Congo Republic

Brazzaville

key figures

- Land area, thousands of km²: 342
- GDP per capita, $ PPP valuation (2006): 1,394
- Life expectancy (2006): 53.2
- Illiteracy rate (2006): 13.4
Congo Republic

[Map of Congo Republic with symbols for towns, roads, airports, etc.]
Despite an improved economic situation foreshadowing a brighter future, Congo is still suffering overall from the 1990s civil wars, whose devastating effects on the populations and infrastructures continue to weigh heavily on economic and social recovery. The social and political climate has nevertheless gradually tended towards normality, thanks to peace and national-reconciliation efforts, and to the continuation of the disarmament, demobilisation and reintegration (DDR) process of the 9,000 ex-combatants. Presidential, parliamentary, senatorial and local general elections were held between January and June 2002, making it possible to set up the new constitution's democratic institutions. The attack on a United Nations Development Programme (UNDP) convoy in the Pool region in April 2005 and rebel attacks on the main railway line from Brazzaville to Pointe-Noire show that the political and social situation remains explosive. Nonetheless, parliamentary elections are to be held in 2007 to complete the country's political normalisation.

Fuelled by the leap in world oil prices over the past few years and by an increase in oil production in 2005, Congo’s real GDP recorded strong growth, up from an average of 4 per cent in 2000-04 to nearly 7.7 per cent in 2005 and 6.8 per cent in 2006. The country’s overall economic activity has nonetheless remained vulnerable to external shocks because of its excessive dependence on oil.

Social and economic recovery is still inhibited by the effects of the 1990 civil war, but higher oil prices and growing production are aiding a fragile economic recovery.

![Figure 1 - Real GDP Growth and Per Capita GDP](http://dx.doi.org/10.1787/603045674464)

Source: IMF data; estimates (e) and projections (p) based on authors’ calculations.
Congo Republic

As one of the oldest oil-producing countries in Africa (also endowed with substantial natural and mineral resources), Congo is capable of mobilising additional resources from donors and private investors and of putting its economy on a sustainable growth track, provided that it extends its reforms. The high prices of oil and the upturn in non-oil production in 2006 contributed to an increase in the country’s tax revenues. Furthermore, the cancellation of bilateral debts decided by some of the Club of Paris creditors and the debt relief granted under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative will allow the country to settle part of its external arrears and have at its disposal additional resources for development.

In order to address the challenges specific to the post-conflict situation, and to broaden the foundations for economic growth and step it up, in September 2004 the government adopted an Interim Poverty Reduction Strategy Paper (I-PRSP) based on five pillars: i) consolidation of peace and promotion of good governance, ii) macroeconomic stabilisation and revival of key sectors, iii) access to basic social services and social welfare, iv) infrastructure development and v) reinforcement of the fight against HIV/AIDS. The medium-term reform programme (2004-07) underpinning I-PRSP implementation benefits from the support of the major donors, including: the International Monetary Fund (IMF), which approved a Poverty Reduction and Growth Facility (PRGF) for Congo in December 2004; the World Bank, through an Economic Recovery Credit; and the African Development Bank (AfDB), which approved a loan to support economic-reform programmes. These measures are aimed at attaining an average annual growth rate of 5.2 per cent in 2005-07 (with an average annual growth of non-oil GDP of 5.4 per cent); at containing the inflation rate at 2 per cent and at maintaining the current-account balance at an average of 3.3 per cent of GDP. The expenditure policy is structurally geared towards poverty reduction through an increase in the share of resources allocated to the priority I-PRSP sectors, i.e. education, basic health, the fight against HIV/AIDS, basic infrastructure, water, energy and agriculture. The government has pledged to devote the additional tax revenues generated by the rise in oil prices to increasing the share allocated to the priority I-PRSP sectors, in order to take this share from 20.6 per cent of total primary expenditures in 2004 to 30 per cent in 2007.

Recent Economic Developments

The Congolese economy suffers from a very high dependence on the oil sector – from which it still draws most of its export and tax revenues – and from very low diversification. Congolese oil comes mainly from offshore fields, whose operating costs are high compared with average costs world-wide, so that the gap between the price obtained and the world price can only decrease when the latter declines. The economy recorded a solid 7.7 per cent growth rate in 2005 and progressed by 6.8 per cent in 2006. The decline recorded in 2006 can be essentially attributed to the oil sector, which grew by only 9.6 per cent, as against 12.8 per cent in 2005; this was mainly due to a 9.3 per cent reduction in oil production at the end of June 2006 (5 455 000 tonnes, as against 6 017 342 tonnes at the end June 2005), despite the commissioning of the Mboundi field, which had contributed nearly 12.5 per cent to the growth in total output in 2005. If this downward trend were to be confirmed, it would have serious consequences for GDP growth, which would then amount to only 1.9 per cent in 2007. At the same time, exports recorded a leap of 9 per cent, to more than 6 million tonnes, as against 5.5 million tonnes in 2005, mainly owing to the end-of-year sale of stocks. The volumes of crude oil delivered to the Congolaise de raffinage (CORAF) oil refinery increased by 23.8 per cent over the same period. On the other hand, the average price of Congolese crude oil rose considerably, going from $28.9 per barrel in 2000-04 to $53 in 2005 and $69.6 in 2006, and bringing about a corresponding rise in oil revenues.

