

DEMOCRATIC
REPUBLIC OF THE CONGO



Country Assistance Framework (CAF)

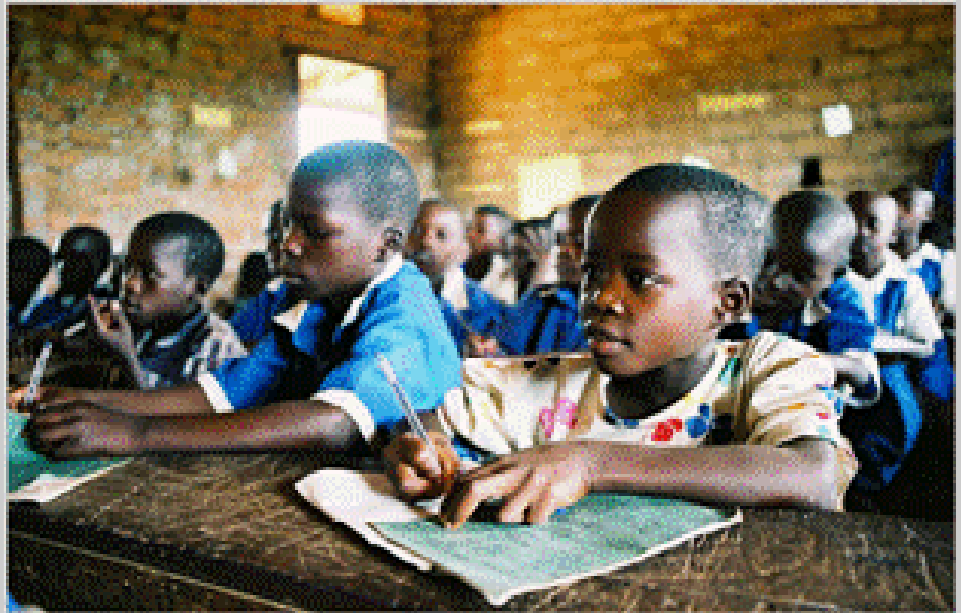


Photo: MONUC

—“a new deal that brings security, jobs and services to the Congolese people”—

TABLE OF CONTENTS

| | |
|--|----|
| ACRONYMS AND ABBREVIATIONS | 4 |
| THE COUNTRY ASSISTANCE FRAMEWORK PROCESS | 6 |
| Country Context | 8 |
| A. Political Background | 8 |
| B. Economic Background | 10 |
| C. Social Background | 12 |
| Key Challenges and Medium-Term Prospects | 14 |
| A. Country Vision and Poverty Reduction Strategy Paper | 14 |
| B. Review of the PRSP Pillars | 15 |
| C. Medium-Term Macro-Economic Outlook | 22 |
| Managing Risks | 23 |
| A. Overall Approach | 23 |
| B. Seven Key Risks and the Corresponding Risk Management Strategies | 23 |
| C. Conclusion | 27 |
| ANNEX I: | |
| SUPPORTING THE GOVERNMENT’S GOVERNANCE CONTRACT | 28 |
| I. Overview | 28 |
| A. Background | 28 |
| B. Cross-Cutting Concerns | 28 |
| II. Objectives | 29 |
| A. Security Sector Reform | 29 |
| B. Enhancing Transparency | 32 |
| C. Strengthening Public Financial Management | 33 |
| D. Management of Natural Resources | 34 |
| E. Public Administration and Civil Service Reform | 34 |
| F. Local Governance and Decentralization | 35 |
| G. Investment Climate and Public Enterprise Reform | 36 |
| ANNEX II: | |
| SUPPORTING HIGH, SHARED, AND SUSTAINABLE GROWTH | 38 |
| I. Overview | 38 |
| A. Background | 38 |
| B. Strategic Objective | 38 |
| C. Overall Approach | 39 |
| D. Macroeconomic Framework and Assistance Needs | 40 |
| II. Key Transversal Constraints and Priorities | 41 |
| A. Transport | 41 |
| B. Business Environment | 41 |
| III. Sources of Growth and Specific Priorities for External Support | 42 |
| A. Agriculture | 42 |
| B. Mining | 44 |
| C. Industry and Services | 48 |

| | |
|---|-----|
| ANNEX III: | |
| IMPROVING ACCESS TO BASIC SOCIAL SERVICES AND REDUCING VULNERABILITY | 52 |
| I. Overview | 52 |
| A. Background | 52 |
| B. Strategic Objective | 53 |
| C. Overall Approach | 53 |
| II. Specific Social Services and Priorities For External Support | 54 |
| A. Education | 55 |
| B. Health Sector | 60 |
| C. Water and Sanitation | 67 |
| III. A Key Transversal Priority – Social Protection | 71 |
| ANNEX IV: | |
| COMBATING HIV/AIDS | 73 |
| I. Overview | 73 |
| A. Background | 73 |
| B. Strategic Objective | 73 |
| C. Overall Approach | 74 |
| ANNEX V: | |
| REINFORCING COMMUNITY DYNAMICS AND STABILISING HIGHLY VOLATILE COMMUNITIES | 78 |
| I. Overview | 78 |
| A. Background | 78 |
| B. Strategic Objective | 79 |
| C. Overall Approach | 79 |
| CAF RESULTS MATRIX GOOD GOVERNANCE | 84 |
| CAF RESULTS MATRIX PRO POOR GROWTH | 93 |
| CAF RESULTS MATRIX BASIC SOCIAL SERVICES | 97 |
| CAF RESULTS MATRIX HIV/AIDS | 106 |
| CAF RESULTS MATRIX COMMUNITY DEVELOPMENT | 108 |

ABBREVIATIONS AND ACRONYMS

| | |
|----------|---|
| ABR | Area Based Recovery |
| ADB | African Development Bank |
| ART | Anti Retro-Viral Treatment |
| CAP | Complementary Activity Package |
| CDR | Centrales de Distribution Régionales |
| CEEC | Centre d'Evaluation, d'Expertise et de Certification |
| CENI | La Commission Electorale Nationale Indépendante |
| CFAA | Country Financial Accountability Assessment |
| CIDA | Canadian International Development Agency |
| CMFK | Chemin de Fer du Katanga |
| CNAEA | Comité National d'Action de l'Eau et de l'Assainissement |
| COPIREP | Comité de Pilotage de la Réforme des Entreprises Publiques |
| CPRCD | Commission Permanente de Reformes du Droit Congolais |
| DDR | Disarmament, Demobilization and Reintegration |
| DfID | Department for International Development |
| DGI | Direction Générale des Impôts |
| DGRAD | Direction Générale des Recettes Administratives et Domaniales |
| EC | European Commission |
| EFA | Education For All |
| EITI | Initiative pour la Transparence dans les Industries d'Extraction |
| EMIS | Education Management Information System |
| EPI | Equipement de Protection Individuelle |
| EPSP | Enseignement Primaire, Secondaire et Professionnel |
| FARDC | Forces Armées Congolaises |
| FDI | Foreign Direct Investment |
| FEC | Fédération des Entreprises des Congo |
| FEDECAME | Fédération des Centrales de Distribution des Médicaments Essentiels |
| GDP | Gross National Product |
| GER | Gross Enrolment Rates |
| GIBS | Groupe Inter Bailleurs Santé |
| HIMO | Haute Intensité de Main-d'Oeuvre |
| HIPC | Heavily Indebted Poor Countries |
| HMIS | Health Management Information System |
| HSSS | Health Systems Strengthening Strategy |
| IASC | Inter-Agency Standing Committee |
| ICAO | International Civil Aviation Authority |
| IGF | Inspection Générale de Finances |
| IMCI | Integrated Management of Childhood Illness |
| IMF | International Monetary Fund |
| INERA | Institut de l'Environnement et de Recherches Agricoles |
| ITM | Institut Technique Médical |
| LDF | Local Development Fund |
| LLIN | Long Lasting Insecticide-Treated Mosquito Nets |
| LNME | Liste Nationale de Médicaments Essentiels |
| MAP | Minimum Activity Package |
| MDG | Millennium Development Goal |
| MDRI | Multilateral Debt Relief Initiative |
| MDRP | Multi-Country Demobilization and Reintegration Program |
| MEG | Médicaments Essentiels Génériques |
| MIBA | Minière de Bakwanga |

| | |
|----------|--|
| MTEF | Medium Term Expenditure Framework |
| NGO | Non-Governmental Organization |
| OCC | Office Congolais de Control |
| ODA | Official Development Aid |
| OFIDA | Office des Douanes et Accises |
| OHADA | L'Organisation pour l'Harmonisation en Afrique du Droit des Affaires |
| OMIKO | Office des Mines d'Or de Kilo-Moto |
| ONATRA | Office National de Transport |
| PFM | Public Financial Management |
| PEP | Post Exposure Prophylaxis |
| PER | Public Expenditure Reviews |
| PETS | Public Expenditure Tracking Surveys |
| PHC | Primary Health Care |
| PLWHA | People Living with HIV/AIDS |
| PMTCT | Prevention Mother to Child Transmission |
| PNA | Programme National Assainissement |
| PNC | Police Nationale Congolaise |
| PPA | Participatory Poverty Assessment |
| PPP | Public Private Partnership |
| PRGF | Poverty Reduction Growth Facility |
| PRSP | Poverty Reduction Strategy Paper |
| REGIDESO | Water Distribution Authority |
| RVA | Régie des Voies Aériennes |
| RVF | Régie des Voies Fluviales |
| RVM | Régie des Voies Maritimes |
| SALW | Small Arms and Light Weapons |
| SEA | Supervisuer de L'Eau et d'Assainissement |
| SENASSEM | Service National des Semences |
| SIDA | Swedish International Development Agency |
| SISA | Système d'Information Sécurité Alimentaire |
| SMI | Structure Militaire Intègre |
| SMIG | Salaire Minimum Garanti |
| SMP | Staff Monitored Programme |
| SNCC | Société National de Control de Congo |
| SNEL | Société National d'Electricitie |
| SNHR | Société National d'Hydraulique Rurale |
| SRSS | Système du Réseau de Soins de Santé |
| STI | Sexually Transmitted Infection |
| SWAp | Sector Wide Approach |
| TVET | Technical and Vocational Education Training |
| UN | United Nations |
| USAID | United States Agency for International Development |
| VCT | Voluntary Counseling and Testing |
| WBG | World Bank Group |

THE COUNTRY ASSISTANCE FRAMEWORK PROCESS

1. ***The Country Assistance Framework (CAF) is a process by which a number of donors have developed a common strategic approach for economic assistance to Democratic Republic of the Congo (DRC) in the post-elections period.*** The CAF is derived from the priorities articulated in the Poverty Reduction Strategy Paper (PRSP) and covers the period 2007 to 2010. It is expected that it will provide a solid basis for harmonizing approaches and programmes.

