

INTERNATIONAL MONETARY FUND



Staff Country Reports

Democratic Republic of the Congo: Joint Staff Assessment of the Interim Poverty Reduction Strategy Paper Preparation Status Report

The attached Joint Staff Assessment (JSA) of the Interim Poverty Reduction Strategy Paper Preparation Status Report for the **Democratic Republic of the Congo**, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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THE INTERNATIONAL MONETARY FUND
AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

DEMOCRATIC REPUBLIC OF THE CONGO

**Poverty Reduction Strategy Paper Preparation Status Report
Annual Update June 2003–May 2004
Joint Staff Assessment**

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

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I. Introduction

1. On June 11–12, 2002, the Executive Boards of the IMF and IDA considered the Interim Poverty Reduction Strategy Paper prepared by the Government of the Democratic Republic of the Congo (DRC). The Joint Staff Assessment of that paper (World Bank Report No. 24216, 5/24/02, and EBD/02/82, 5/28/2002) considered the interim PRSP framework to be sound and to provide an adequate basis for the development of a participatory full PRSP and for IMF and IDA concessional assistance. The Executive Boards of both institutions reached the same conclusion. A first-year PRSP Preparation Status Report was submitted in June 2003. The Joint Staff Assessment (World Bank Report No. 26262, 7/2/03, and EBD/03/65, 7/09/03) found that the growth and poverty reduction measures had been implemented in a broadly satisfactory manner. It also found delays in developing the full PRSP, attributable to weak administrative capacity. The authorities have now completed a second PRSP Preparation Status Report (the Report) on (i) the implementation of the I-PRSP and (ii) preparation of the full PRSP.

II. Progress with Respect to the Implementation of the Interim PRSP

2. The Report appropriately points to the continuing progress in the implementation of the I-PRSP, especially the restoration of peace, the strengthening of governance and the improvement in economic management for pro-poor growth. It describes succinctly the substantial progress on two of the three pillars of the I-PRSP, governance and growth, and provides an accurate evaluation of why the planned emphasis on local initiatives (*dynamique communautaire*), the third pillar, has not yet borne fruit. Nevertheless, the staffs consider that the I-PRSP has been implemented in a broadly satisfactory manner in its second year.

3. The authorities have created a framework for channeling and tracking pro-poor expenditure, which in 2003 amounted to 1.5 percent of GDP, up from 0.3 percent the year before. For 2004, it is projected to increase to 6.6 percent of GDP, mostly foreign-financed. Thus, the shift in composition of expenditure, the absence of which was commented on in the 2003 JSA, has begun. Efforts to improve public expenditure management have resulted in modern budget-execution procedures. Progress in the production of monthly budget execution reports and in improving the government accounting framework is good, despite some delays.

III. Progress in Developing the Full PRSP

4. **The Report acknowledges that progress in the preparation of the full PRSP over the last year has once again been slower than programmed**, and attributes the delay to weaknesses in the institutional structure and financing problems: insufficient commitments as well as slow disbursements of already committed funds. These delays notwithstanding, the Report reaffirms its previous target of August 2005 for final delivery of the full PRSP, presenting a revised timetable. The DRC could then reach the completion point under the enhanced HIPC Initiative by the last quarter of 2006, assuming one year of effective implementation of the full PRSP.

5. **The staffs are of the view that the targeted date for the final PRSP remains feasible, despite the delays. Keeping to it, however, will require firm management and coordination, including full and effective use of external assistance** available for: (i) the institutional and management framework; (ii) the participatory consultations; (iii) the thematic and sector studies; (iv) the poverty surveys; and (v) the drafting and participatory validation of the final document.

6. **Strengthening the institutional and management framework.** The Report describes the strengthened institutional framework for preparation of the PRSP, with implementing decrees promulgated in December 2003. Unlike last year, the Government has clarified how the accelerated PRSP preparation will be managed from now on, and who will be responsible for ensuring that the revised timetable is respected. The staffs encourage the authorities to fully utilize the strengthened institutional and management framework.