In the first half of 2006, exports declined by 11 per cent, whereas the production of gas remained stable compared to its 2005 level. However, in the area of oil-related activities, investments made by the Total, Eni and Zeta companies in the construction and maintenance work of oil facilities increased the turnover of this sub-sector by nearly 37.5 per cent.
The primary sector, which represents hardly 5 per cent of GDP, was particularly characterised by uneven activity in the fishing sub-sector: while there was an almost 24 per cent increase in the local production of fish at the end of June 2006, shrimp production declined by 18.7 per cent compared with 2005. Forestry, the second major primary sub-sector, showed an annual growth of 15 per cent for four years running, after an even stronger progression in 2002. This growth could continue for a few more years because production (1.5 million m³, all species included) is below the potential of 2 million m³ that is compatible with international regeneration standards for forest ecosystems. In the area of wood-processing (sawn timber, veneer and plywood), the new forest law which came into force in January 2005 made it an obligation for operators to process on-site 85 per cent of the logs produced. The law also introduced a surcharge for companies not complying with this ratio. Measures have also been taken: for the implementation of mandatory management plans for all forests and buffer zones; for greater co-ordination between the ministries of forests and of finance to improve the setting, collection and transfer of taxes due by this sector to the public treasury; for improvements in forest tax schemes and in the terms covering the social-responsibility of operators in the sector; and for greater transparency in the granting of forest permits.

The secondary sector generates almost two-thirds of GDP. It is dominated by the extractive industries, mainly oil and gas (nearly 2 307 billion CFA francs, as against 1 389.5 in 2004). The backbone of manufacturing activity (excluding refining and wood processing) is made up of food and miscellaneous industries, chemical industries, and metals and steelwork; in 2005, turnover progressed by 19 and 13.8 per cent, respectively, for the first two, and declined by 1.6 per cent for the third. Turnover in the construction sector grew by 16.2 per cent in the first half of 2006 compared with the same period in 2005 thanks to the resumption of a number of public works and to the completion of civil-engineering works commissioned by oil companies. Despite the deterioration of its electricity-generation facilities as a consequence of the war, the electricity sub-sector experienced an increase in energy consumption of 4.6 per cent in 2006, owing to better management of supply by the national electricity utility (SNE), which is attempting to generalise the installation of electricity-supply meters so as to improve the fight against illegal connections and fraud. However, the sub-sector does not generate enough electricity to meet demand, and the country remains dependent on supplies from neighbouring Democratic Republic of Congo for nearly half of its needs.

The services sector, which represents more than 20 per cent of GDP, also contributed to growth, although moderately (0.7 per cent), mostly in trade, restaurants and hotels. The modern branch of trade has however suffered from competition from the informal sector and also, despite rehabilitation work on the infrastructure of the Congo-Ocean Railway (COR), from problems in supplying Brazzaville by rail from Pointe-Noire. The other services sub-sectors, such as
transport and telecommunications, also took an upward turn in 2005 (0.4 per cent), especially for the telecommunications sub-sector, where the extension of the telecommunications networks (particularly for mobile telephony) contributed to growth.

Growth was sustained in 2005 by the increase in net domestic demand, with private and public consumption rising from 1 114.6 billion CFA francs in 2004 to 1 238.1 billion in 2006. Private investments, especially in the oil sector where they progressed by nearly 36 per cent in 2005 (536.5 billion CFA francs, as against 395.3 billion in 2004), were a good growth vector; however, public investments showed relative stagnation. Although oil investments contributed to the rise in imports of goods and services, GDP growth was supported by strong external demand, with exports of goods and services recording a total of 2 742.5 billion CFA francs in 2005, as against 1 938.2 billion in 2004.

**Macroeconomic Policies**

**Fiscal Policy**

The state’s fiscal policy remains the main lever in the fight against poverty, but the authorities’ compliance with the standards adopted by the Economic and Monetary Community of Central Africa (CEMAC) for fiscal management, convergence indicators and mutual monitoring sometimes falls short of requirements.

In 2005, fiscal revenues increased by 67 per cent compared with 2004, up from 746 billion CFA francs to 1 245.7 billion in 2005; this figure includes 1 047.6 billion in oil proceeds, i.e. a 97.5 per cent increase from 2004, owing to a 12.5 per cent rise in oil production and to world prices for Congolese crude oil. Non-oil receipts, which increased by only 6 per cent, nevertheless benefited from improved VAT (Value Added Tax) and company tax collection. Other revenues turned out to be lower than predicted because of a decline in customs revenues due to the customs-duty exemptions granted on oil sector and public-enterprise imports.

Thanks to relatively cost-restrictive management, public expenditures increased moderately, up from 656 billion CFA francs in 2004 to 746 billion in 2005. As a percentage of GDP, current expenditures were 18.3 per cent in 2005 due to continued budgetary support to the CORAF oil refinery, as well as to a 5.8 per cent increase in wages and a 21.7 per cent rise in expenditures on goods and services. Subsidies and transfers to the poor also increased by 26 per cent, but primary expenditures on the fight against poverty rose by only 0.5 per cent, to 4.9 per cent of GDP. Investment expenditures increased by 25 per cent. This expenditure-containment policy resulted in a primary surplus.