2. ***The CAF is born from the recognition that the issue of aid harmonization is at the core of the recovery challenge in a country like DRC.*** Assistance to DRC is characterized by the paradoxical combination of a relatively large number of donors (with more than 20 agencies providing assistance, through a broad variety of operational partners, both governmental and non-governmental) and a relatively limited total amount of assistance (about US\$800 million in annual disbursements). Aid is, however, inadequate given the scale of challenges that DRC faces (about US\$15 per capita per year). This situation carries significant risks with regard to the actual capacity of aid agencies to effectively contribute to stability and recovery: (i) by absorbing limited Government capacities in the dialogue with a large number of partners; (ii) by making the achievement of synergies difficult, in a context where individual projects, even if each one is successful, may not be enough to yield an impact at the countrywide level; and (iii) by disconnecting economic assistance from other international efforts (political, security, humanitarian) and hence limiting its potential impact on the overall stabilization agenda.

3. ***The CAF has generated intense interest among donors as an effort to coordinate and harmonize approaches.*** Starting from a small core group, participation has rapidly expanded to 17 members, including both multilateral organizations – the World Bank Group (WBG), the European Commission (EC), the International Monetary Fund (IMF), the African Development Bank (ADB), and the United Nations (UN) system – and key bilaterals: Belgium (Belgian Cooperation), Canada (Canadian International Development Agency, CIDA), France (French Cooperation), Germany, Japan, China, the Netherlands, Italy, Spain, Sweden (Swedish International Development Agency, SIDA), the United Kingdom (Department for International Development, DFID), and the United States (US Agency for International Development, USAID).

4. ***The CAF process aims to harmonize donor approaches and instruments at a minimum transaction cost.*** As in many harmonization efforts, the CAF challenge is to overcome bureaucratic complexities and differences of institutional cultures to reach a consensus around key priorities. Potential bureaucratic issues stem from the multiplicity of review and approval mechanisms across institutions, which can easily result in adding layers upon layers of complexity to any joint decision-making. Differences of institutional cultures are sometimes as basic as different meanings for what an assistance strategy is (e.g., for the World Bank Group it is essentially a set of decisions guiding the allocation of existing resources, while for the United Nations it is an effort aimed at mobilizing new financing – which calls for different approaches). The CAF hence consists of a light and pragmatic process aimed at ensuring a consensus on the substance of the strategy, while leaving ample flexibility to each participant on process issues.

5. ***The CAF has focused to date on building consensus around three key elements of any strategy: a joint diagnosis, coordinated programming, and a common results matrix.*** In practical terms, this has translated in the production of a series of “joint chapters” that will be incorporated into each donor strategy. CAF donors have committed to incorporate these chapters *verbatim* in their respective strategies, although it is agreed that some participating agencies may add to these chapters complementary material (to meet their institutional requirements). The “joint chapters” are: (i) country context; (ii) key challenges and medium-term prospects; (iii) risks; (iv) thematic annexes for each of the five PRSP pillars (Governance, Growth, Basic Social Services, HIV/AIDS, and Community Dynamics); and (v) a results matrix.

6. *The CAF is an ongoing and complex process.* To date, the work has proceeded through a series of several-day long meetings, interspaced with regular and intense consultations among donors in Kinshasa. Working groups have been put in place and have developed background papers. Discussions have been held to sort out differences of approaches. While challenging to manage, the process has been quite successful to date, in that participants have remained enthusiastic (with new participants joining in) despite the number of actors, institutional needs, and differences in operating modes, and in that a strong consensus has been forged on key pieces of the common diagnosis. The election of the new government has spurred consultations between the government and the donors and donor coordination has been added to the docket of the Ministry of Plan.

7. *Looking forward, next steps in the donor harmonization process include:*

- *The finalization of “common chapters” and “common annexes”* after in-depth consultations with the Government.
- *The organization of a joint consultation process with the new authorities and other stakeholders*, through the annual Consultative Group Meeting. This meeting is planned for October/November 2007 and is scheduled to be held in Paris, France. This will be a complex process (in particular due to the number of donors involved), which has to be carefully coordinated and creatively planned if it is to be successful.
- *Discussions regarding joint mechanisms for managing project implementation* (a joint monitoring and evaluation matrix) and discussions on the most effective way for further harmonization of donors in DRC and the strengthening of the Government’s own coordination capacities.

COUNTRY CONTEXT

1. ***The situation in DRC exemplifies many of the challenges faced by post-conflict countries.*** Significant progress has been made over the last years, but the challenges remain daunting. Physical and social devastation caused by decades of mismanagement and conflict in one of the most richly-endowed African countries is extreme. Living conditions for most of the 58 million Congolese are extremely difficult, and the sharp deterioration of social indicators jeopardizes the prospects for Africa as a whole to make decisive progress towards the Millennium Development Goals (MDGs). The contrasts are stark, in a country the size of Western Europe, between districts where the situation is comparable to other African countries and areas where extreme violence and urgent humanitarian needs persist. The political environment remains complex and fluid – and the regional stakes are high, with seven out of DRC’s nine neighbors having experienced a major conflict over the last decade.

A. Political Background

2. ***DRC is emerging from a dreadful period of mismanagement, political instability, and conflict.*** After about eighty years of colonial rule, several secessionist conflicts in the post-independence period, and a long period of corruption and mismanagement under President Mobutu Sese Seko, DRC entered the 1990s in a state of quasi-collapse. That decade was marked by successive episodes of increasing violence: looting by the armed forces in 1991 and again in 1993, a first conflict in 1997 (with the involvement of seven foreign countries and a number of militias), and a second conflict between 1998 and 2003 during which a reported 3.5 million people died, and many more were displaced.

3. ***The recent elections mark the culmination of the peace and reconciliation process.*** Since 2001, and the appointment of President Joseph Kabila, considerable progress has been made, within the context of the 1999 Lusaka ceasefire agreement and the inter-Congolese dialogue. Large-scale military activity ceased in early 2001. Foreign forces formally withdrew in 2002. The United Nations (UN) peacekeeping mission (*Mission des Nations Unies en République Démocratique du Congo*, MONUC) has deployed more than 17,000 troops in the country. The pace of progress accelerated after June 2003 and the establishment of a Transitional Government (and a Parliament) of national unity: communications were re-established between areas which had long been divided along frontlines, key technical institutions were re-unified, exchange rates were harmonized across the country, and a new constitution was approved by referendum in December 2005. Despite formidable logistical challenges (and localized episodes of violence), general elections took place in a satisfactory manner on July 30, 2006 (first round of Presidential election and Parliamentary elections) and October 29, 2006 (second round of Presidential elections and local elections).

4. ***For the first time since 1960, the Government, Parliament, and local authorities have been selected through democratic elections, and new institutions are now in place.*** President Joseph Kabila won the presidential elections with 58% of the vote against his challenger Jean-Pierre Bemba who obtained 42% of the vote. President Kabila announced the composition of his government on February 5, 2007. Led by Prime Minister Gizenga, this government comprises 60 members, including six ministers of state, 34 ministers and 20 deputy ministers. It is a coalition representing the broad political platform which supported President Kabila during the 2006 elections and it includes the Presidents party (*Parti du Peuple pour la Reconstruction et la Démocratie*, PPRD), the Prime Minister’s party (*Parti Lumumbiste Unifié*, PALU), and the *Union des Démocrates Mobutistes* (UDEMO). The Parliament and Senate are in place as well as Provincial Assemblies.

5. ***Still, much remains to be done to further consolidate the peace and reconciliation process.*** There is insecurity in the east due to remaining militia activity. In Ituri, approximately 4,500 militia members are still harassing the civilian population and fighting with the weak army and the over-stretched MONUC. In North Kivu, negotiations between rebel leader Laurent Nkunda and the Government of DRC resulted in an agreement to mix brigades loyal to Nkunda with regular army brigades. Localized riots sporadically affect other parts of the country (e.g., in Bas Congo, at the end of January) and deadly clashes occurred in Kinshasa

in March between Senator Bemba's guards and government forces. While a major reversal of the achievements of recent years seems unlikely, major challenges remain ahead. Efforts will be needed to prevent the disenfranchisement of key constituencies and political leaders. Regional differences may have been crystallized by the elections process, including between the Western and Eastern parts of the country. Violence that still affects several districts along the Eastern borders, including widespread human rights abuses, will need to be contained to avoid its spreading to neighboring countries, and eventually reduced. The demobilization and reintegration of former combatants, the unification of all armed forces, through the integration of the Government's and rebel armed forces into a restructured national military will be key to restoring stability throughout the country.

6. Overall, the political context is fluid, and external partners will need to monitor the situation closely, to best adjust their programmes to the evolving circumstances. The elections have transformed the environment in which assistance will be provided in many ways, but the new political landscape is only starting to take shape. For donors, the key issue is whether the new political context will be one where ambitious reforms can be implemented – or not. In this context, donors will pay particular attention to monitoring developments in the following four areas:

- **First, the Government's commitment to reforms.** Both the President and the Prime Minister have emphasized the importance of good governance since the elections. In February 2007, the Prime Minister prepared and presented a government programme to Parliament which included a Governance Contract between the authorities and the people of DRC. This contract, which covers March–December 2007, is an important first step in outlining much-needed reforms in a broad range of areas: security sector reform, transparency, public finance management, the management of natural resources, public administration reform, local government, and the investment climate and public enterprise reform. The key challenge will be to implement this ambitious programme – a task for which a substantial amount of external support will be necessary. In its first few months in office, the Government took important steps towards the implementation of the Contract, in particular in the area of decentralization, but much remains to be done.
- **Second, the effectiveness of the decision-making structure.** The years of transition have been marked by complex decision-making arrangements. While this has facilitated consensus around key decisions, it has also translated into delays and second-best compromises. The challenge will be to find ways to strengthen the decision-making process, without losing the ability to reach broad support on key decisions.
- **Third, the Government's actual authority over specific constituencies.** The issue is whether the Government will be in a position to break with the constant need for compromises that has characterized the last years and to take on powerful constituencies which may have vested interests in the status quo.
- **And fourth, the role of the opposition.** As the political environment develops, the constitution of political alliances (or the permanence of divisions) between opposition groups, and their commitment to due process (e.g., challenging the Government in Parliament rather than in the streets), will be key factors to watch. The March 2007 clashes in Kinshasa are evidence that the social situation remains tense in many parts of the country and the need for the Government to deliver “peace dividends” is critical. Particular attention will also be needed to ensure the stability of those areas which voted massively for the opposition. In addition, it will be important to watch the ways in which the necessary political environment created by the Government fosters engagement with the opposition in the nascent democracy. In both the short and medium-terms, it will be necessary to review the way in which the opposition functions, the space they have to operate, and the relationship they have with government.