7. **Participatory consultations.** The Report proposes a sound approach for participatory consultations in the 11 provinces of the country, which has been developed over the past year. It also includes a timetable for the process. Preparatory steps, such as the careful selection of the entities that will conduct the consultations and the recruitment of the facilitators, are now largely complete and the calendar to conduct the consultations is attainable, if ambitious. Further attention on creating the capacity for participatory monitoring and evaluation would be useful in the lead-up to the full PRSP.

8. **Role of thematic and sectoral groups.** Thematic and sectoral groups have a vital role to play in the production of a high-quality PRSP. The groups have met regularly and their deliberations have advanced significantly, a notable achievement given the delaying

effect of the conflict on some groups and sectors. However, the staffs believe that, as last year, the authorities must strengthen: (i) the preparation of a PRSP macroeconomic framework that builds on an in-depth assessment of the sources of pro-poor growth and costed medium-term sector strategies; and (ii) the costing of the strategies under preparation in key sectors, e.g. health, education, rural development, social protection of vulnerable groups, and infrastructure. The period for completion of the full PRSP should allow adequate time to determine priorities and develop well-costed medium term sector strategies. The staffs note that trade policy, and its potential poverty alleviating impact, should be covered by one of the thematic groups.

9. **Poverty surveys.** The staffs are satisfied that these are on track and being properly prepared with appropriate assistance from bilateral and multilateral partners. The time period allowed for the surveys is reasonable. The surveys in Kinshasa have already begun, and those in the provinces will be conducted in the second half of 2004. It is, however, unclear whether a thorough analysis of the surveys outside Kinshasa will be available in time for use in the full PRSP if the target for its completion by August 2005 is to be maintained.

10. **Drafting, validation, and dissemination of the PRSP.** The Report provides an adequate description of the different components of this part of the process. The timeline for producing a final draft (June–August 2005) is achievable if the write-up of each component can be kept to its original schedule. However, the calendar provides only limited time not only for producing a first full draft that compiles and synthesizes these studies, but also for conducting consultations on this draft throughout the entire country. This implies that there may be a trade-off between producing a high-quality PRSP and finalizing the process by the summer of 2005. **The staffs stress the importance of producing a high-quality PRSP, even if this implies a delay in its completion.**

11. **Funding the PRSP process through internal and external partnership.** Over the past year, substantial progress has been made in funding the PRSP process. Despite an increase in the budget from US\$5.8 million to US\$8.3 million in response to the costs imposed by national reunification and due to the enlargement of the national commission for PRSP implementation, the remaining financing gap is relatively small (US\$0.7 million). This gap should not interfere with the activities for the rest of 2004, **but the staffs encourage the authorities and donors to continue to address this issue. In case additional funding is delayed, the staffs suggest that the authorities develop an alternative scenario that would be less ambitious and costly but could more easily be completed within the existing timeframe without compromising the quality of the PRSP.**

12. **Risks.** We agree with the risks set forth in the Report, which could compromise the timely completion, as well as the quality, of the PRSP, namely, the risks of resurging violence, of a lack of coherence, of pre-electoral political pressures, and those associated with weak administrative capacity. A resurgence of violence in the east would effectively block the participatory process in that region. Also, in the period leading up to the elections in the second half of 2005, the PRSP process could be derailed if political pressures cause the authorities to compromise their hitherto effective coordination of economic and financial

policies. These risks will need to be addressed through very strong management at the highest levels of the transitional government, with the continued involvement of the international community. Although progress has continued toward reunification of the country, tensions in the east have increased, illustrated by fighting in a number of cities. Such tensions, which so far have been successfully dealt with, may recur, especially in the period leading up to the elections in the second half of 2005, and will test the strength of the government's unity and the support of the international community, as well as the good faith of neighboring countries. The forthcoming Regional Peace Conference for the Great Lakes Region in the fall of 2004 could be an important avenue to stabilize the situation and lead to better control of military expenditure in the region.

13. **Recommendation.** While progress toward preparation of the PRSP has been slower than programmed for the second successive year, institutional arrangements are now in place that would allow for accelerated progress. The staffs of IDA and the IMF consider that progress on the development of the full PRSP as evidenced by the PRSP Preparation Status report is satisfactory and provides a sound basis for continued access to Fund concessional assistance and IDA adjustment lending. The staffs recommend that the respective Executive Directors of the IDA and the IMF reach the same conclusion.