Table 1 - Demand Composition (percentage of GDP)

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<thead>
<tr>
<th>Percentage of GDP</th>
<th>Percentage changes, volume</th>
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<tr>
<td>(current prices)</td>
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<tr>
<td>Gross capital formation</td>
<td>26.7</td>
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<tr>
<td>Public</td>
<td>4.7</td>
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<tr>
<td>Private</td>
<td>21.9</td>
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<tr>
<td>Consumption</td>
<td>69.7</td>
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<tr>
<td>Public</td>
<td>24.2</td>
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<tr>
<td>Private</td>
<td>45.5</td>
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<tr>
<td>External sector</td>
<td>3.6</td>
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<tr>
<td>Exports</td>
<td>78.3</td>
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<tr>
<td>Imports</td>
<td>-72.6</td>
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Source: Directorate General of the Economy data; estimates (e) and projections (p) based on authors’ calculations.

http://dx.doi.org/10.1787/081640884701
amoung to 20.9 per cent of GDP, but the improvement is mainly due to the oil sector, which still largely dominates public resources and exposes them to unforeseeable external shocks. The overall balance on a commitment basis also showed a surplus, of 500.1 billion CFA francs (15.9 per cent of GDP), as against 89.5 billion in 2004 (3.9 per cent of GDP). This significant fiscal surplus generated some inflationary tensions, even although inflation was limited to 2.5 per cent. Oil price subsidies, which were close to 1.5 per cent of GDP in 2005, were brought down to 0.5 per cent in 2006, and they are expected to be abolished in 2007.

In 2006, revenues generally performed very well (1 870.5 billion CFA francs, as against 1 245.7 in 2005), with the exception of customs revenues, which balanced out at 2 billion CFA francs less than projections. Expenditures, on the other hand, largely exceeded projections, going up from 746 to 984 billion CFA francs in 2006, and therefore, following a review of public finances in October 2006, the IMF took the decision to freeze the third tranche of the PRGF for failure to comply with budget-restriction measures. The IMF has set conditions for the resumption of the Facility in 2007: this will depend on Congo’s application of ten measures relating to high and low limits for public-finance expenditures. The reasons for this uncontrolled slippage were related to: i) the security precautions taken by the state to face the risk of population inflows from the Democratic Republic of Congo, where tense presidential elections were being held; ii) the election of President Denis Sassou Nguesso at the head of the African Union for a year, which resulted in off-budget expenditure assumed by the Congolese treasury; and iii) the quasi-doubling of the investment budget, which had initially been estimated at 185 billion CFA francs, including 150 billion from internal resources. Moreover, donors are showing reluctance to disburse their share and are waiting for the conclusion of talks on the trade debt with the London Club – a necessary stage in reaching the decision point of the HIPC Initiative); the Paris Club has meanwhile already cancelled nearly 25 per cent of the external debt.

In 2007 and 2008, the country manifested its intention to use part of the oil-reserve fund for advance payment of the costly debts guaranteed by oil receipts and to increase expenditures aimed at achieving the Millennium Development Goals (MDGs). In addition, in order to improve the control and auditing of expenditures, a new law for government purchasing was presented to parliament in late 2006, and a functional classification of expenditure will be put in place in the course of 2007.

Monetary Policy

Congo belongs to the CFA franc zone and to the CEMAC: this means that monetary policy remains subject to regulation by the Bank of Central African
States (BEAC), which oversees the stability of prices and of the exchange rate. Monetary evolution in 2005 was marked by a decline in net domestic credit. The country's money supply nevertheless progressed at the same pace as that of non-oil GDP growth and most of the exceptional revenues in foreign currency were sterilised through BEAC deposits. The rate of foreign-exchange coverage of domestic currency settled in 2005 at 71.7 per cent, as against 29.3 per cent in 2004, placing it largely above the statutory minimum of 20 per cent.

As a result of the increase in world prices of crude oil, of the growth of the volumes of crude oil exports and of the repatriation of the state's oil revenues, the country's net external position improved substantially, increasing from 58.3 billion CFA francs at the end of December 2004 to 466.1 billion at the end of 2005. Moreover, Congo benefited from debt relief amounting to nearly 94.9 billion CFA francs under the second tranche of the PRGF.

Domestic credit, which had slightly increased in 2004, fell in 2005, particularly with respect to credits to the state, indicating that the government resorted more to public-treasurys savings and the central bank in order to finance its needs. In addition, the state's outstanding debts to the banking sector recorded a net drop, falling from 185.1 billion CFA francs to -59.6 billion at the end of 2005, thanks to the combined effect of a better control of public expenditure and the escalation of oil revenues. Hence the state's net position moved from 188.8 billion CFA francs in debt in 2004, to 61.3 billion in credit at the end of 2005.

