février 2004.
Gestion des dépenses publiques	Révision de la nomenclature des dépenses de l'Etat	Juillet 2002 jusqu'à présent	La nomenclature des dépenses est sujette à révision permanente ; la dernière révision opérée en novembre 2003.

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Domaine d'intervention	Taches à faire	Date prévue	Commentaires
	Rationalisation et simplification des procédures des dépenses publiques, et préparation du Manuel du Circuit de la Dépense	Juillet 2001 – juin 2003	Le manuel de la chaîne de la dépense a été publié en mai 2003 ; toutes les étapes de la mise en place de la nouvelle chaîne ont été accomplies à ce jour ; toutes les phases sont donc prêtes pour l'utilisation.
	Mise en place de la liaison informatique Trésor-Banque Centrale	Août 2003	La liaison est opérationnelle, mais pas encore totalement utilisée.
	Nouvelle chaîne de la dépense lancée	Août 2003	La chaîne a été lancée ; mais l'interconnexion avec les cabinets Finances et Budget attend l'installation des relais radio.
	Classification des dépenses en fonction de leur nature	A partir de novembre 2003	Le budget aménagé adopté en novembre 2003 a été présenté selon la nouvelle nomenclature, qui prévoit également leur classification par nature. Le budget initial est en train de subir le même traitement.
	Etablissement d'un comité de suivi de dépenses de la lutte contre la pauvreté	Septembre 2003	Etabli en octobre 2003
	Préparation des rapports budgétaires trimestriels (i) classifiés selon les catégories économiques, administratives, ou fonctionnelles ; (ii) pour les dépenses liées à la PTTE	Au début de 2004	Repères pour le point d'achèvement PPTE
	Audit du circuit de la paie	Janvier – fin avril 2004	Les termes de référence ont été validés ; le recrutement d'un consultant en cours.
	Mise en œuvre d'un nouveau système sécurisé et verrouillé provisoire	Avant janvier 2005	Elle se fera sur la base des résultats de l'audit.
	Fichier central sécurisé du personnel de l'Etat	A la fin de 2004	
	Mise en place d'un plan comptable de l'Etat en partie double (Repère pour le point d'achèvement PPTE)	2004 - 2005	
Réforme du système de la passation des marchés publics	Achever un audit complet du système de passation des marchés publics	Avant la fin avril 2004	Mission accomplie en novembre.
	Elaboration et mise en œuvre d'un nouveau code de marchés publics et de ses principaux décrets d'application (Repère pour le point d'achèvement PPTE)	2004 - 2006	Le rapport définitif du CPAR est attendu pour exploitation.
Réforme de la Fonction publique	Audits fonctionnels et stratégiques des ministères sélectionnés	2004 - 2005	L'audit fonctionnel des ministères sélectionnés est en cours pour le Ministère de la Fonction Publique ; les Ministères de Finances et du Budget ont été audités ; le travail doit être complété en ce qui concerne les régies financières ; le programme prévoit de passer à l'audit du Ministère du Plan à partir d'avril. Ces audits sont financés par la Coopération Technique Belge.

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Domaine d'intervention	Taches à faire	Date prévue	Commentaires
	Audit du système de prestations des services de santé, d'éducation, de justice et de développement rural (Repère pour le point d'achèvement PPTE)	Au cours de 2004	
	Réflexion sur la réalisation d'un recensement générale des agents de l'Etat	2002	Réalisée
	Elaboration et validation des TDR du recensement	juillet 2003	Achévé
	Recruter le cabinet chargé d'effectuer le recensement, par voie d'appel international	Avant le 1 ^{er} juin 2004	L'appel d'offre international sera lancé avant fin février ; le recensement du Ministère de la fonction sera géré par la Coopération Belgique ; le recensement général bénéficiera du financement de la Banque Mondiale et de l'Union européenne.
	Travail sur le terrain (recensement)	Septembre/novembre 2004	
	Création d'un fichier révisé du personnel devant pouvoir servir de base pour le fichier de la paie, et être exploité par le nouveau système de la paie	1 ^{er} janvier 2005	Attente des résultats du recensement général.
	Définition d'une stratégie de mise à la retraite viable pour les fonctionnaires éligibles	Début 2003 jusqu'au présent	La stratégie a été arrêtée
	Définition d'une stratégie détaillée et plan d'action de mise à la retraite pour les fonctionnaires (Conditionnalité de la tranche de réforme de la fonction publique)	2004	Le Ministère de la Fonction Publique a élaboré un programme de mise à la retraite qui prévoient deux volets : (i) la retraite d'office de 73.769 agents ayant atteint 30 ans ou plus de service ou 50 ans d'âge au 31 décembre 2003 ; (ii) le versement des indemnités aux agents retraités en 1989, 1999 et en 2003 ; il est prévu la mise en place d'une commission, composée des représentants des Ministères de la Fonction Publique, des Finances, du Budget et de l'Intérieur ; cette commission sera chargée de déterminer les modalités pratiques de versements des indemnités de retraite à Kinshasa et en provinces.
	Départ du 1 ^{er} lot de fonctionnaires à la retraite	Pendant le deuxième semestre de 2004	
	Deuxième lot de départs de fonctionnaires	Pendant le deuxième semestre de 2004 et 2005	
Décentralisation	Présentation, discussion et adoption du projet de loi portant organisation du territoire	Décembre 2003	La loi sur la décentralisation est en préparation au Ministère de l'Intérieur, Décentralisation et Sécurité.
Système judiciaire	Rapport : audit du système judiciaire congolais	Avant la fin décembre	Le rapport global sera prêt en février 2004.