B. Economic Background

7. DRC is one of the poorest countries in the world, with a Gross Domestic Product (GDP) per capita at about US\$120 in 2005. Despite its rich endowments in natural resources and the dynamism and entrepreneurship of its population, DRC has been affected by a series of economic crises since independence, which were exasperated during the years of conflict. GDP per capita dropped from US\$380 in 1960 to US\$224 in 1990 to the current US\$120 (in constant dollars).

8. The decade of conflict, compounded by the legacy of sustained mismanagement, has had devastating effects. Prior to the conflict, the Congolese economy was dominated by extractive and export activities (mining, agriculture, forestry, energy), which fueled a system of poor governance and large-scale corruption. The vast majority of the population remained poor, and derived its income from traditional agriculture and informal activities. In this context, war and civil disturbance have taken a high toll on the country. Infrastructure has suffered from lack of maintenance and considerable physical damage. Many institutions are in shambles. Millions of people have lost their assets – whether buildings, livestock, or tools. Many enterprises have lost assets, staff, and commercial networks. Overall, the economy has been transformed, and is now centered on subsistence agriculture and informal activities, with a collapse of export and value-adding activities.

9. Since April 2001, the Government has implemented a solid programme of economic reforms, supported by the Bretton Woods Institutions. This programme aims both to spur private-led economic growth and to tackle some of the deep-rooted structural issues which have hampered DRC's economic development in the past. International Monetary Fund (IMF) support was provided through a Staff Monitored Programme (SMP), between June 2001 and April 2002, access to the Poverty Reduction and Growth Facility (PRGF) for the period July 2002 to June 2006, and a new SMP between June and December 2006; Bank support was provided through a series of budget support and investment operations, as well as substantial analytical work and policy advice.

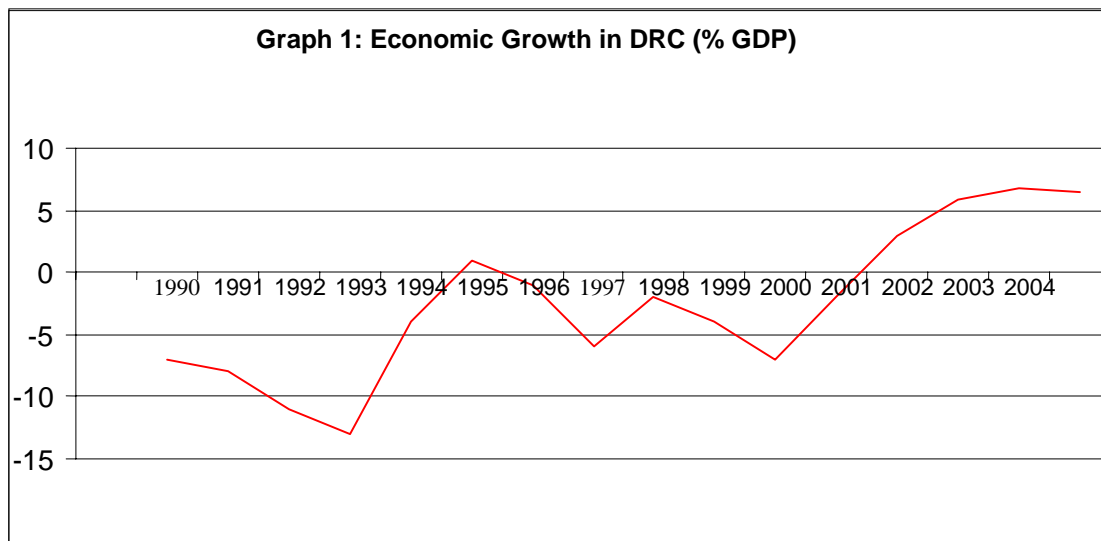
10. Overall, implementation was satisfactory until about mid-2005, but gradually deteriorated as elections neared. Four periods can be distinguished:

- **Throughout 2001, vigorous measures were taken** to break hyper-inflation, stabilize the exchange rate (following the decision to float the Congolese Franc in April 2001), restart collecting revenues and launch key structural reforms.
- **From early 2002 to mid-2005, efforts succeeded in further stabilizing the macro-economic situation**—with 12-month inflation at about 12 percent, a relatively stable exchange (although with substantial short-term fluctuations, in a largely dollarized economy, where the monetary basis is very small), and a gradual increase of fiscal revenues from about 5.9 percent of GDP in 2001 to about 11.4 percent of GDP in 2005. Parallel efforts were made on the structural side, with significant achievements in a broad range of areas including the strengthening of the chain of expenditure, the adoption of new investment, mining, and forestry codes, the completion of audits of public enterprises, etc.
- **From mid-2005 to end-2006, performance deteriorated**, largely as a result of political uncertainties and the absence of a functioning executive during the election period. End of year inflation reached 21.3 percent at the end of 2005, and declined slightly to 18.2 percent at the end of 2006. The Congolese Franc registered a 17 percent depreciation during 2006. Still, significant efforts were made by the authorities to manage this difficult period, including enforcing a moratorium on key transactions by public companies.
- **The new Government is in discussions to agree on new targets** for the Staff Monitored Programme after the March 2007 review found that most quantitative and structural benchmarks for April-December 2006 were not met. The new SMP offers the Government an opportunity to demonstrate its determination to

restore and maintain macroeconomic stability. Its successful conclusion will open ways for a new PRGF arrangement, possibly in the second half of 2007.

11. *These actions have elicited a strong private sector response.* About US\$2.7 billion in new investments (a significant share of private capital flows to Sub-Saharan Africa) have been registered by the Government since early 2003, which reflects the private sector's interest for the country's immense natural resources and provides an indication of its growth potential. Investment to date has been focused on rapid-return activities, mostly in Kinshasa, but in a broad range of sectors (e.g., telecoms, services, agro-business, constructions and natural resource exploitation).

12. *As a result, economic growth returned in 2002 after ten years of contraction* (see Graph 1). While statistical data have limited reliability, all indicators give a convergent picture of progress. Growth has been pulled by the resumption of economic activity which followed the re-establishment of security and the reunification of the country (a pattern typical of post-conflict countries), especially in the trade, transport, construction, and agriculture sectors, by a boom of selected manufacturing productions (e.g., agro-business, construction materials), and by the restart of mining activities (from a very low base).



13. *DRC's track record also facilitated the country's access to the Highly Indebted Poor Countries (HIPC) initiative.* In 2002, the Government cleared its arrears to key creditors (including to the Bank, the IMF, and the African Development Bank), and resumed timely service of its debt, after almost ten years of interruption. In September 2002 the Paris Club granted significant bilateral debt relief, and in July 2003 DRC reached its HIPC Decision Point – with a total relief estimated at US\$6.3 billion in Net Present Value (NPV) terms (for a total stock of outstanding external debt estimated at US\$7.9 billion in NPV terms and US\$10.7 billion in nominal terms at end-2002). The Boards of the Bank and the IMF agreed on a floating Completion Point, with triggers related to: (i) completion of a full PRSP and its implementation for one year; (ii) satisfactory macro-economic performance; (iii) effective use of budgetary savings resulting from debt relief for poverty-related programmes; (iv) improvements in public expenditure management; (v) enhanced service delivery and governance in priority sectors (health, education, rural development, and infrastructure); (vi) adoption of satisfactory sectoral strategies and related implementation plans for health, education, and rural development; and (vii) improvements in public debt management. The tentative date for reaching the Completion Point will depend on the new Government's commitment to reform and its implementation performance. The debt relief effort will need to be completed by an agreement with the London Club for the about US\$900 million public debt from the private sector.

14. ***Still, severe governance problems and corruption continue to hamper DRC's development prospects.*** Corruption remains widespread and is taking a heavy toll on public service capacity to deliver key services. DRC is ranked 158 on 163 countries by Transparency International. Corruption in DRC is largely a legacy of the Mobutu era of rapid enrichment and impunity. At the higher level, it has been aggravated by the conflict and political transition, during which the lack of a strong executive prevented effective sanctions while many high-level officials tried to rapidly take advantage of their positions in a context fraught with uncertainties. At the lower level, the problem is compounded by the extremely low level and still irregular payment of salaries. There is a consensus that unless decisive action is taken in this area, the odds for DRC to break the cycle of poverty and conflict are low.

15. ***The lack of infrastructure has also reached proportions that make economic development almost impossible in many areas.*** In a country the size of Western Europe, there are less than 600 km of paved roads. Out of ten provincial capitals, only one can be accessed by land from Kinshasa, three can be accessed from abroad, and six can only be accessed by plane. Electrification rates are the lowest in Africa. Short of a major infrastructure reconstruction programme, complemented by reforms of the dysfunctional operations and maintenance systems, the potential for economic growth and private sector activity may not materialize in most provinces.

16. ***Overall, the situation remains very fragile: assuming a 5.3 percent economic growth on average, it will take until 2060 for the country to reach the level of GDP per capita it had in 1960.*** Assuming a 4 percent growth only (and a 2.7 percent population growth), it would take 200 years!

C. Social Background

17. ***Progress towards peace and recovery is taking place within the context of an acute social crisis,*** which constitutes a major risk for the country's recovery. While political progress, economic reforms, and the return of growth have produced some visible results, the social situation remains appalling. A large number of Congolese communities have been forced into autarky and are living in dreadful conditions, due to the collapse of the transport system and widespread insecurity. Women and girls have been disproportionately affected by violence and poverty and their numbers among the poor have increased. Although detailed data are missing, specialized agencies report a large number of victims of sexual violence and a growing number of orphans and street children. Overall, an estimated 16 million people have "critical" food needs, and the vast majority of the population consumes less than two thirds of the daily calories needed to maintain good health – with 71 percent of the people living on less than one dollar a day.