On the other hand, credits to the economy grew slightly as a percentage of the broad money supply at the beginning of the period (1.3 per cent, as against 0.3 per cent in 2004); this increase was driven by renewed activity in construction, telecommunications and energy, despite the banking sector's reluctance to grant credits to enterprises (especially public enterprises) because of the large share of non-productive loans in its portfolio. The real exchange rate, which remained 14 per cent lower than its level prior to the 1994 devaluation, depreciated only slightly in 2005 because of the relatively low inflation rates in 2005 (2.5 per cent) and 2006 (3.7 per cent).

External Position

In 2005, Congolese exports continued to be dominated by oil exports (2 298 billion CFA francs), representing more than 85 per cent of total exports. Driven by the imports of goods and services in the private sector, particularly the oil sector, total imports also increased appreciably (1 580.6 billion CFA francs, as against 1 314.5 billion in 2004). The strong growth of export income resulted in a surplus on the current account in 2005 amounting to 8.3 per cent of GDP. This favourable evolution is due to the quasi-doubling of the surplus, in nominal terms, on the balance of current transactions, which came to 1 161.9 billion CFA francs in 2005 as a result of the improvement in the terms of trade and of the hikes in the world prices of oil, logs and timber. This positive situation made it possible to improve the country's gross currency reserves, which rose to 7.3 months of imports in 2005.

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<th>Table 3 - Current Account (percentage of GDP)</th>
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<td>1998</td>
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<tr>
<td>Trade balance</td>
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<td>Exports of goods (f.o.b.)</td>
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<td>Imports of goods (f.o.b.)</td>
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<td>Services</td>
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<td>Factor income</td>
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<td>Current transfers</td>
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<td>Current account balance</td>
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Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

http://dx.doi.org/10.1787/003371771264
The services deficit grew in 2005, reaching 835 billion CFA francs, as against 433.1 billion in 2004, as an effect of the rise in transport and insurance expenditures. The factor-income balance also declined, falling from a 501.1 billion CFA franc deficit recorded in 2004 to a 612.9 billion deficit in 2005, owing to the increase in transfers of profits by the oil companies.

The country remains highly indebted, with a total debt stock evaluated at 3 512.4 billion CFA francs at the end of 2005. Nonetheless, the government has made significant efforts to reduce the debt, which amounted to 4 322.4 billion CFA francs in 2000. The ratios of debt-service to exports and to budget receipts were thus brought down from 17.4 and 41.5 per cent in 2004, to 15.8 and 33 per cent in 2005, respectively. The ratio of debt stock to GDP fell from 160.6 per cent in 2004 to 111.0 per cent in 2005, but still remains far from the 70 per cent criterion decided by the financial community. The state's overall financing needs reached 125.0 billion CFA francs in 2005, taking account of: the payment of domestic and external arrears (69.7 billion CFA francs); the amortisation of the external debt (298.5 billion); the reinstatement of the state's position in relation to the banking system (250.1 billion); and the withdrawal from the non-banking sector (38 billion). Those needs were covered by the mobilisation of external resources amounting to 5.9 billion in project grants, 10.4 billion in project loans, 13.9 billion in treasury loans and 94.9 billion in debt relief.

**Structural Issues**

**Recent Developments**

The programme for public-sector reform and privatisation which was started in 1994 has suffered greatly from the successive wars in Congo over the past ten years. The programme was reactivated in 1998 with technical support from donors, but has developed under difficult political and economic conditions.

In terms of the objectives of the privatisation programme, achievements remain marginal. Out of
six enterprises earmarked for privatisation in the first part of the programme, only Hydrocongo (fuel distribution and marketing) has in fact been privatised; the process is ongoing for the other five, but some of these need first to be brought up to standard. Concerning the second part, the MAB (livestock feed mill), two hotels (Palm Beach and Méridien) and three banks have been privatised. In some cases, privatisation is quite problematic because of socially-deteriorated situations in a number of public enterprises, such as the national postal services and telecommunications bureau (ONPT) or the autonomous Brazzaville port authority. This has led the World Bank to cancel the International Development Association (IDA) credit initially granted for the implementation of the privatisation programme and to limit its aid to following up the implementation process of the concessioning of the COR.

In the water and electricity sector, the calls for bids in 2002 for the concessioning of the national electricity utility (SNE) and of the national water utility (SNDE) were unproductive, despite the decree granting a temporary concession of the SNDE to the British company Biwater, which was later rescinded because of the substantial investments needed to bring the infrastructure up to standard, as demanded firstly by the partners. The World Bank and the government therefore decided, through the IDA’s Transitional Support Strategy, to include the entire privatisation process of the SNE and the SNDE in infrastructure rehabilitation under the project for the rehabilitation of the water and energy infrastructure (PRIIE). The cost of the water programme is estimated at 9 billion CFA francs, 10 per cent of which is to be covered by the government, while the cost of the electricity programme amounts to $25 million, to be entirely financed by the IDA. To improve the SNE’s financial situation, a programme to install 50,000 electricity meters began in 2005 and 2006, and the pricing structure will be reviewed in 2007.