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		2003	
Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Modernisation et renforcement des capacités des cadres réglementaire et juridique	Révision du cadre juridique et réglementaire	2002	Achevé avec l'adoption des lois nouvelles régissant la banque centrale, les banques commerciales et les caisses d'épargne
Renforcement des capacités de la Banque Centrale	Audits annuels, entrepris par des auditeurs internationaux	2000 - 2002	Achevé, avec suivi du FMI
	Mettre en place un plan d'action visant à renforcer les capacités de la BCC en tant qu'Institut d'Emission et Autorité Monétaire	2001 jusqu'au présent	En cours, sous supervision du FMI

K. Secteur financier

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Restructuration des banques commerciales	Décision de liquider trois banques commerciales publiques (NBK, BCA, BCCE)	Mars 2003	Décision déjà prise
	Finalisation d'une série d'audits des autres banques commerciales	Juillet – septembre 2003	Les audits ont été effectués ; les rapports des audits ont été déposés à la Banque Centrale qui a donné aux banques jusqu'au 31 janvier 2004 pour déposer leurs plans de restructuration.
	Préparation et finalisation des plans de redressement	Avant fin décembre 2003	Les banques ont obtenu un moratoire jusqu'au 31 janvier 2004 pour présenter leurs plans de restructuration ; les banques jugées non viables sur la base des résultats des audits et dont les plans de restructuration ne seront pas convaincants feront l'objet d'une décision de liquidation ;
	Finalisation des audits patrimoniaux de la NBK, la BCA et la BCCE	Avant fin novembre 2003	
	L'établissement d'un accord formel avec la BCC sur les plans de restructuration	Avant fin mars 2004	Cfr supra
	Retrait des agréments des banques jugées non-viables à la suite des audits précités	Avant fin mars 2004	Cfr supra
	Mise en place d'un système régulier de contrôle sur pièces	Au cours de 2004	
	Renforcement des procédures d'agrément et des critères d'éligibilité pour les actionnaires	Au cours de 2004	
	Préparation d'un nouveau plan comptable bancaire	Entrera en vigueur janvier 2005	

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L. Développement du secteur privé

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Cadre juridique	L'approbation de nouveaux codes des investissements et du travail	2002	Achevé
	Nouveau code minier publié	2002	Achevé
	Principaux décrets d'applications du nouveau code minier publiés	2003	Achevé
	Nouveau code forestier promulgué	Août 2002	Achevé
	Tribunaux de Commerce créés	2002	Achevé
	Personnel-clé désigné aux Tribunaux de Commerce	2003	En cours
	Centre national d'arbitrage créé par Arrêté ministériel	Juin 2003	Achevé
	Création de l'ANAPI	2002	Achevé
	Mise en route du Guichet Unique Douanier au Port de Matadi	Juillet 2003	Achevé
Fiscalité	Nouveau tarif douanier publié	2002-2003	Achevé
	Finalisation du nouveau code des douanes	Avant fin juin 2004	
	Sursis provisoire à l'application de certains prélèvements fiscaux et parafiscaux	Novembre 2003	Achevé
	Préparation d'un plan d'action pour la réforme de la fiscalité et parafiscalité	D'ici jusqu'à fin juin 2004	
	Préparation d'un plan d'action global pour la réforme de la fiscalité et parafiscalité appliquée aux entreprises	2004	
Réglementation du travail	Finaliser et adopter les principaux décrets d'application du Code de Travail	Au cours de 2004	En cours
Procédures et tracasseries administratives	Audit compréhensif	Premier trimestre de 2004	Avec l'assistance du FIAS

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Dette intérieure	Audit des arriérés de paiement de l'Etat envers le secteur privé nés entre le 1 juillet 1997 et le 31 décembre 2001	Septembre 2003	Achevé
	Audit des créances générées avant le 30 juin 1997	Avant fin décembre 2003	L'audit continue jusqu'au 31 janvier 2004, date prévue pour le dépôt du rapport.
	Plan d'action pour le règlement de la dette intérieure	Premier semestre de 2004	Plan satisfaisant à IDA, adopté par le gouvernement, est une conditionnalité du tranche « dette interne »
	(i) achever le processus de certification et réconciliation des créances des entreprises privées sur l'Etat, (ii) négocier avec les créanciers le règlement de ces créances et (iii) procéder à la mise en paiement	Au cours de 2004	Une commission ministérielle a été constituée pour négocier avec les créanciers et arrêter les modalités de règlement des créances certifiées.
	Adoption d'un plan d'action pour le contrôle de la facturation des utilités financées par le budget de l'Etat (pétrole,	Décembre 2003	Le Ministère du Budget, des PTT et des Travaux Publics et Investissements ont des dispositions, chacun en ce le