18. ***Part of the impact of the conflict is not directly visible, but nonetheless devastating.*** Large-scale displacements, violence and human rights abuses, as well as impoverishment have caused tremendous psychological suffering and a deterioration of the social fabric, breaking up families and other solidarity networks. As a result, many traditional safety nets are no longer functioning effectively, and some of the social networks which are key for economic recovery have been severely disrupted. The deterioration of education and health services during the war years have dealt a powerful and lasting blow to the well-being of the population and its capacity to recover.

19. ***Overall, DRC is likely to miss most of the Millennium Development Goals by 2015.*** While detailed statistical information is lacking, available indicators suggest that the conflict has caused "development in reverse" in the social sectors. Life expectancy stands at 43 years, under-5 mortality above 205 per thousand. DRC's Human Development Index declined by more than 10 percent in the last ten years – and DRC now ranks 167 out of 177 rated countries. Progress made between independence and the early 1990s have largely vanished.

Box 1: Targets and Current Status of MDGs in DRC

| Millennium Development Goal | 1990 | Target | Status | Remark |
|--|---|---------------|---------------|--|
| <i>Target 1: Eradicate extreme poverty and hunger</i> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day | --* | n/a | 71% | |
| <i>Target 2: Achieve universal primary education</i> Increase net enrollment at primary school to 100 | 54.4% | 100% | -- | |
| <i>Target 3: Promote gender equality</i> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling | -- | 100% | -- | |
| <i>Target 4: Reduce child mortality</i> Reduce 1990 under 5 mortality by two-thirds | 205 | 69 | 205 | Per 1,000, (2005 figure) |
| <i>Target 5: Improve maternal health</i> Reduce 1990 maternal mortality by three-fourths | -- | -- | 990 | Per 100,000 live births |
| <i>Target 6: Combat HIV/AIDS, malaria and other diseases</i> Halt, and begin to reverse, AIDS, etc. | <4% | -- | <4% | |
| <i>Target 7: Ensure environmental sustainability</i> Forest Area (% of total land area) | 62% | -- | 59% | |
| <i>Target 8: Develop a global partnership for development</i> | n/a | n/a | n/a | Development agenda being planned and implemented with government and global partners |
| <i>Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the losses of environmental resources</i> | Non-quantitative. Substantial progress through adoption of the new forestry code. | | | |
| <i>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water</i> | 36 | 18 | 78 | Base level in 1980. |

*(-- figures are unavailable

KEY CHALLENGES AND MEDIUM-TERM PROSPECTS

A. Country Vision and Poverty Reduction Strategy Paper

1. *The Congolese leadership has set out an ambitious vision for the country's development.* This vision is articulated in the PRSP, which was presented in July 2006. It emphasizes the need to break with past practices and to ensure a dramatic improvement of living conditions throughout the country, as a condition for sustained peace and eventual economic recovery. The PRSP builds on the 2001 Interim PRSP and like the Interim PRSP (which was endorsed by all Congolese political forces at the onset of the peace process) it enjoys broad support among all key constituencies.

2. *The PRSP was prepared through a genuine and extensive consultation process.* Each district prepared a district-level PRSP through an extensive grassroots consultation process managed by specialized Non Governmental Organizations (NGO). These documents were consolidated into provincial-level PRSPs, and eventually into the national PRSP. Civil society (including faith-based organizations, labor unions, NGOs, women groups, youth associations, and community representatives), the private sector, public institutions (national and local), and political representatives – in total, about 35,000 people – participated in this exercise. This process increased ownership of the reform agenda by a broad part of the population.

3. *In a post-conflict environment, this process has provided a framework for refocusing the national dialogue towards a forward-looking agenda.* The breadth of the PRSP consultation process made it possible not only to develop ownership of the poverty reduction agenda among all key constituencies, but also to mobilize the country's energy in support of a socially-oriented, forward-looking agenda – which is essential as the country moves away from conflict and years of mismanagement which have left a legacy of acute political and social tensions.

4. *In the face of a formidable set of constraints, the Congolese have articulated priorities around five strategic pillars:* (i) promoting good governance and consolidating peace; (ii) consolidating macroeconomic stability and economic growth; (iii) improving access to social services and reducing vulnerability; (iv) combating HIV/AIDS; and (v) promoting community dynamics. These pillars are closely related and inter-dependent, and progress in one area is conditional to advances in others – e.g., between growth and state reform, between social services delivery, state reform, and community dynamics. While the articulation of key priorities around these themes provides a useful analytical framework, they need to be understood as complementary parts of a single, holistic strategy.

5. *The PRSP sets an ambitious development policy agenda,* to be implemented with public capital and pro-poor spending estimated at US\$3.4 billion for the first three-year period (2006-08). Public investment is projected to increase from US\$236 million (3 percent of GDP) in 2005 to US\$1.3 billion (13 percent of GDP) in 2008. Even if financing of this magnitude is forthcoming, it is not clear that the country has the capacity to absorb such a rapid expansion in public investment. The Government now needs to develop a working plan with specific actions, costing, timing, and definition of the entity in charge at least for the first year, and preferably for the first few years. The plan should be developed by the existing entities for planning and budgeting, so as to integrate the poverty reduction process into the country's national and local systems. This plan should: (i) take into account the realistic amount of financial and human resources available, which means that the reform agenda included in the PRSP should be prioritized and properly sequenced; (ii) assign priorities even among the actions included in this plan, so that less urgent programmes can be cut or postponed, should the available financing fall short (the Government has already started this prioritizing exercise); (iii) clarify the links among the overall goals, the proposed programmes, the macroeconomic framework, and the progress indicators; (iv) develop a matrix of goals, programmes, progress indicators, and the entity in charge, which the PRSP does not have currently; and (v) include an external debt management strategy in anticipation of potential additional space for borrowing post-HIPC/Multilateral Debt Relief

Initiative (MDRI). Preparing the working plan will also help prioritize the needed capacity reinforcement programme.

B. Review of the PRSP Pillars

Promoting good governance and consolidating peace

6. *There is a general consensus that a deep reform of the governance framework and major improvements in the functioning of the public sector are needed to consolidate peace and to make progress towards economic and social recovery.* Such governance reforms are seen as a necessary, although not sufficient, condition for the medium-term stability of the country and its successful economic and social recovery. The PRSP proposes to focus on: consolidating peace and stability (through a reform of the security sector, strengthening of the judiciary, and the completion of the demobilization and reintegration process); strengthening political governance (including through decentralization and increased role of the women in public life); improving economic governance (including public finance management, fight against corruption and money laundering); and strengthening administrative capacity (through civil service reform and capacity building).

7. *The governance agenda, as outlined in the PRSP, however, is very broad, in a context of limited capacity.* The challenge here is to turn around many of the institutions and policies inherited from the Mobutu era – in short, to build an effective state, in a country where there has never been one. The Government’s Governance Contract released in February 2007, between the Government and the population highlights needed governance reforms. Sequencing, however, is critical, and it would be advisable to concentrate in the first years on measures aimed at securing peace and increasing transparency. The governance reform agenda will need to be supported by a harmonization and monitoring framework to help focus donor efforts (which are currently spread over a broad range of activities – and to provide benchmarks against which progress can be measured on a regular basis.

8. *In this context, the first challenge is to reform the security sector (military, police, justice system)–to help re-establish security throughout the country.* The ongoing reform of the armed forces needs to be completed, including the effective integration of all armed forces (former regulars and rebels), and the associated demobilization/reintegration process. Complementary efforts will be required to ensure the existence of a credible payroll, strengthen professionalism and discipline of both the military and the police, and to put in place an effective civilian oversight of these corps. In parallel, the full implementation of the ongoing reform of the judiciary will be key to fighting impunity and restoring the rule of law: this will require establishing new institutions (as outlined in the 2005 Constitution), strengthening organizational and institutional capacity, and strengthening professionalism of the judiciary (including through pay reform).

9. *The second set of challenges is related to the management of public resources.*

- ***Improve transparency***—with a focus on public decisions which have a significant financial impact (“grand” corruption). Priorities are: to make decisions transparent through the further publication of available information (e.g., on budget execution, large contracts, completion and publication of audits, etc.); strengthen the capacity of watchdog entities (Parliament, civil society, media) to analyze and use this information; build mechanisms for public participation and engagement with government; and effectively sanction fraud through judicial action.
- ***Further increase Government revenues***—so as to make more resources available for financing poverty reduction efforts. Efforts should focus on potential sources of revenues which are currently under-mobilized (e.g., in the mining sector) or where mobilization is poorly administered (e.g., customs). Parallel efforts should be made to gradually broaden the tax base and reinforce internal taxation administration (including for small and medium-size enterprises).

- **Enhance the composition and execution of public expenditure**—with first priority given to gradually but decisively increasing pro-poor budget allocations, which remain extremely low despite efforts over the last few years. The second priority is to ensure a better execution of the budget, enhance the budget process, and complete key ongoing reforms, including consolidation of the payroll system, and public procurement reform. Also critical is ensuring that the public financial management systems and capacity of the second tier of government are strengthened in light of decentralization.

10. **The third challenge is the reform of the public administration.**

- **Take a first step in the long-term endeavor of rebuilding an effective public service**—Priority reforms are: creation of a civil service register; a functioning payroll management system; and a core of high-level civil service (including through a review of recruitment and evaluation rules, as well as compensation arrangements). In parallel, a review of the structure of government will be necessary to reduce overlaps in mandates and institutional confusion.
- **Manage the decentralization process**—The 2005 Constitution provides provincial authorities with the authority to retain at local level 40 percent of fiscal revenues collected in their province. The PRSP does not reflect the transfer in the macroeconomic framework, discuss the devolution of the responsibilities from the central government, nor specify how the equalization fund would function. In addition, the corresponding laws and regulations (including defining the responsibilities of provinces) are yet to be passed – and capacity to manage expenditure at the provincial level is weak in most cases, nonexistent in some. The objective is hence to ensure that the process is managed in such a way that it does not further weaken public expenditure management and services delivery. The Government will need to formulate an action plan for eventual decentralization. In this connection, the broad architecture of intergovernmental relations should be appropriately settled before decentralization is initiated – including clear revenue and expenditure assignments and fiscal transfers, the timing and pace of devolution of powers, and the administrative and institutional capacity necessary at sub-national levels. The authorities should first concentrate on improving implementation and monitoring capacity of the local governments. The broad principles and plans to improve local capacity mentioned in the PRSP as well as the survey results from the provinces could serve as a starting point.