Other large public enterprises, such as the harbours of the former Congolese transport agency, ATC, are being restructured and the related studies are being financed by the French Development Agency (AFD) with the surplus balance of the 1994 structural adjustment plan (PAS). Also, the by-laws of the autonomous Pointe-Noire port authority were modified and a priority investment programme was drawn up; financing for this amounting to 35 billion CFA francs will be provided by the European Investment Bank, the AFD and the Development Bank of Central African States. For the autonomous Brazzaville port authority and the secondary ports, a benchmark business plan was drawn up to increase their performance; however, the financing of the rehabilitation programme has not yet been completed. Following a call for bids, the Golliard company has been declared successful tenderer for the potential purchase of the shipyard. For the concession of river transport, the single bid from the enterprise NBTC (Niger-Benue Transport Company) is still being examined. After an unsuccessful call for financial bids for the privatisation of the COR, the government opted for direct negotiations with SHELTM-MVELA, a consortium that submitted the financial parameters for the concession in 2004 and is waiting for the authorities’ decision. Finally, decisions will have to be made to finalise the liquidation/privatisation of the LINA CONGO airline company; negotiations are also in progress with an Italian company for the concessioning of the Sangha Palm palm groves (palm oil). In the telecommunications sector, the authorities have yet to define the final privatisation scheme (total or partial transfer of the public assets) for the Congolese telecommunications company (SOTELCO), for which the state has financed an organisational audit. As regards the Congolese postal-services and savings enterprise (SOPECO), which remains public, the government has financed a study to establish SOPECO’s opening-balance sheet and ONPT’s closing balance sheet.

In a context of a downward trend in oil production, a thorough institutional reform of the oil sector was undertaken in 2005: this reform had become essential for a sector that generates important resources for the country. The purpose of the reform was to allow the state to allocate oil revenues to the country’s development with greater efficiency and transparency. The reform began in 2005 with the adoption of a strategy aimed at refocusing the activities of Congo’s
national oil company, the SNPC, on its basic business concerns, and this resulted in the liquidation of two of SNPC’s subsidiaries in 2005. The reform continued into 2006, mainly addressing the organisation and management of the SNPC, which markets nearly two-thirds of the state’s share of oil (profit oil), controls 40 per cent of the state’s total oil income, and supervises the oil sector and the budget flows on its behalf. With the backing of AfDB, IDA and IMF, the state also undertook: i) to review the SNCP’s accounting and internal-control systems by providing the external auditor, KPMG (Klynveld Peat Marwick Goerdeler), with the necessary documentation to enable it to certify the oil receipts and to guarantee that the revenues due to the state by the SNPC, by its customers and by its private-sector partners were in fact transferred to the public treasury; ii) to review how the SNPC markets oil products, with the aim of matching best international practices and ensuring a profitable price for the country; and iii) to eliminate any conflict of interests through the enactment of legislation, to be certified by the national anticorruption commission, that requires that, while they exercise their position, SNPC management executives withdraw from any form of participation or investment in subsidiaries of the company or in companies doing business with it. Finally, an internal auditing committee was recently set up to monitor the implementation of the accounting, auditing and internal control procedures and to supervise the application of the SNPC auditing recommendations. The state has also recently decided to impose the systematic recourse to competitive calls for tenders for all contracts for the execution of works and for purchases of goods-and-services when these exceed 20 million CFA francs.

Basic economic infrastructures (which directly affect the living conditions of the population) and collective infrastructures are very poorly developed and, moreover, in a state of great disrepair. For example, the road network, totalling 17,300 kilometres, only about 1,235 kilometres of which are asphalt, has deteriorated and suffers from lack of maintenance. The rural earth roads, which are needed for distributing rural products, are for the most part impassable, and hence contribute to the sharp decline in the population’s purchasing power and to the amplification of poverty. The Congolese railway network (795 kilometres) has experienced a considerable decline in traffic due in part to the very run-down state of its equipment and to insecurity on its lines. This state of disrepair applies equally to the port, maritime and river facilities. Air transport, which is very little developed and is centred on the two main international airports, Brazzaville and Pointe-Noire, remains to be developed in order to face sub-regional competition efficiently. Most of the secondary airports, which could have offered possibilities for servicing populations situated in remote areas, are in disrepair and pose problems of flight security.

The development of the private sector is encountering enormous difficulties, and the regulations that govern its operations are considered obsolete insofar as the needs of a modern, competitive economy are concerned. According to the World Bank’s Doing Business 2006 report, Congo’s business climate possesses significant deficiencies, particularly in what the report refers to as the “Ease of”: paying taxes, where Congo is ranked 170 out of 171 worldwide; trading across borders, for which procedures are particularly laborious (rank 166); registering property (rank 163); and enforcing contracts (rank 155).

The banking and financial system is ineffective and incapable of satisfying the demand for credit, because of its low human and financial resource capacities, or else the unsuitability of the products offered to customers. Nonetheless, in order to inject dynamism into this sector (especially the almost embryonic financial market), some significant restructuring and privatisation efforts have been made during the past few years, with the privatisation of the COFIPA investment bank and the planned creation in 2006 of a bank for the housing sector, the Banque de l’Habitat, with majority Tunisian capital. Investment on the whole remains limited, and business credit is low and practically inexistent for poor populations, who are forced to resort to (recent and little-developed) microfinance structures.