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	eau, électricité, téléphone)		concerne, pour rationaliser les utilisations des services de téléphone, d'eau et d'électricité ainsi que de consommation des carburants.
	Etablissement d'un système mensuel des paiements forfaitaires, pour l'électricité et l'eau, basé sur une estimation des consommations	Avant janvier 2004	Le Ministère du Budget est en concertation avec la SNEL et la REGIDESO ; les modalités seront définies avant la fin du mois de janvier 04.
	Mettre en place des plans d'actions, acceptables à IDA, par la société d'électricité SNEL, la société des eaux nationales REGIDESO, avec le but d'améliorer la facturation des établissements publics (Conditionnalité de la tranche « utilités publiques »)	2004	La SNEL a déjà présenté son plan ; la REGIDESO est en train de finaliser le sien.
	Etablissement des comptes fiduciaires de SNEL et REGIDESO, pour réception des paiements forfaitaires pour les utilités (Conditionnalité de la tranche « utilités publiques »)	2004	Le Ministère du Budget, la REGIDESO et la SNEL sont en concertation sur les modalités d'alimentation de ces comptes et d'utilisation des fonds à loger dans ces comptes.

M. Réforme des Entreprises du Portefeuille

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
	Atelier de réflexion autour de l'opportunité et des principes de la réforme	Septembre 2001	Achevé
	Création du COPIREP par décret présidentiel	30 octobre 2002	Achevé
	Nomination d'un secrétaire exécutif et de deux adjoints	Juillet 2003	Achevé
	Mettre en place le Comité Technique du COPIREP	Au cours de 2004	En cours
	Diagnostic comptable, fonctionnel et opérationnel de certaines entreprises remis au Gouvernement	Avril 2003	Achevé
	Rendre pleinement opérationnels les groupes sectoriels de travail et d'études sur le processus de la réforme des entreprises publiques dans les secteurs jugés prioritaires	Au cours de 2004	Les groupes sectoriels sont en train d'être constitués.
	Préparation des plans d'actions pour la réforme des entreprises publiques Gécamines, RVA, SNCC, LAC, Cititrain, OCPT et SNEL	Au cours de 2004	
	Préparer et faire adopter par le Parlement une refonte du cadre juridique et réglementaire régissant les entreprises publiques	Au cours de 2004	
	Améliorer les capacités institutionnelles de gestion et surveillance des Entreprises publiques	A accomplir avant la fin juin 2004	

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N. Ressources naturelles

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Secteur forestier	Adoption du nouveau code forestier	Août 2002	Réalisé
	Adaptation des textes d'application du nouveau code forestier	Au cours de 2004	En phase préparatoire
	Annulation de contrats non-conformes au nouveau code forestier et moratoire sur de nouveaux contrats	2002 - 2004	La liste des concessions défailtantes a été publiée en décembre 2002.
	Achèvement d'une revue économique et fiscale	2003	Réalisée en septembre 2003
	Aboutissement des travaux relatifs à l'ajustement de la taxe de superficie et la réduction de la parafiscalité dans la chaîne des transports ainsi que des droits de sortie sur les grumes	Avant fin décembre 2003	Un arrêté interministériel est en train de circuler pour signature ; le Ministre de l'Environnement a déjà signé et transmis au Ministre des transports ; cet arrêté devra être signé également par les ministres des Finances et de l'Industrie.
	Publier le bilan de recouvrement de la taxe de superficie pour l'année 2003 et appliquer les dispositions contractuelles	Avant fin mars 2004	La Direction Générale des Recettes Administratives et Domaniales est en train de préparer le bilan en question.
	Lancer le programme de conversion des anciens contrats en concessions d'aménagement durable	Avant fin de 2004	Sur la base du bilan
	Rendre opérationnel le Programme de Sécurisation des Recettes Forestières	Au cours de 2004	La réflexion est en cours et se fonde sur l'expérience du Cameroun
	40% de la taxe de superficie de rétrocession effective aux entités locales décentralisées	Au cours de 2004	
	Soumission au Parlement de la nouvelle loi sur la Conservation de la Nature	Au cours de 2004	
Secteur minier	Promulgation du nouveau code minier	Le 11 juillet 2002	
	Approbation du nouveau règlement minier	Le 26 mars 2003	
Cadastre minier	Mise en oeuvre du nouveau cadastre minier	Juin 2003	
	Diffusion et divulgation du Code minier et la restructuration du Cadastre minier	Au cours de 2004	
	Restructuration de la gestion du Cadastre et la mise en place de dispositifs de gestion financière, d'audit et de suivi et d'évaluation de la performance cadastral	Avant fin mars 2004	
	Création et mise en place de la Commission de Validation des Titres Miniers	Avant fin décembre 2003	Le projet de décret de nomination des membres attend d'être examiné en conseil des ministres.
	Nouvel assainissement des titres miniers	Avant fin juin 2004	Attente de l'entrée en fonction de la Commission de Validation des Titres miniers.
Restructuration des Gécamines	Achèvement de l'audit diagnostic	Mars 2003	
	Préparation et présentation des options de restructuration	Fin septembre 2003	
	Remise du rapport final sur la	Mi-novembre	Achevée

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	restructuration	2003	
Domaine d'intervention	Taches à faire	Date prévue	Commentaires
	Examen par ECOFIN et préparation de mesures conservatoires de gestion à prendre dans l'immédiat	2 ^e moitié de novembre 2003	Le rapport a été examiné à l'ECOFIN ; les mesures conservatoires sont en préparation
	Achèvement du programme de départs volontaires	Janvier 2004	Achévé
	Examen des accords de partenariat et préparer les statuts de la nouvelle société	Janvier 2004 – avant fin juin 2004	
	Validation définitive de la stratégie de restructuration au niveau gouvernemental	Entre juillet et septembre 2004	
	Présentation de stratégie de restructuration au Parlement	Avant fin décembre 2004	