11. **The fourth set of challenges revolves around the management of natural resources.** Key objectives underpinning the proposed reforms are: transparency (especially for mining), increased fiscal revenues (especially from mining), and environmental/social sustainability (of both forestry and mining). In the mining sector, priorities include: develop and implement an Extractive Industries Transparency Initiative (EITI) action plan; strengthen institutional capacity to oversee the sector (including the mining cadastre); and reform public enterprises in the sector (including *Société Générale des Carrières et des Mines*, GECAMINES), and transfer exploitation responsibilities to the private sector. In the forestry sector, the approach would be three-fold: maintain the moratorium on new forestry concessions until agreed conditions for lifting it are met (including the completion of the legal review of forestry concessions, and adoption of a participatory, three-year zoning plan for new concessions); complete and publish the ongoing legal review of forestry concessions and act on its findings and recommendations (including the cancellation of invalid concessions); and recruit and deploy a third-party observer to assist the forestry administration in controls on the ground.

12. **Finally, the fifth cross-cutting governance challenge is the reform of public enterprises.** There is a consensus that privatization of public enterprises in DRC would be difficult in the short-term, because of both political and social constraints as well as a perception of high country risks by potential investors. In this context, efforts should focus on improving corporate governance in these sectors, including by improving functioning of the boards, setting up audit committees, etc. Parallel actions would be needed to pave the way for a medium-term reform/privatization process, and to take immediate action for a few key enterprises which have the potential to hamper the country's economic recovery, including the transport

giants (*Office National des Transports, ONATRA and Société Nationale des Chemins de Fer du Congo SNCC*) and the power company (*Société Nationale d'Electricité, SNEL*).

Consolidating macroeconomic stability and economic growth

13. ***The key challenge for DRC is to ensure the quality of growth.*** Research and experience suggest that in post-conflict countries an additional 2 percent of economic growth sustained over ten years reduces the risk of civil war by about one third. In a country as richly endowed as DRC, however, the return of peace and progress towards macro-economic stability almost automatically result in relatively high growth rates. The economic history of the country over the past decades suggests that such growth does not necessarily translate into better living conditions for the majority of people and that a narrow focus on natural resources and extractive industries may contribute to corruption and poor governance. The objective is therefore to go beyond growth, towards shared, diversified, and sustained growth.

14. ***The PRSP proposes a multi-fold and balanced growth strategy.*** It is built on a strategic vision articulated around a few sectors: agriculture, extractive industries, and manufacturing and services – with a view to providing for short-term gains while paving the way for medium-term sustainability, balancing the interests of the various provinces and social groups, and reducing the risk of predation and corruption.

15. ***The first challenge for DRC will be to make the best of the “post-conflict rebound”.*** Such rebound is a typical pattern in post-conflict countries and is essentially linked to the resumption of economic activity as security, access, and eventually confidence are restored. Research suggests that it translates into an average annual economic growth of 6 percent for a period of 7 years, before starting to subside. However, the macroeconomic objectives set for the medium-term in the PRSP appear now overambitious, when taking into account the outcome for 2006 and revised projections for 2007. Real GDP grew by an estimated 5 percent in 2006 and is projected to grow by 6.5 percent in 2007. As a result, the average growth rate for 2006-08 is unlikely to be more than 6.5 percent. The Government needs to put greater emphasis on stabilizing the macroeconomic situation in the short-term, and subsequently on preserving it and laying the groundwork for growth. To achieve stability will require bringing down inflation, which rose to more than 20 percent (year over year) in early 2007, and building up international reserves, which fell to only 1½ weeks of imports at end-February 2007. It will be necessary to exercise tighter fiscal discipline and better control of budget execution with the view of avoiding recourse to domestic bank credit to finance the fiscal deficit.

16. ***The second challenge consists of ensuring sustained growth in the agriculture sector.*** Agriculture, at about 42 percent of GDP has the potential to be a key engine of poverty reduction, as well as a source of well-distributed growth across provinces. In the short-term, growth will be driven by the restart and extension of production, and over the medium-term by an increase of productivity (which even prior to the conflict was below sub-Saharan African average). Priority actions in the PRSP period include the improvement of security in rural areas as well as the deployment of a large-scale investment programme to re-open roads (in particular between provincial capitals and their hinterland) and to help reconstitute farmers' assets.

17. ***The third challenge is to restore pre-war production levels in the mining sector and ensure management of revenue streams.*** Extractive industries, which currently represent about 13 percent of GDP, have the potential to be a key source of both fiscal revenues and foreign exchange. Since mineral wealth is mostly concentrated in a few districts, they also have the potential to create major imbalances and possibly tensions between provinces and to fuel large-scale corruption. Transparency and redistribution (through the budget) will hence be essential for this sector to truly contribute to DRC's development. In view of the collapse of the sector over the last years, high and sustained growth rates could be achieved relatively easily, however, this will require attracting major private investments, which in turn will be conditional on the improvement of governance and the repair of selected transport infrastructure. It will also require dealing, over time, with a very large informal mining sector where several hundreds of thousands of people are active

in artisanal and small scale mining, and which could become either a contributor to poverty reduction or a source of social instability.

18. ***The fourth and last major challenge is to lay the ground for the diversification of the economy, through private-led growth in manufacturing and services.*** The PRSP accords priority to rehabilitating road and energy infrastructure, including electrification of urban and rural areas. Such activities are important to sustain growth over the medium-term and generate employment in urban areas. They can also provide some balance across regions, although they are likely to remain concentrated in the main cities and in areas with easy international access. They could be pulled by the need to satisfy a growing domestic demand, in the third most populated country in Africa, by the activity generated by large-scale mining investments, and by competitive advantages on the global market in selected areas. Their development (and the shift from rapid-return to longer-term investments) will require significant improvements in the business environment, massive investments (especially in the transport and energy sectors), restored access to credit, and the reform of those public enterprises which are an obstacle to growth. Their contribution to growth beyond the “rebound” period depends on the intensity of the reforms and the scale of infrastructure repairs.

19. ***Overall, this strategy will require determined efforts to improve the environment for private sector activity.*** The World Bank 2007 *Doing Business Report* rates DRC as the most difficult country to do business for 175 countries studied. It will require addressing a series of major constraints, which have been identified in consultation with both the authorities and the business organization, which affect all potential sources of economic growth. These constraints include, in order of importance:

- ***Lack of transport infrastructure***—The DRC transport system, which was conceived of as a multi-modal system combining river, road, rail, air and maritime transport is broken. Restoring access is key to re-launching economic activities—whether agriculture, mining, manufacturing, or services. This will require the financing (including through the provision of significant external assistance) and implementation of a massive reconstruction programme, with an initial focus on restoring access to key urban centers across the country, and re-linking these urban centers with their hinterland.
- ***Business environment***—DRC has the potential of attracting significant private investment, which would be key to high and sustained growth, but red tape and corruption constitute major obstacles: as an example, it takes 172 days to start a business, 14 procedures to obtain a license, and 51 procedures to enforce a contract. The authorities will need to work closely with the private sector to define and implement priority measures to redress the situation.
- ***Insufficient supply of power***—Despite considerable hydro resources, DRC is one of the African countries with the lowest access to electric power, especially outside Kinshasa. Electric power is both a pre-requirement for a number of economic activities and a potential source of foreign exchange through exports (to Southern Africa). Major investments are needed (in production facilities as well as for transmission and distribution networks) as well as significant reforms of the State-owned power company (SNEL) to improve management and efficiency.
- ***Absence of credit***—Despite the launch of a vigorous reform programme, credit is *de facto* not available in DRC. The total assets of the banking sector amount to about 10 percent of GDP (US\$770 million), total credit to 2 percent of GDP (US\$180 million), and total deposit to 5 percent of GDP (US\$400 million). There are ten commercial banks, five of which are under restructuring (nine banks have been liquidated since 1998), but less than 30,000 bank accounts, and one bank branch per 1.2 million inhabitants.

20. ***Finally, the Government will need to ensure that economic growth is not achieved to the detriment of the environment.*** DRC has the second largest tropical forest in the world and a unique biodiversity richness. This environmental wealth has suffered heavily from the war and it may continue to suffer from unregulated

economic recovery. The focus in the forestry sector will be on strictly limiting and regulating logging activities which will inevitably restart, promoting participatory process to ensure that benefits are equitably shared, and enforcing forest management plans and environmental protection. Parallel efforts will be needed to ensure that reconstruction programmes do not negatively affect vulnerable groups, including the Pygmies.

Improving access to social services and reducing vulnerability

21. DRC has some of the worst social indicators in the world and ranks in the bottom ten countries in reaching MDG targets. The contrast between the wealth of the country and the appalling living conditions of its inhabitants is a testimony of corruption and mismanagement under past Governments and reflects a generalized neglect of essential social services. The PRSP emphasizes the importance of breaking with this legacy, by making the improvement of social indicators a central tenet of the poverty reduction strategy.

22. The PRSP focuses on the need to increase access to basic social services. This is reflected in the title of the third pillar and demonstrated by the proposed increase in budgetary allocations to education and health sectors (including spending on fighting the HIV/AIDS epidemic) from a combined 15 percent of the state budget in 2006 to 40 percent in 2008. This is appropriate given the extremely low utilization rates of essential services by the population (for example, on average, a Congolese person visits a health facility once every seven years). Increasing the demand for, and consumption of, education, health, and water and sanitation services is a top priority.

23. The PRSP spells out a series of ambitious objectives to be achieved in the coming period. These include: (i) increasing gross primary enrollment rates from 64 percent in 2006 to 80 percent in 2008 and 100 percent in 2015 (and ensuring equal access to boys and girls); (ii) reducing infant mortality to 104 per thousand in 2007 to 98 per thousand in 2008; and (iii) improving access to clean water (from 22 percent in 2005 to 27 percent in 2008 and 49 percent in 2014) and sanitation (from 9 percent in 2005 to 15 percent in 2008 to 45 percent in 2015).

24. Making rapid progress towards reaching the MDGs and achieving PRSP objectives will require considerable efforts and resources. The challenge for the Government is to articulate a solid but realistic programme of actions, including both reforms and investments that prioritise the sequential removal of the barriers that prevent people, particularly poor people, from accessing essential services. Efforts to improve the supply of social services to meet increasing demand, as well as initiatives to upgrade, over the medium-term, the quality of the services, are also seen as essential as is the need to focus on maximizing the efficiency of public expenditures in these sectors.