In the domain of agriculture and natural-resource and environmental management, efforts have been made to energise forestry and preserve forest potential through better management of the sector. Forest law
Congo Republic

is aiming at a more efficient rotation system for logging cutting and processing, in order to improve the exploitation and rational regeneration of this resource. In the mining sector, the controls necessary for putting the country back into the Kimberley Process for diamonds have been set up.

**Access to Drinking Water and Sanitation**

Congo is rich in water resources, its rainfall is abundant and the drainage network consists of the Congo and Kouilou-Niari River basins. However, some regions, especially the table-land region and the northern suburban area of Brazzaville, depend on scarce underground resources for their water supply. Surface and underground water, although easily collected, remains very vulnerable, because it is exposed to the natural hazards inherent to heavy rainfall (floods, serious erosion, etc.) and to anthropogenic pollution, due mostly to the fact that surface water is used for the evacuation of various kinds of waste.

The SNDE is in charge of drinking-water distribution, but it serves no more than 18 urban water-supply centres, 3 of which are no longer operational. Moreover, this utility company sells only 54 per cent of the volume of water produced (39 million m³) and its technical and commercial situation has continued to deteriorate since 2004. In Brazzaville for example, it appears that only half of the subscribers are invoiced regularly, on a flat-fee basis, because the water meters have disappeared; also, only 68 per cent of water samples meet the quality standards.

An act voted in February 2003 aims to transfer jurisdiction to local authorities; which will then have important responsibilities in the field of water, but the overall paucity of their human, material and financial resources is a major obstacle to this transfer. The private sector is a stakeholder in water-resource management, but it is still in an embryonic stage (research offices, construction and service enterprises).

According to the Congolese household survey for the evaluation of poverty (ECOM) of 2005, the coverage rates for drinking water and sanitation as defined by the MDGs indicate that 68 per cent of households have access to drinking water on the national level, 52 per cent of these being in semi-urban areas and (depending on sources) 15 to 28 per cent in rural areas. Only 19 per cent of households – none of which are in rural or semi-urban areas – have access to sanitation, and only 6 per cent have modern latrines (Pointe-Noire has the best level of equipment, at 13.5 per cent). In Brazzaville, a conurbation of more than one million inhabitants, it is estimated that only 30 per cent of households have direct access to a water-supply point. The rest of the population obtains its supply through informal means (neighbours, water carriers or traditional sources). This situation is likely to deteriorate: the SNDE is finding it hard to ensure the maintenance of the network because 50 per cent of users with operational connections do not pay their water bills.

Contrary to the findings of the 2005 ECOM survey, which argued that “access to drinking water is far from being problematic” in Congo, it is important to underline the disparities in conditions of access to basic services, especially as the lack of data on these conditions of access makes it impossible to establish an exhaustive inventory. The supply level in rural areas hence remains very low, and high geographical disparities persist. For example, 48 per cent of villages are equipped with water points in the Lékoumou region, whereas the rate in the departments of Kouilou and Likouala is under 5 per cent. In urban areas, estimation of the servicing rate is imprecise because it relies on the number of connections and not on the number of active subscribers. Besides, no distinction has been made between household consumption and the consumption of public subscribers, large estates, industries and businesses. Analysis of the supply conditions in urban areas shows that the real servicing rate, in terms of individual connections, is deteriorating and probably only amounts to 15 per cent at the present time.

Concerning cleansing and sanitation, only the capital city has a household-refuse disposal service, but this benefits only 41 per cent of the households – when refuse is removed regularly, which is far from being the case. Since there is no sewerage network, most industries, hotels, health centres and shopping centres
use their own facilities. Sludge and waste-water flow into the river and its affluents, and there is no quality control of the waste. Various studies which have been conducted on faeces-management practices, particularly in Brazzaville, reveal that the population is exposed to major faecal danger. The sanitation blueprint for Brazzaville needs to be updated to take into account the evolution of the city’s urbanisation. Resources need to be mobilised to finance gutter-cleaning at least once every five years.

Moreover, as the insufficiency of transfer sites and landfills induces the population to use rainwater drainage channels, it will be necessary to install two transfer sites per precinct and three final-disposal landfills (at the north, west and east of the city). The under-equipment of the agents involved, especially in terms of vehicles and loaders for disposing waste in final-disposal landfills, also constitutes a problem. It will also be necessary to establish sanitation blueprints for all municipalities and to reinforce the application of waste-management regulations. Furthermore, in order to draw up local waste-management plans, it will be necessary to make an inventory in each municipality of the quantities of waste, waste-water and faeces produced.

The objectives announced in December 2005 by the Minister of Energy and Hydraulics (MEH) for drinking-water supply aim at servicing the country’s 10 department capitals, at increasing the coverage rate in rural areas to 75 per cent by 2015, and at servicing the 86 district capitals and all urban centres of more than 5,000 inhabitants; however, the implementation strategy for attaining these objectives has yet to be defined.