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O. Secteurs sociaux

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Santé	L'accélération de la mise en œuvre des 8 contrats de MODs devrait montrer des résultats visibles dans l'amélioration de la prestation des services de bases aux populations couvertes par le projet PMURR	Mars 2004	
	Version finale du Rapport sur l'Etat de la Santé (RESP) disponible	Octobre 2004	En cours
	Début de réflexion sur la réforme du secteur et le cadre réglementaire et budgétaire	2004-2005	
	Préparation d'une stratégie sectorielle	2006	Repère pour le point d'achèvement PPTE
Education	Le plan d'action pour le programme « Education pour Tous » (EPT) devra être présenté à la communauté des bailleurs de fonds	Mars 2004	
	La réhabilitation d'infrastructures, les ouvrages devront être dans la première phase d'exécution	Avant fin mars 2004	
	Les résultats préliminaires de l'étude Rapport sur l'Etat de l'Education (RESEN) auront été largement diffusés	Avant fin mars 2004	
	La version finale du RESEN devrait être disponible	Août 2004	
	Préparation d'une stratégie sectorielle	Avant 2006	Repère pour le point d'achèvement PPTE
	Protection sociale	Réalisation des études qualitatives sur les risques et la vulnérabilité	2002-2003	Rapports disponibles
Un programme global pour le secteur sera développé au cours des prochains mois sur la base des études qui ont été menées jusqu'à présent		Avant la fin juin 2004	

P. Agriculture et développement rurale

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
Augmenter la capacité de production agricole	Mise en œuvre d'un programme de multiplication de semences	2002-2003	
	La réhabilitation de 850 ha en irrigation	D'ici jusqu'à 2005	
	Les études pour un large programme d'aviculture améliorée, de l'amélioration de l'élevage des petits ruminants, de relance de la pisciculture et de la pêche artisanale	Au début de 2004	
	L'amélioration de l'efficacité de la commercialisation des produits agricoles procède d'une programme de réhabilitation de près de 5000 km de	D'ici juin 2005	

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	pistes rurales		
	La première phase de ce programme, qui est appuyé par le PMURR et couvre environ 1200 km est en cours de lancement et les travaux sont en exécution	D'ici février 2004	
	Travaux sur la réfection des ponts	Depuis juin 2003	
	Mise en place d'un système d'information sur les prix des marchés des produits agricoles	D'ici juin 2004	
Développement d'une stratégie rurale	Début des études	Stratégie prévue pour 2006	Adoption de la stratégie est un repère pour le point d'achèvement PPTE

J. Infrastructures (Routes, énergie électrique et eau)

Domaine d'intervention	Taches à faire	Date prévue	Commentaires
	Sélection de la firme internationale chargée de la maîtrise d'ouvrage	Novembre 2002	
	Lancement des études sur l'ensemble du programme	2003	
Travaux de réhabilitation physique Routes :	Les travaux devraient commencer, suivant la sélection et mobilisation des entrepreneurs par appel d'offre international	A partir de juillet 2004 à 2006	
Transport :	Travaux en réalisation	1 ^{er} avril 2004 à 2006	
Electricité :	Etude concernant l'état des lieux des installations de la SNEL	Juillet 2004	
	Travaux urgents de fiabilisation de la capacité de production à 600 MW pourraient commencer	Premier semestre de 2004	Le consultant a fini
	Grands travaux de réhabilitation	2005 - 2007	
Eau :	Exécution des travaux	Avril 2004 – 2006	Les travaux vont démarré incessamment, après les dernières concertations entre le Ministère de l'Energie, la Firme Internationale Louis Berger et la REGIDESO.
Urbain :	2 importants marchés de travaux (réhabilitation urbaine de Kasa-Vubu et travaux d'érosion de Selembao)	2004 – fin 2005	Les travaux ont déjà démarré.
Cadre juridique et réglementaire	Préparation des nouveaux cadres judiciaires et réglementaires des secteurs pétroliers, d'énergie et d'eau	2003 - 2005	Le Ministère de l'Energie avait commencé ce travail avant l'entrée en fonction du COPIREP. Les deux structures ont repris ensemble le travail.