25. In recent years, most social services have been delivered on behalf of the State by the Catholic Church, other faith-based groups, NGOs and public enterprises. To reach the MDGs, a two-pronged strategy is needed. The provision of public services will need to be improved at the same time that mechanisms are introduced to ensure adequate oversight of the services provided by non-state partners. This will require developing efficient contracting arrangements which provide incentives to improve performance without creating excessive administrative costs. Formulating policies on public-private partnerships will be an essential element of the overall reforms and will require evidence-based decision making and close collaboration between all partners.

26. The proposed strategy requires a significant increase in public spending in support of key social sectors. The budget has to be gradually but significantly reoriented to ensure an adequate financing of the sectors. The challenge is both to increase allocations (the PRSP calls for an increase from 7.5 percent of primary expenditure in 2006 to 12.9 percent in 2008 in the health sector, and from 12.2 percent of primary expenditure in 2006 to 16.7 percent in 2008 in the education sector) and to improve execution, as only part of the allocations are currently spent.

27. ***At the same time, resources need to be better managed.*** Spending has to be effectively channeled to the intended purposes. Credible payroll registers have to be established and the departure of pension age staff facilitated. In the context of the decentralization process, the respective roles of central and local authorities in the management of the sector have to be defined, and the corresponding transfers of responsibilities and resources organized.

28. ***In the education sector, a balance needs to be struck between primary, secondary, and higher education.*** A key objective is to move systematically and as rapidly as is feasible towards achieving the constitutional commitment to universal, quality primary education. A key priority for the Government in this regard will be the removal of the *frais de fonctionnement* and the sequencing, over time, of the necessary supply and demand side reforms to achieve the goal of free compulsory education. At the same time, steps will need to be taken to develop a system that can produce the professional elite DRC needs for its future development. During the PRSP cycle, the Government is expected to reach a decision on a credible financing plan and to improve budget allocation for education in line with the sector priorities, as well as to take measures to ensure that allocated funds reach their intended recipients. In this regard, external partners appear prepared to step up their support to meet the financing gap on the condition that the education sector financing plan is credible and that there is increased evidence of improved efficiency as well as efforts to reduce dependency on external assistance over time. The recently completed Education Sector Review and ongoing analyses focused on teacher financing and deployment, and the elimination of school fees. They will provide guidance on how to prioritize among the many objectives.

29. ***Additional inputs will be required to improve the quality of education services and meet rising demand.*** In the context of rapid demographic growth and increased demand for schooling, a massive investment programme will be needed to repair and expand education facilities, and to provide education materials – and parallel efforts will be needed to train or re-train teachers and upgrade quality. With regard to secondary and higher education, efforts will need to focus on quality and on the fit of the various education programmes with the country's actual needs in terms of trained workforce. Efforts will also require strengthening institutional and financial capacity of the sector by, among other things, revising the career structure of teachers and developing a results-oriented and fundable strategy for the sector development.

30. ***In the health sector, the overall objective is to increase the consumption of effective services.*** The health strategy proposes to strengthen the capacity of the existing Health Zones (HZ) by rehabilitating, reequipping, and rationalizing the existing health facilities network, particularly in rural areas where most of the poor live. This will be achieved by consolidating and improving key aspects of the existing, three-tier system which includes 515 Health Zones, each managed by the Ministry of Health; a province-level coordination and oversight structure; and national-level policy and planning structure. In addition, specific measures are needed to improve the coverage and quality of services as well as to reduce the financial barriers to access including the reduction and, where appropriate, elimination of fees.

31. ***With limited resources it will be necessary to maximise allocative efficiency in the health sector.*** With more than 1,200 people dying per day, most from easily preventable diseases, health service resources should be concentrated on providing readily accessible primary health care services which treat killer disease, such as malaria and respiratory diseases, including the provision of an adequate supply of quality essential drugs. Consolidation of the existing system requires adequate financing for all Health Zones, including those not currently supported by a partner, within the context of contractual relations that are results-based and ensure financial predictability. Measures for ensuring acceptable standards of service delivery, particularly by non-state partners, need to be implemented. With so many partners involved in the health sector, coordination of activities and ensuring consistency of standards in diagnosis and treatment are important elements. As in the education sector, a massive investment programme to rehabilitate medical facilities and procure equipment is required.

32. In the water sector, the overall objective is to increase the consumption of clean, safe water and expand access to sanitation services. In rural areas, this will require investment to scale-up already effective programmes (specifically the Government-led community programme Village Assaini). In urban areas, emphasis will be given to increasing water supply and sanitation services in the most densely populated areas, where public health problems are the most acute and the largest number of people can be connected to services for a given level of investment. The challenges to increasing urban coverage are three-fold. First, significant reforms are needed to improve management of the state-owned water company (*Régie de Distribution d'Eau*, REGIDESO) and improve revenue collection. Second, large investments are needed to rehabilitate urban networks which have not been maintained for years and have not been adjusted to a fast-growing urban and peri-urban population. Third, the reduction of financial barriers for the poorest through life-line tariffs is necessary to ensure equitable access.

33. In pursuing an equitable approach towards development, additional social protection actions will be needed to assist poor and vulnerable segments of the population. These actions will have two functions: 1) reduce risks among populations living close to poverty line; and 2) provide additional support to clearly identifiable vulnerable groups. The PRSP identifies four categories of population which should be primary targets of social protection programmes: vulnerable women and children; disabled persons; the elderly; and the displaced. A series of targeted social protection measures will be introduced for these groups aimed at reducing risk and promoting their economic and social integration into society.

Combating HIV/AIDS

34. The PRSP highlights the importance of pursuing the fight against HIV/AIDS. The HIV/AIDS prevalence rate in DRC is estimated at 4.5 percent of the population but will almost certainly rise, particularly as transport routes open. At present, 2.6 million people are living with HIV/AIDS, a considerable rise from 700,000 in 1995. Of these, 780,000 are at an advanced stage of the disease.

35. To date, HIV/AIDS services have not been effective in preventing the spread of the epidemic or providing adequate care for People Living With HIV/AIDS (PLWHA). HIV/AIDS education messages have not succeeded in raising awareness amongst the population and knowledge among different sectors remains deficient: less than three percent of men and women in the 15-24 age group have correct information on how HIV/AIDS is transmitted and what can be done to avoid exposure and transmission. Despite the importance of Voluntary Counseling and Testing (VCT) in combating HIV/AIDS, the current provision of services is very low with only 426 VCT centres in the entire country. To date, there is no national policy on making Anti-Retroviral Treatment (ART) universally accessible, and it is estimated that fewer than five percent of all those people who could benefit from ART currently have access to it.

36. The PRSP has identified specific objectives in the Governments' strategy to combat HIV/AIDS: (i) reduce the transmission rates of HIV/AIDS and Sexually Transmitted Infections (STI) among the people, particularly among women and youth; (ii) speed up treatment and improve the quality of life of persons living with HIV/AIDS; (iii) attenuate the negative socioeconomic impact of HIV/AIDS on individuals, families and communities, and (iv) strengthen the mechanisms for coordinating all stakeholders and partners involved in the fight against HIV/AIDS as well as the monitoring and evaluation of the activities carried out.

Promoting community dynamics

37. The PRSP calls for the empowerment of community organizations and their effective participation in the development of the country. Over the last forty years, strong grassroots organizations have emerged in many communities, largely as a response to the absence of a functioning public sector. Successive Governments have not included these organizations in the overall dialogue and decision-making on key development priorities. As a result, they have often remained confined to a local role. The PRSP aims to

empower communities and harness the collective contributions of grass-roots organizations to help implement poverty-reduction activities at the local level.

38. *The first challenge is to facilitate the effective involvement of communities in the preparation and implementation of projects that may affect them*—and that would be implemented under any of the other PRSP pillars. The scope and modalities of such an involvement will depend on the nature of the project, but determined efforts will be made to ensure ownership at the local level, encourage participation in implementation (where possible), and allow for the monitoring of implementation by the communities themselves.

39. *The second challenge is to mobilize local initiatives in the most difficult areas to consolidate peace and lay the groundwork for recovery.* In areas still affected by violence, community organizations are often the only functioning social structure, and are therefore key instruments for supporting stabilization. Special projects will be needed in these areas focused on income-generation, local governance, community security, infrastructure and reconciliation. Their main aim will be to strengthen social cohesion and promote political stability. In this context, their economic justification will need to go beyond a standard analysis, and include the indirect impact of restored stability of country-wide economic and social development.

40. *The third challenge is to promote area-based development in impoverished communities.* Some of the country's worst social indicators are found in isolated communities that have not benefited from humanitarian assistance. Helping these communities prosper is expected to result in high returns due to their very low base-line indicators and to have positive spill-over effects on national political life by creating the demand for responsible and accountable government. Development projects which are chosen and managed by communities at the local level are often the most effective in jump-starting micro-economies, building social capital, compensating for insufficient public goods, empowering the poor and vulnerable, particularly women, and strengthening democratic practices.

41. *The fourth challenge is to prevent an inefficient dispersion of efforts.* Support to community dynamics can sometimes result in the spreading of assistance across the country with limited overall impact. In a country where external assistance remains small compared to the needs, it may end up in an inefficient use of scarce resources. The development of a list of criteria for community activities by the Government – such as ownership, sustainability, efficiency, complementarity with country-wide programmes and at the overall level such as the share of external resources allocated to such programmes – would be a useful tool in providing coherence to these efforts.

C. Medium-Term Macro-Economic Outlook

42. *The Government did not tighten fiscal discipline during the electoral period, and inflation was hovering at about the same level at the end of 2006 as it was at end 2005.* Production in mining and manufacturing sectors slackened during 2006, which resulted in lower than projected economic growth in 2006. With the elections over and the security situation stabilizing, the country is now able to resume productive activities. Strong medium-term growth in the range of 6-8 percent over the next few years is realistic. As more of the efforts in improving governance in public sector and extractive industries begin to bear fruit, the government revenues are likely to continue to increase. However, the budget deficit will remain significant due to the enormous needs to reconstruct the country and to resume basic public service delivery – making DRC highly dependent on foreign assistance.

MANAGING RISKS

A. Overall Approach

1. ***Engagement in a post-conflict context is a high-risk, high-gain enterprise.*** The situation in DRC remains difficult, but research and experience show that external assistance can yield disproportionate benefits in a post-conflict context if it is well targeted and efficiently provided. In 2001, most donors assessed that the environment was sub-optimal and fiduciary risks very high. They noted, however, that the risks of non-engagement exceeded the risks of engagement including as regards the fight against corruption. Indeed some of the risks have materialized (including on corruption), but the overall impact of donor programmes on political stabilization and economic reform has been positive.