In December 2005, a roadmap for the promotion of an integrated management of water resources was adopted. This act includes the water law adopted in April 2003, but for which there have been no application decrees as of yet; it provides specifically for the establishment of new management bodies for the sector, such as a consultative water council, a national agency for rural hydraulics, a regulatory agency for the water sector and a development fund for the water and energy sector; it also provides for the delegation of drinking-water supply in the form of concession, contracting or local authority, to one or several legal bodies under private law. On the other hand, the institutional framework for sanitation is lacking in clarity, with responsibilities scattered amongst the ministries responsible for the environment, for hydraulics, for health and for public works. Since budget classification does not explicitly mention sanitation, national efforts in this domain are difficult to evaluate.

The institutional framework for the development of the sanitation sector has yet to be defined and no investment is planned in this domain. The authorities should, therefore, either set up a single authority in charge of sanitation (waste-water, faeces, rainwater, solid waste), or else redistribute government tasks more effectively. Analysis of the strategic memo for the water and sanitation sector prepared in the framework of the PRSP reveals the absence of an appropriate strategy for the development of the sector and for improved access to these services by the most underprivileged populations.

Civil society is also organising its participation in the development of the water, sanitation and hygiene sectors; its actions specifically include: the regional centre for low-cost drinking water and sanitation (CREPA); the citizens’ dialogue programme (mobilisation of more than 100 local organisations to draw up an “advocacy for access to drinking water” document); and the mobilisation of local organisations by the Research and Technological Exchange Group (GRET) for the implementation of alternative drinking-water services in suburban areas. The citizens’ dialogue programme was launched in September 2004 in the framework of a partnership between the Forum des jeunes entreprises (“young enterprises forum”, one of the largest NGOs in Congo) and a French NGO, the French Committee for International Solidarity. This five-year programme benefits from financial support from the French Ministry of Foreign Affairs. Also, the Global Water Partnership (GWP) aims to set up national water partnerships whose role will be to support the government in preparing and implementing an action plan for the integrated management of water resources.
The roadmap accepted in December 2005 proposes that the consultative water council planned under the water law should constitute GWP’s national dialogue platform. The French Ministry of Foreign Affairs is providing financial support to the GWP regional co-ordination initiative for Central Africa.

The state’s investment budget in the water sector planned for 2006 amounts to 9 billion CFA francs, which is less than 15 per cent of the total investment budget of the Ministry of Energy and Hydraulics; moreover, experience has shown that this budget is often executed at no more than 30 per cent of initial projections. The strategic memo for the water and sanitation sector drafted for finalising the PRSP sets out the list of priority investments proposed in the framework of the poverty-reduction strategy without any mention of the expected impact. The investments necessary for achieving the MDGs relating to drinking water and sanitation (faeces and waste-water management) would amount to an average of 22 billion CFA francs per year over the next ten years.

Many multilateral and bilateral co-operation programmes have been cancelled following the country’s turmoil since 1997. The World Bank froze its commitment in the financing of the PRIE, while the AFD, without co-ordinating with the World Bank, is considering gearing its support exclusively towards developing the supply of water in peri-urban districts from boreholes. The UNDP is highly involved in the sanitation sector, and the AfDB, through the African Water Facility, is preparing to provide institutional support to the country by drawing up a national document on water policy and by making an inventory of resources and needs.

The current organisation of the water sector and its place in government priorities make the ambitions announced in December 2005 by the MEH unrealistic. To improve the state’s vision of the sector and make it a higher priority, the authorities require drawing up a more realistic short-term action plan that would benefit poor populations more quickly. An action plan of this kind would no doubt lead to better mobilisation of the international partners and, above all, provide a clearer definition of the roles of the different players at national level, as well as of the assets they possess and the actions they can undertake.

**Political Context and Human Resources Development**

In 2006, the political context was marked by an appeasement approach on the part of the authorities, who allowed an important opposition leader to return from exile; they also plan to organise parliamentary elections open to all political tendencies in 2007.

Unemployment is higher amongst women (20.6 per cent) than men (18.1 per cent) in all economic strata. The adult literacy rate is 80.4 per cent, which is a good performance for a country of sub-Saharan Africa, where the average is below 50 per cent, but there is a big gender gap in this figure, amongst both the poor and the non-poor: amongst the poor, the rates are 86.3 and 68.2 per cent for men and women, respectively, and amongst the non-poor, 91.7 and 76.6 per cent, respectively.

The net school enrolment rate is 86.8 per cent, which is considerable compared with the sub-Saharan average, but the figure is a flimsy mask pulled over the mediocre quality of the system with regard to the age/level standard. These results are partly the consequence of the social and political instability the country has experienced since the 1990s, since there are now catch-up effects. In secondary schooling, the gross enrolment rate is estimated at 65.3 per cent and the net rate at 44.4 per cent. In higher learning, the gross and net enrolment rates are 10.1 and 2.3 per cent, respectively. The drop-out rate is relatively low for both primary and secondary schools, but is about three times higher in the upper secondary school (7.5 per cent). For both primary and secondary schools, the non-poor benefit from better access in every region of the country. From the point of view of residence, the rate of access to schools is higher in urban areas than in rural areas, irrespective of the schooling level or the poverty level of the households. The cost of access to school is, however, high for all social strata.
According to data from the Demographic and Health Survey which was conducted in 2005 (DHS 2005) with the support of the IDA and the United Nations Children’s Fund (UNICEF) and used in finalising the PRSP, the infant mortality rate was estimated at 75 deaths per thousand live births, while the child mortality rate was 44 per thousand. Overall, the infant-child mortality rate is 117 per thousand, which means that one child out of ten in Congo dies before the age of five. The mortality rate is distinctly higher in the countryside (136 per thousand, as against 108 in cities). In a per region analysis, the rate varies from 102 per thousand in Pointe-Noire to 142 per thousand in the north. For the same period, the maternal mortality rate is 781 deaths per 100,000 births.