Annex 4
Congo, Dem. Rep. Social Indicators

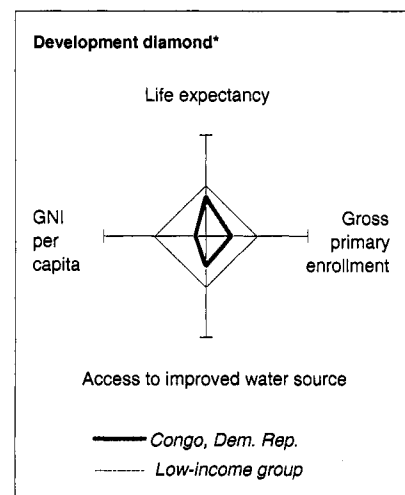
	Latest single year			Same region/income group	
	1970-75	1980-85	1995-2001	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	23.1	31.3	52.4	673.9	2,505.9
Growth rate (% annual average for period)	2.6	3.1	3.0	2.5	1.9
Urban population (% of population)	..	..	..	32.3	30.8
Total fertility rate (births per woman)	6.4	6.7	6.1	5.1	3.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	460	250	80	460	430
Consumer price index (1995=100)	0	0	261,306	..	..
Food price index (1995=100)	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile (% of income or consumption)	..	..	..	..	..
Highest quintile (% of income or consumption)	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.1	2.5	1.1
Education (% of GDP)	..	..	..	3.4	2.8
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	68	..	33	..	..
Male	83	..	33	..	..
Female	53	..	32	52	..
Access to an improved water source					
<i>(% of population)</i>					
Total	..	..	45	58	76
Urban	..	..	89	83	90
Rural	..	..	26	46	70
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	40	46	58	60
DPT	..	..	40	53	61
Child malnutrition (% under 5 years)	29	..	34	..	..
Life expectancy at birth					
<i>(years)</i>					
Total	47	51	45	46	59
Male	46	49	45	45	58
Female	49	53	46	47	60
Mortality					
Infant (per 1,000 live births)	139	129	129	105	80
Under 5 (per 1,000 live births)	228	208	205	171	121
Adult (15-59)					
Male (per 1,000 population)	..	..	571	520	312
Female (per 1,000 population)	..	..	493	461	256
Maternal (modeled, per 100,000 live births)	..	..	940	..	..
Births attended by skilled health staff (%)	..	..	70	..	..

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97; ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

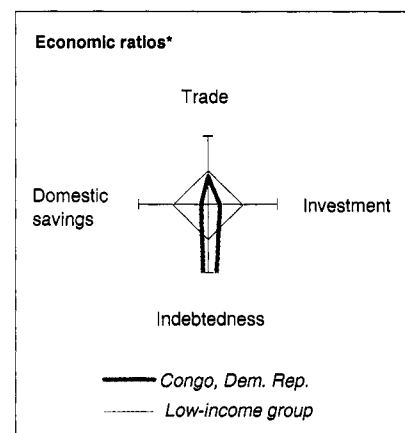
Congo, Dem. Rep. at a glance

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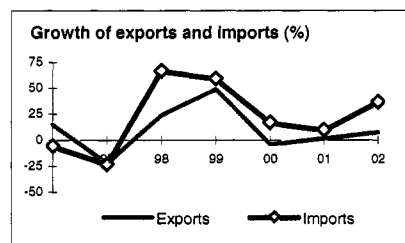
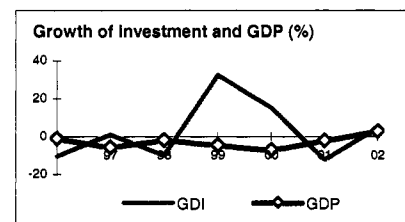
POVERTY and SOCIAL	Congo, Dem. Rep.	Sub- Saharan Africa	Low- income
2002			
Population, mid-year (millions)	53.8	688	2,495
GNI per capita (Atlas method, US\$)	90	450	430
GNI (Atlas method, US\$ billions)	5.0	306	1,072
Average annual growth, 1996-02			
Population (%)	2.9	2.4	1.9
Labor force (%)	2.6	2.5	2.3
Most recent estimate (latest year available, 1996-02)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	..	33	30
Life expectancy at birth (years)	45	46	59
Infant mortality (per 1,000 live births)	125	105	81
Child malnutrition (% of children under 5)	..	..	..
Access to an improved water source (% of population)	45	58	76
Illiteracy (% of population age 15+)	36	37	37
Gross primary enrollment (% of school-age population)	47	86	95
Male	49	92	103
Female	44	80	87

**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

	1982	1992	2001	2002	
GDP (US\$ billions)	13.6	8.2	5.2	5.7	
Gross domestic investment/GDP	8.3	6.9	5.1	7.1	
Exports of goods and services/GDP	12.1	16.7	17.8	18.4	
Gross domestic savings/GDP	6.5	6.1	6.2	4.0	
Gross national savings/GDP	4.0	5.0	1.2	5.3	
Current account balance/GDP	-3.8	-10.6	-2.4	-3.9	
Interest payments/GDP	0.5	0.3	0.0	1.5	
Total debt/GDP	37.2	133.7	219.6	144.0	
Total debt service/exports	13.2	5.6	1.7	81.5	
Present value of debt/GDP	..	..	204.6	..
Present value of debt/exports	..	..	1,029.1	..
(average annual growth)					
GDP	-0.6	-3.4	-2.0	3.0	6.0
GDP per capita	-3.8	-6.3	-4.6	0.2	3.2
Exports of goods and services	2.0	7.8	2.0	8.0	..