2. ***Consistent with post-2001 donor strategies in DRC, the approach suggested here is based on pro-active risk management rather than risk avoidance.*** It consists of identifying the categories of risk and the main risk factors within those categories, and in designing ways to minimize their potential impact. Typically, the risk management strategy is three-fold: (i) warning mechanisms, to detect problems at an early stage; (ii) response mechanisms, to mitigate their immediate impact; and (iii) risk reduction mechanisms, to gradually reduce their likelihood and potential impact over time.

3. ***It should be underlined, however, that in a post-conflict environment like DRC, external assistance is precisely aimed at addressing the broader risk of renewed conflict and instability.*** Risks should not be seen as external factors that may affect performance of donor programmes, but rather as the justification for and the focus of such programmes. Reducing risk is hence not only a way to improve performance it is the main objective of donor support. It should also be underlined that the key to effectively managing risk is the strengthening of a constructive relationship between donors and the Government.

4. ***Risk management is expected to be under the responsibility of each donor, within the overall CAF context.*** The CAF provides a joint analysis of key risks and a coordinated definition of the corresponding risk management strategies. The responsibility for implementing these strategies however will rest with each individual donor, in terms of defining both what exactly may trigger a response and what exactly such a response would entail. Extensive consultations among CAF donors are expected to take place prior to major decisions being taken, but the option of a joint action by all CAF donors has been ruled out as unpractical in view of the different decision-making and reporting arrangements of participants.

B. Seven Key Risks and the Corresponding Risk Management Strategies

5. ***The first, and most critical, set of risks is related to the relative fragility of the political and security environment both in DRC and in the sub-region.*** Political and security risks are distinct in nature, but closely inter-related. Potential negative events affecting implementation of external assistance include: (i) the deterioration of the security situation in parts or the whole of the country; (ii) armed interventions by foreign groups or foreign armed forces on DRC territory; (iii) social unrest caused or exploited by disenfranchised political figures; (iv) dramatic events which would destabilize the political leadership of the country; and (v) in the worst case, a return to widespread conflict could reverse progress towards the MDGs. The proposed risk management strategy is as follows:

- ***Warning mechanisms.*** Donors will work closely with, and rely on, key bilaterals and specialized UN entities to closely monitor political and security developments, and assess their possible impact on the proposed assistance programme.
- ***Response actions.*** Despite their being inter-related, political and security risks call for different responses. With regard to political risks, donors will rely on key bilaterals, UN entities, and possibly ad hoc mechanisms to help assuage difficulties and maintain stability, through continued political dialogue

and mediation. With regard to security risks, donors will also rely on the Government, external political actors, and UN peacekeeping troops to help re-establish order in affected areas. In case of an uncontrolled deterioration of the security situation, however, the proposed contingency response is an incremental and targeted scaling down of donor activities (rather than withdrawal) in those areas where security conditions are not sufficient for donor staff or donor-financed personnel to travel to and work. In addition, resources may be redirected from development to humanitarian assistance to address the ramifications of violence. Withdrawal will only be considered after a careful review of potential consequences (including on political stability and security) and extensive consultations among donors and with the Congolese authorities.

- **Risk reduction mechanisms.** There are several ways in which political and security risks can be minimized. MONUC, the UN peacekeeping mission in DRC, is perhaps the most important investment in managing these risks in the immediate term. However, medium-term reduction hinges on successful security sector reform (including reforms to the army, police and justice systems). Supporting implementation of the Constitution including establishing effective democratic mechanisms will also be crucial, as will other programmes aimed at improving the social environment in DRC. In addition, support to improving the broader governance environment in DRC will be critical, as it underpins many problems that were at the root of past explosions of violence. The continuation of political dialogue with other countries in the sub-region will also be critical in this effort, to encourage them to play a positive role in the DRC stabilization process, as well as possibly the launch of regional projects to encourage and strengthen trade and other cooperation across borders. Last but not least, it includes an intense dialogue with the Congolese authorities to help them strengthen the environment in which assistance is provided and manage potential incidents in a manner that contributes to further stabilizing the situation.

6. **The second group of risks results from the fragile macro-economic situation.** Despite recent efforts, the country's vulnerability remains very significant and could be further aggravated by: (i) lack of decisiveness or capacity by the new Government to rapidly implement the necessary measures to ensure sustained macroeconomic stability; (ii) impact of the decentralization process and the corresponding transfer of resources to levels where controls are very weak; (iii) high popular expectations on the new Government, especially as regards public services wages; and (iv) private sector response in case of political uncertainty or security crises. In addition, the risks of external shocks (prices of agricultural exports such as coffee, or minerals such as copper) may negatively impact the economy and result in an economic crisis. Debt management may also have an adverse effect on economic development if it is not managed properly. The proposed risk management strategy is as follows:

- **Warning mechanisms.** Donors will rely on the IMF to closely monitor the macro-economic situation and assess possible risks on the proposed assistance programme.
- **Response actions.** Overall, the response will be based on an assessment of the severity of slippages, within the context of traditional IMF instruments (Staff Monitored Programme, Poverty Reduction and Growth Facility) and usual donor responses to slippages—which may include redefinition of planned interventions, intensification of the policy dialogue, and possibly partial suspension of activities.
- **Risk reduction mechanisms.** Reducing macroeconomic risks will require the provision of significant external assistance, within the context of a frank and open dialogue with the Congolese authorities on priority reforms. First, significant capacity building and technical assistance will be needed: (i) to strengthen the Government's capacity to implement key macroeconomic measures; (ii) to improve controls for managing public finance; (iii) to help manage complex political processes which have a significant macroeconomic impact (such as decentralization or public service wages negotiations); and (iv) to strengthen Government capacity to raise revenue. Second, until revenue collection efforts yield significant benefits, the Government will continue to face a financing gap and is seeking relatively large amounts of budget support. However, provision of further budget support would require both the

successful negotiation of an IMF programme and adequate progress on strengthening fiduciary risk management. Budget and financial management systems in DRC function poorly, and public resources have been misused as a result of both lack of capacity and corruption.

7. The third set of risks are those which could obstruct or slow down implementation of the necessary economic and governance reforms. These typically include: (i) decision-making paralysis as a result of the complex political and economic situation and of the fragility of the social context; (ii) mobilization of anti-reform constituencies in critical areas; and (iii) lack of sufficient administrative capacity to follow up on political commitment to reforms. The proposed risk management strategy is as follows:

- **Warning mechanisms.** Donors will work closely with key development partners, the private sector, and civil society to monitor implementation of critical reform. They will in particular regularly assess progress in implementing: (i) the IMF-supported programme; (ii) key governance reforms as outlined in the Government's Governance Contract; (iii) triggers for the HIPC completion point; and (iv) donor-supported projects (with a particular focus on transparency and timeliness of actions).
- **Response actions.** Overall, the response will be based on an assessment of whether the reform programmes can be successfully implemented. To respond to minor slippages, practical steps will include revisions of specific activities' implementation schedules, revision or redefinition of planned interventions, shift of focus of specific activities, intensification of the policy dialogue, and possibly partial suspension of activities. The response to systematic or major slippages will include a postponement or suspension of those operations most affected by the slippages, and a redefinition of donor programmes around a set of basic governance reforms, with limited financial support.
- **Risk reduction mechanisms.** This includes the provision of significant assistance to strengthen administrative capacity, including hands-on support to specific reform efforts (e.g., through technical assistance). It also includes engaging in a strong and sustained dialogue with key stakeholders (such as private sector and civil society) to help build or strengthen the constituency for reforms and develop a frank dialogue with the authorities on the key issues that constitute impediments to DRC's poverty reduction efforts.

8. The fourth risk is corruption. While achieving full transparency across all sectors will take time, very significant improvements can and must be made during the CAF period. The risks of inaction on this front are very high, both directly, as they would reduce the impact of external assistance and domestic resources, and indirectly, as they would gradually translate into a steep reduction of external support. Critical risks include: (i) the persistence of poor governance practices in critical areas (e.g., mining, public expenditure management); (ii) misuse of the Government's budget resources, especially if donors are providing budget support; and (iii) misuse of resources made available under donor-financed projects. The proposed risk management strategy is as follows:

- **Warning mechanisms.** Donors will work closely with key development partners, the private sector, and civil society to monitor the use of public resources. They will use a specific set of instruments to monitor each key risk: (i) with regard to poor governance practices in critical areas, an assessment of implementation of key transparency measures which are part of the Government's governance programme; (ii) with regard to the use of the Government's budget resources, analytical work such as Public Expenditure Reviews (PER) and Public Expenditure Tracking Surveys (PETS) in selected sectors; and (iii) with regard to the use of resources made available under donor-financed projects, regular project supervision reports and ad hoc audits as may be needed.
- **Response actions.** Donor actions in response to corruption will be adjusted to each key risk. In general, however, the response will distinguish between two situations: (i) relatively minor slippages within the context of overall, albeit possibly slow, progress – which will be dealt with within the context of the

policy dialogue with the Government, including through the provision of a mix of incentives and assistance to help implement key reforms or redress performance under specific projects; (ii) systematic or major slippage – which will lead to a gradual redefinition of donor programmes around a set of basic governance reforms with limited financial support.

- **Risk reduction mechanisms.** This includes engaging in a strong and sustained dialogue with Parliament and Provincial Assemblies and providing support to key stakeholders (such as private sector and civil society) to help strengthen the domestic constituency for transparency. It also includes providing the necessary resources for supporting the implementation of the relevant parts of the Government's Governance Contract. It requires developing a frank and trust-based dialogue with the authorities, so that issues that have been identified can be dealt with in an effective manner. Finally, donors will insist on the need for the authorities to severely sanction instances of fraud as a deterrent measure.

9. **The fifth major set of risks is linked to issues of donor coordination.** In as complex a situation as DRC, predictability in aid flows and simplicity in their management are critical to success. Given the size of the country, coordination, harmonization, and the true quest for synergies and complementarity are essential to ensure that efforts add up to a meaningful whole. Donors must work closely with each other to share information and coordinate programming. The CAF process is a good start, but it will have to be sustained throughout implementation.