The average coverage rate for children aged from 12 to 23 months for complete vaccination against the target diseases of the Extended Vaccination Programme is 52 per cent, but this rate is distinctly lower in rural areas (41 per cent) than in urban areas (64 per cent). This disparity is even greater between the regions of the north (33 per cent) and the Brazzaville/Pointe-Noire zone (64 per cent). The survey found that the vaccination rate increases in proportion to the mother’s education level and also in proportion to household income and standard of living (29 per cent of children in the poorest quintile vaccinated, as against 73 per cent in the richest quintile).

HIV/AIDS prevalence was estimated by the Joint United Nations Programme on HIV/AIDS at 5.3 per cent in 2006. As early as 1985, the setting-up of a scientific committee for the diagnosis and fight against HIV infection constituted the first stage of an overall countering strategy. In 1987, a national programme for fighting the disease reinforced this first stage and made it possible to implement a short-term emergency plan, followed by two medium-term plans (1989-91 and 1996-98) financed by the World Health Organization.

With respect to the poverty profile, the PRSP preparation process necessitated the completion of the ECOM survey on the living conditions of households (the first survey of its kind to be conducted on a national scale in Congo), which was jointly funded by the government, the World Bank and the UNDP. This survey showed that the social situation is marked by an incidence of poverty reaching almost 50.1 per cent and is characterised by the insufficiency of health services, sanitation and basic education (with falling enrolment school success rates), and by a high prevalence of HIV/AIDS. The various results revealed that poverty in Congo is characterised by monetary poverty, affecting 42.3 per cent of households, or 1,779,300 persons in all. Poor households are found most often in peri-urban and rural areas, as well as in Brazzaville. The average age of poor household heads is 48 (47 for men and 50 for women).

Households headed by women comprise relatively more poor persons than those headed by men, and large-sized households are the most affected. The poor can be distinguished from the non-poor by level of education, with the poverty rate declining as the level of education rises; this shows that the poor usually drop out of the education system earlier and only rarely go beyond the primary-education level because of the relatively high cost of school. Hence, a greater proportion of illiterate individuals of 15 years and over is found amongst the poor. The survey also revealed that the non-working population is the population category most exposed to poverty. In the working-population group, household heads working in the agriculture, construction, mining and manufacturing sectors are the ones most frequently facing difficult living conditions. This situation is aggravated when they work in the informal sector.

The survey showed that, bearing in mind the causes of poverty identified by the households themselves, the priorities of government action should be mainly directed towards structural investments (employment, school and health infrastructures, roads, water points, etc.). In fact, the survey revealed that 97 per cent of the poor attribute their poverty to their lack of work, 47 per cent to the absence of transport and travel infrastructures, and 41 per cent to the lack of care and medicine. Hopes were also expressed that the state would: increase the number of primary-school classes and/or primary schools in urban areas in order to solve the problem of extremely over-crowded classrooms;
encourage poor parents to keep their children longer at school by offering better education; reduce the cost of education services; and improve teachers' working conditions and training. In the area of health, households hoped that the state would: reinforce prevention against the principal endemic diseases, especially in poorer social categories; raise public awareness about the dangers of self-medication, which is a very widespread household practice, especially in non-poor households; reinforce awareness campaigns in the area of family planning, especially in rural areas; expand public health infrastructures and bring them closer to residential areas, especially in rural areas; and re-examine, harmonise and reduce the cost of health services. The survey also highlighted the need to promote and develop activities and employment in the agricultural sector and in sectors where natural resources are abundant and under-exploited, such as fishery, hydraulics, and mining. Special interest should also be given to the situation of women in urban and rural areas so as to guarantee them sustainable means of existence.

The labour market in Congo is characterised by a national unemployment rate of nearly 19.4 per cent. This is higher in Brazzaville and in Pointe-Noire, where it is estimated at 32.6 per cent and 31.5 per cent, respectively, while it is distinctly lower in the rural areas (5.8 per cent). The activity rate of persons of 15 years and over was estimated at 69.4 per cent in 2005. The rate is higher in rural areas that in urban areas (93.8 per cent, as against 81.4 per cent) because employment there is less formal and therefore more flexible. More than half (56 per cent) of the working population aged 15 years and over have a job, and the majority live on agriculture (35.6 per cent) or trade (20.7 per cent). The proportion of persons employed in industry is relatively low (16.3 per cent). For men, 57.7 per cent are in employment, as against 54.5 per cent for women. The employment situation is preoccupying, because most of the occupied working population (70 per cent) is self-employed and 75 per cent are considered poor.