**STRUCTURE of the ECONOMY**

	1982	1992	2001	2002
(% of GDP)				
Agriculture	30.1	49.0	56.3	56.3
Industry	26.7	16.4	18.8	18.8
Manufacturing	14.4	4.9	3.9	3.9
Services	43.2	34.6	24.9	24.9
Private consumption	84.0	72.2	92.4	92.3
General government consumption	9.5	21.7	1.4	3.7
Imports of goods and services	14.0	17.5	16.7	21.5
(average annual growth)				
Agriculture	2.6	-0.4	-5.4	3.0
Industry	-4.5	-3.6	3.8	3.0
Manufacturing	-3.7	..	..	..
Services	-1.0	-8.7	-8.7	3.0
Private consumption	2.6	-3.3	-28.3	16.7
General government consumption	-1.6	-16.8	-5.2	16.7
Gross domestic investment	-9.8	2.8	-12.1	4.7
Imports of goods and services	3.9	12.4	10.0	37.0



Note: 2002 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Annex 6

Congo, Dem. Rep. - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	1999	2000	2001	2002	2003	2004	2005	2006	2007
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	56	63	60	58	..	..	..	..	..
Industry	20	20	20	19	..	..	..	..	..
Services	24	30	27	26	..	..	..	..	..
Total Consumption	82	107	100	99	..	..	..	..	..
Gross domestic fixed investment	22	5	5	7	14	17	18	..	..
Government investment	1	0	0	0	7	10	10	..	..
Private investment	21	5	5	7	7	7	8	..	..
Exports (GNFS) ^b	23	22	19	19	..	..	..	..	..
Imports (GNFS)	26	21	18	22	..	..	..	..	..
Gross domestic savings	18	-7	0	1	..	..	..	..	..
Gross national savings ^c	10	-13	-4	-3	..	..	..	..	..
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	4435	4304	4880	5530	6624	7493	8482	..	..
GNI per capita (US\$, Atlas method)	250	130	80	90	..	..	..	..	..
Real annual growth rates (% , calculated from 1987 prices)									
Gross domestic product at market prices	-4.4	-7.0	-2.0	3.0	5.0	6.0	7.0	..	..
Gross Domestic Income	-7.1	7.8	1.6	4.4	..	..	..	..	..
Real annual per capita growth rates (% , calculated from 1987 prices)									
Gross domestic product at market prices	-7.1	-9.5	-4.6	0.2	2.2	3.2	4.1	..	..
Total consumption	3.2	0.4	-29.6	13.6	..	..	..	..	..
Private consumption	4.3	0.9	-30.2	13.6	..	..	..	..	..
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	1021	963	961	1190	1265	1437	1659	2101	..
Merchandise FOB	974	892	880	1088	1150	1312	1528	1988	..
Imports (GNFS) ^b	758	920	1067	1415	1686	2063	2447	2707	..
Merchandise FOB	458	680	807	1061	1296	1600	1915	2128	..
Resource balance	263	43	-106	-225	-421	-626	-788	-606	..
Net current transfers	18	136	228	278	..	..	..	..	..
Current account balance	-113	-199	-250	-160	-206	-461	-563	-609	..
Net private foreign direct investment	-208	-50	-7	12	-41	52	161	327	..
Long-term loans (net)	..	..	..	..	..	..	..	..	..
Official	8	0	0	167	167	-60	-94	-70	-89
Private	..	..	..	..	..	..	..	..	..
Other capital (net, incl. errors & omissions)	..	..	..	..	..	..	..	..	..
Change in reserves ^d	694	830	709	-10168	25	5	-49	..	..
<i>Memorandum items</i>									
Resource balance (% of GDP)	5.9	1.0	-2.2	-4.1	-6.4	-8.4	-9.3	..	..
Real annual growth rates (YR87 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Congo, Dem. Rep. - Key Economic Indicators (Continued)

Indicator	Actual			Estimate			Projected		
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public finance (as % of GDP at market prices)^e									
Current revenues	4.8	5.1	6.2	8.3	10.8	12.3	15.4	..	..
Current expenditures	10.1	10.7	7.7	9.4	11.0	10.5	7.4	..	..
Current account surplus (+) or deficit (-)	-5.3	-5.6	-1.5	-1.1	-0.1	1.9	8.0	..	..
Capital expenditure	0.0	0.5	0.1	1.0	4.2	8.2	11.1	..	..
Foreign financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..	..
Monetary indicators									
M2/GDP	..	..	..	..	..	..	..	..	..
Growth of M2 (%)	..	..	..	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	..	..	..	..	..	..	..	..	..
Price indices(YR87 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US\$/LCU) ^f	..	..	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	284.9	511.0	135.0	16.0	8.0	6.0	5.0	..	..
GDP deflator (% change)	415.4	554.6	403.0	27.0	14.3	7.8	6.3	..	..

- a. GDP at market prices
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex 7

Status of Operations Approved Since 2001

Project	USS mil.	Objective	Approval / Effectiveness	Disbursed end CY03	Rating	
					IP	DO
Operations included in 2001 TSS						
Emergency Early Recovery Project	50	Rehabilitate key road between Kinshasa and the sea. Fund community initiatives; Support HIV/AIDS programs; Provide institutional support	July 2001/ Dec. 2001	100 %	S	S
Economic Recovery Credit	450	Help DRC with foreign exchange immediately after arrears clearance and support reforms (incl. in mining and forestry sectors)	June 2002 / July 2002	100 %	S	S
Emergency Multi-sector Rehabilitation & Reconstruction Project	454	Rehabilitate key infrastructure and social services delivery.	July 2002 / Nov. 2002	8 %	S	S
Private Sector Development and Competitiveness Project	120	Help improve the business environment; Support restructuring of key public companies; Join the Africa Trade Insurance Agency (ATI).	July 2003 / Dec. 2003	14 %	S	S
Operation not included in 2001 TSS, approved to respond to rapid developments						
Emergency Economic and Social Reunification Support Project	214	Support economic and social reunification through balance of payment support, institutional strengthening, infrastructure repairs, and community-driven development.	Sept. 2003 / Dec. 2003	23 %	S	S
Regional operations						
Southern Africa Power Pool Project	178	Support rehabilitation of DRC power grid (\$177 million) to facilitate regional integration of the power networks and exports to Southern Africa.	Nov. 2003 / n/a	0 %	n/a	n/a
Multi-country Demobilization and Reintegration Program (special projects)	26	Support reintegration of targeted groups of ex-fighters through a series of programs.	n/a	31 %	S	S

A. (*) Rating: IP = Implementation Performance Rating; DO = Development Objectives Rating

Annex 8

Democratic Republic of Congo: World Bank-IMF Relations

1. This is an important occasion¹⁰ to take stock of the progress made over the past 12 months and to reassert our commitment to further support the authorities' efforts to solidify peace, reunite the country and improve economic and social conditions in the Democratic Republic of the Congo.
2. At the outset, the authorities should be congratulated for their steadfast efforts in the consolidation of peace and in the implementation of their economic program. In our view, 2003 has been a year of considerable progress on the political side, culminating in the nomination of the transition government and other institutions in mid 2003. This has set the stage for a two-year transition period leading up to free and transparent elections in 2005. The new all-inclusive government appears to be functioning well, with particularly good coordination so far of economic and financial matters. Despite, the overall progress toward the reunification of the country, the security situation in the northeast of the country remains tense and ensuring security over the entire territory will continue to be a major challenge. In this regard, we welcome the UN Security Council's resolution of last July which increased the size and broadened the mandate of the United Nations Observation Mission in the Congo.
3. The main challenges for the next two years will be to ensure security throughout the entire country, including the creation of a national army and police, ensure effective reunification through a rapid adoption and implementation of the law on decentralization, and prepare and hold free and transparent elections. These challenges will have to be met while maintaining a stable macroeconomic environment, deepening the structural reform agenda, redeploying the authority of the state over the entire territory and addressing the dire social conditions, particularly in the provinces that have just been reunified. We note with satisfaction that the government action program presented to Parliament by his Excellency President Kabila on December 2, 2003 includes clearly the intention to move forward in these areas. The international community has a key responsibility in helping the authorities meet these challenges, a subject to which I will return later. Suffice to say that a timely and well-coordinated assistance by the international community is essential not only for the attainment of the objectives of the authorities' economic program supported by the Fund, but also for the consolidation of peace and stability in the Great Lakes region as a whole.
4. Remarkable progress has been made under the economic program of the government so far. Economic growth is projected to accelerate to 5 percent in 2003, with all sectors posting a positive rate of growth for the first time in many years. Inflation is decelerating faster than anticipated, with end-period inflation falling from 511 percent in 2000 to less than 5 percent at the end of November 2003, while the exchange rate has appreciated in recent months with the progressive return of confidence in the Congolese Franc.
5. On the fiscal side, the 2003 supplementary budget has been approved by Parliament. Notwithstanding the implementation of strong fiscal measures by the new government since July 2003, the cumulative outcome for the period January-September 2003 deviated

¹⁰ IMF Statement, Donors' Meeting on the Democratic Republic of Congo, Paris, December 17-18, 2003.

somewhat from the program target, as slippages in the second quarter could not be compensated for. These slippages were mainly the result of expenditure overruns, unprogrammed domestic debt repayments, and difficulties in implementing tax reforms during the transition period leading up to the nomination of the new government. The originally envisaged shift in the composition of expenditure toward social related expenditures is expected to be only partially realized in 2003, reflecting in part lower than expected project-related disbursements. Donors' fulfillment of their commitments in a timely and coordinated manner is essential to avoid disruption in program implementation and the compromising of objectives that we all share. This is crucial to ensure that peace dividends benefit the entire population.

6. On the monetary side, with the deceleration of inflation, the Central Bank of the Congo continued to lower its discount rate. The Central Bank made progress in implementing its action plan to improve its accounting, operations and management with the help of technical assistance from the Fund and, in particular, two resident experts. The external audits of all commercial banks have been finalized with the help of the World Bank. The Central Bank will draw up a list of banks to be liquidated, privatized, or restructured before the end of this year. With the envisaged recapitalization of the Central Bank, 2004 should be the year of the effective restructuring of the banking system.

7. Structural and sectoral reforms are progressing well with the help of the World Bank, particularly in the mining, forestry and public enterprise sectors. Most public enterprises have been audited and restructuring plans for the most important ones are being prepared. Several measures have been taken to strengthen governance. In particular, the laws against corruption and on combating money laundering and the financing of terrorism will be submitted to Parliament soon. An external audit of the judiciary is being undertaken with the help of the EU and Belgium. Additional work is needed to improve implementation of the new mining cadastre and actions are being taken with the help of the World Bank to ensure the full transparency of its operations. We also note the intention of the government to define a sectoral approach for the diamond sector. Assistance from the international community has a key role to play in improving transparency in this delicate but very important area, particularly with the view to maximizing future export receipts and fiscal revenues. In this regard, we also welcome the intention of the government expressed in its action plan to redouble its efforts to establish the rule of law and to combat corruption at the highest levels. Perseverance in strengthening governance and respect for the rule of law will greatly enhance the support of the general population to the ongoing adjustment efforts.

8. In July 2003, the DRC reached the decision point under the enhanced HIPC Initiative, making it eligible for external debt relief. The IMF and the World Bank have begun providing interim assistance to the DRC in line with their commitment to the Initiative. Furthermore, the Paris Club of creditors agreed in November 2003 to top up the debt relief that was agreed in September 2002 to take into account the DRC's qualification for enhanced HIPC assistance. Without the full participation of all creditors in providing their share of debt relief under the enhanced HIPC Initiative, the goal of alleviating poverty and solidifying peace in the country will be difficult to achieve. Indeed, even if all creditors participate in the enhanced HIPC Initiative, the debt situation in the DRC will remain fragile, as debt service will continue to account for a hefty share of

government revenues over the medium term. It is therefore critical for the authorities to persist with strong economic policies that aim at enhancing their repayment capacity on the one hand, through the mobilization of domestic revenues and the control of government expenditure, and securing continued donor support on the other. However, external assistance may also be needed to enable the authorities to meet their debt service obligations without adversely impacting their poverty reduction efforts. We therefore support the World Bank's proposal to establish a multi-donor Trust Fund to complement the DRC's efforts in servicing multilateral debt.

9. The IMF mission that recently visited Kinshasa reached understandings, ad referendum, on the overall macroeconomic targets for 2004 as well as on the main aggregates of the 2004 budget. The 2004 program envisages a real growth rate of 6 percent, an annual average inflation rate of 6 percent and an increase in gross international reserves to about eight weeks of non aid-related imports. These targets will be achieved through the implementation of prudent fiscal and monetary policies in the context of the floating exchange rate system.

10. The 2004 budget will be "a pro-poor and reunification budget", with a substantial increase in the share of poverty-reducing expenditures, the details of which are being worked out with the World Bank. The budget provides for an increase in the wage bill, reflecting in part the 10 percent increase in wages, the payment of civil servants in the reunified provinces, and the cost of the de facto merger since last October of all military forces in the army, pending the creation of a leaner national army in the coming year. The 2004 budget thus provides for the payment of salaries to all soldiers until the middle of 2004, at which time the donor-financed demobilization program is expected to begin. It is therefore important for the authorities to move speedily with the implementation of the demobilization program and also for donors to provide the required financing in a timely fashion. The potentially very harmful consequences of leaving armed combatants unpaid should not be underestimated in the context of the current political situation in the country and in the region.

11. Measures aiming at enhancing revenue mobilization and expenditure management will continue to be implemented with the help of technical assistance from the IMF and its three other resident experts. The 2004 budget will be presented according to a new expenditure nomenclature which should greatly enhance the tracking of expenditure, including those which are financed by HIPC Initiative debt relief. The full implementation of the expenditure procedures reinstating and rationalizing the full expenditure chain is set to be effective end-2003. If necessary, a supplementary budget law, consistent with the overall program objectives, will be presented to Parliament later in the year. The supplementary budgetary law will take into account, among other things: (i) the outcome of this meeting; (ii) the impact of the creation of a new national army and police and the implementation of the demobilization of soldiers to be financed by the international community; (iii) the impact of the law on decentralization which would define, inter alia, the transfer of revenues to provinces; and (iv) the preparation of the elections, expected to be largely foreign financed.

12. On the structural side, reforms will be deepened and progressively implemented, with the help of the World Bank, in the entire reunified territory. The restructuring of the commercial banks and of public enterprises will start effectively in 2004. The reform of

the civil service with the help of Belgium will be implemented on the basis of the finalization of the audit of the wage payments system with the help of France, together with the completion of the retirement program in the coming months with the help of the World Bank. Regarding the PRSP process, the work program has been revised to ensure the completion of the full PRSP by July 2005, as originally scheduled. In this regard, the authorities intend to proceed with an information campaign explaining the modalities of the PRSP participatory process, and with the launching of a national poverty survey.

13. The needs in the DRC are enormous and the 2004 program is only able to support a bare minimum of those needs. Only if a strong stepped-up commitment from all donors is forthcoming, will the current program be able to accommodate more adequately the urgent social needs of the country, without adversely affecting macroeconomic stability. It would also be beneficial if most donors provided their support to the DRC increasingly in the form of grants, given the dire debt situation of the country. To enhance the conduct and effectiveness of macroeconomic policy, it would also be desirable for donors to provide direct budgetary and balance of payments support. In this context, we fully support our colleagues from the World Bank in their proposal to increase not only your contribution to projects financing that should now cover the entire territory, but also your contribution to ensure adequate financing for the disarmament of soldiers, and the preparation of the elections. We hope that this aid will be additional to that already pledged. In addition, we support the proposal for an appropriate amount of budgetary aid in the next three years, that will help, *inter alia*, the authorities in strengthening the administrative capacity - of not only the Central Government but also of the provinces, including a better paid civil service. This would provide the necessary bridge while the government is implementing measures to further mobilize fiscal revenue to secure progressively a share of fiscal revenue to GDP comparable to that of other sub-Saharan countries.

14. It goes without saying that the strong commitment of the authorities and donors is crucial for the successful implementation of the program and the consolidation of peace in the region. All stakeholders have an important role to play in ensuring that the long anticipated "peace dividend" does materialize. Any backtracking will inevitably cause disappointment among the population with unforeseen but potentially destabilizing consequences for the DRC, but also for the Great Lakes Region.