- **Warning mechanisms.** Regular donor meetings, including through the Consultative Group process and interactions in the field, are expected to provide an assessment of the quality of cooperation. Government's feedback may also provide for an effective alert system to identify issues and/or sectors in which closer coordination may be needed.
- **Response actions.** Donors are committed to ensure the closest possible cooperation, and to handle possible issues in a rapid and effective manner, including through an early involvement of their respective managerial levels if needed.
- **Risk reduction mechanisms.** Proposed risk reduction mechanisms are essentially progress towards full implementation of the Paris Declaration with three priorities: (i) harmonization efforts and the use of common instruments to intervene in a given sector (e.g., through Trust Funds, coordinated monitoring mechanisms) to minimize the potential for uncoordinated action; (ii) development of a solid capacity within the Government to follow up closely on donor programmes and their implementation (and hence to detect any potential issue early on); and (iii) regular coordination mechanisms and the adoption of a shared "code of conduct" to sustain the dialogue among donors and with the Government within the context of a continued "CAF forum".

10. **The sixth risk is operational.** Operational performance in DRC is difficult to ensure, especially due to: (i) the size of the country, the lack of physical infrastructure, and the corresponding logistical complexity; (ii) the lack of administrative capacity especially at a decentralized level; and (iii) the disruptions which are the legacy of the conflict (e.g., absence of a functioning private sector in many areas, mistrust among communities). These challenges translate in slowing down implementation of physical activities in many areas, and in making supervision of project implementation, whether by Congolese authorities or donors, extremely difficult. In a context of limited resources, however, operational performance is a major requirement for effective support to DRC's recovery.

- **Warning mechanisms.** Regular project supervision mechanisms should in principle detect difficulties or irregularities. Government's feedback may also provide for an effective alert system. Still, while such instruments have been useful and reasonably effective for monitoring the reconstruction of large infrastructure, they have proven less reliable for projects that provide small amounts of financing for many local-level activities throughout large parts of the country. Donors will work closely with each

other and with the Government to strengthen supervision for such activities, including through: (i) partnership with civil society organizations that have an extensive network even in far-away areas (e.g., faith-based groups); (ii) use of decentralized levels of administration once they are in place to regularly report on effective activities at the local level; and (iii) joint, multi-donor monitoring mechanisms, that may result in reducing the number of missions in the field by tasking one donor to check on all projects in a given area.

- **Response actions.** Response to operational performance issues would be defined within the context of each donor's procedures, and would typically include increased supervision and support to implementation, as well as possibly retrofitting or suspension of selected activities.
- **Risk reduction mechanisms.** Proposed risk reduction mechanisms are essentially linked to: (i) capacity building efforts to strengthen the Government's and operational partners' capacity to implement donor-funded projects; and (ii) increased resources within donor institutions to ensure adequate follow up, including by posting key staff in the field and providing for increased supervision.

11. **The seventh and last major risk for donors is reputational.** This risk is especially relevant as it may undermine donors' effective ability to provide the type and level of support that is needed. Indeed, any involvement in DRC, as in many post-conflict countries, is likely to generate controversy due to the high risk nature of engagement.

- **Warning mechanisms.** Experience suggests that controversy can come from many different quarters (sometimes with contradictory views or demands), with a focus on a diverse set of issues (reforms in the forestry sector, the involvement of indigenous people, joint-venture agreements in the mining sector, procurement, human rights, etc.). Donors will work together to ensure that reputational risks are identified and managed.
- **Response actions.** Donors' first response will be to review how the quality of their assistance to DRC can be improved in light of the arguments made by critics. They will then systematically adopt a proactive communication strategy to make their positions and the underpinning rationales known to the public, including through regular contacts with the media and key stakeholders, as well as full-fledged communication campaigns as may be appropriate (which will require adequate financing from donors).
- **Risk reduction mechanisms.** These will include careful design and implementation of programmes to ensure that all relevant safeguards are met. In addition, strong monitoring and evaluation systems will be built into operations to ensure that their impact can be demonstrated. Over the longer term, supporting stronger structures for democratic oversight and accountability (including the media) will be important for reducing the risks inherent in working in DRC.

C. Conclusion

12. **Overall, the risks of engagement are high, but the risks of disengagement are even higher.** The risks outlined above are very real and some of them will undoubtedly materialize during the period of CAF implementation. But the risks of disengaging, or partly disengaging, may be even higher, both for the success of the overall stabilization process in Central Africa and for the implementation of key governance and anti-corruption reforms in DRC. As in other post-conflict countries, donor engagement cannot be and will not be free of difficulties and mistakes, but experience has amply demonstrated that, left to their own devices, fragile post-conflict countries often fall back into chaos.

ANNEX I: SUPPORTING THE GOVERNMENT'S GOVERNANCE CONTRACT

I. OVERVIEW

A. Background

1. *The Government of DRC has highlighted political, administrative, and economic governance as major determinants of poverty.* It has emphasized the need for good governance and has, as part of its programme, released a Governance Contract (between itself and the people of the DRC) in February 2007.¹

2. *While the PRSP provides details of the required actions in general, the Governance Contract provides a mapping of focal points to be addressed in the short-term (March – December 2007).* The Contract focuses on the following seven areas: security sector reform (armed forces, police, and justice); transparency; public financial management; management of natural resources; public administration reform; local governance; and investment climate and public enterprise reform.

3. *During the first two months in office, the Government has taken a number of important steps towards the implementation of the Contract,* in particular in the area of decentralization. Whereas a number of critical problems remain in the governance system, these constitute an important first step towards the development of a system that brings governance and service delivery closer to the citizens.

4. *This annex provides guidance to donors to ensure alignment between the Government's needs and donor efforts.* While the responsibility for governance reform lies with the Government, the donor community has a significant role to play in terms of providing financial support and technical advice. This section outlines ways in which that support can be given and corresponds with the issues raised in the PRSP and in the Governance Contract.

B. Cross-Cutting Concerns

5. *A review of the PRSP, early studies, and the Governance Contract show that institution building, capacity development and advisory support will be the key elements of support to enhancing the quality of governance in DRC.*

- ***Building institutions.*** Years of mismanagement and conflict in the DRC have hollowed out the country's institutions. Without a solid institutional foundation, the development of the country is at risk of political volatility. Building strong and sustainable institutions is a long-term endeavor, requiring a firm knowledge base, innovation in design, and strong links between research and policy. Of particular importance in this regard is the development of new democratic institutions at the provincial and local level, which will be a key element to enhancing accountability. Provincial Assemblies and administrations are of particular importance, as well as the reinforcement of parliamentary and oversight institutions at central level including the *Inspection Générale de Finances* (IGF) and the *Cour Constitutionnelle*, the *Cour de Cassation* and the *Conseil d'Etat*. In addition, the planned elections at the level of chefferies and communes, likely to be held in early 2008, would extend democratic governance to the lowest level of government, thus completing the first full free electoral process since the early 1960s.
- ***Strengthening capacity across the spectrum.*** All of the recommended reforms include an element of capacity building. These efforts will have to take a step-by-step approach, balancing urgent and medium to long-term needs; intensive training of a critical number of experts may be followed by subsequent

¹ Governance is defined here as rules, processes, and behaviors by which interests are articulated, resources are managed and power exercised, and government officials are held accountable.

training of a broader audience. In some cases, capacity assessments may be required (especially as regards the development of new institutions at provincial and local level). In addition, wage system reforms are required to allow the government to attract and retain qualified staff. In addition, the capacity for civic engagement among citizens will be necessary, to support their participation in governance reform, particularly in light of the imminent decentralization. This will include disseminating information on the modalities of decentralization.

- ***Providing technical assistance and advisory services to move reforms forward quickly.*** Implementation of the recommended reform measures in a timely manner will require tailor-made and targeted advisory services. Analyses such as Public Expenditure Reviews, governance diagnostics and Investment Climate Assessments will help to build the analytical basis for reform.

6. *The donor community recognizes the scale of reforms and the funding required for its design and implementation. It acknowledges:*

- ***The need for consistent, long-term, and flexible support.*** It will be important to quantify the costs of the governance reforms as laid out by the Government. Some of these reforms are likely to require significant resources. In addition, many of the reforms are inherently challenging (especially those linked to the decentralization process) and will also require flexibility. The reform period will be long and the donor community must be ready to provide sustained support beyond the CAF period.
- ***The need to work closely with government and other stakeholders.*** Governance reform needs to be driven and sustained by political will. The international donor community will support the Government's efforts by providing resources where required, financial or human, and by maintaining strong ties with the Government to ensure that resource provision fits within its agenda. Donors will work closely with a wide range of actors including the judiciary (on justice reform), the Presidency (on security sector reform, the national assembly and senate (on issues of Parliamentary oversight). In addition, donors will also work with decentralized entities (such as provincial governments and non-governmental entities. Donor assistance must be adequately prioritized and in line with the specific actions laid out by the Government. Gaps in funding or in the provision of non-financial resources will not only slow down reform but may undermine stability.
- ***The need to share knowledge.*** Many of the governance challenges faced by DRC have been addressed successfully in other countries, both within and outside the continent. Tapping into these successes will strengthen local capacity and foster innovation.
- ***The need to work together and help the Government coordinate partner interventions.*** Donor collaboration should continue throughout the CAF period and should entail sharing information on funding priorities and changes (linked to discussions with the Government) to ensure that donors are working in their area of comparative advantage and that available resources are maximized.

II. OBJECTIVES

7. *The Governance Contract focuses on a number of priority areas.* Given the scope of the efforts to be undertaken in these areas, there are actions that should be implemented (or begin to be implemented) in the short-term, defined as June 2007–July 2008) and those that should be implemented or started in the medium-term, defined as July 2008–2010.

A. Security Sector Reform

8. *Police.* Much of the work in this area will rely on the completion of the police census to ensure a credible payroll. Based on this, the Government can build components for training, accountability, and oversight. The

completion of the census as well as the introduction of wage reform in the sector (coordinated with overall public sector wage reform) are essential steps to be taken. On accountability and oversight, the development of capacity of civilian oversight of Parliament in the policing sector, the development and introduction of a system of community policing, the establishment of a *Comité de Suivi pour la réforme de la Police* and advisory services for police decentralization are essential elements of reform.

9. **Armed Forces.** A priority in this area is the completion of the demobilization and reintegration programme currently supported by the Multi-Country Demobilization and Reintegration Program (MDRP). While much progress has been made so far, still more needs to be done. Also important in reform in this area is ensuring a clear and functioning payroll system and reform in the management structure. This will involve clearing up payment arrears and setting up a functional payroll system (which would include a review of the payment system of the armed forces). In addition, issues of control over the use of state budget resources should be clarified. At the current time, the Ministry of Defense controls only a small number of budget items and cannot therefore be fully held accountable for the use of the defense budget. This makes even more important a review of the possibilities to enhance salary payments to the military based on a comprehensive review of expenditure. At a broader level, the Government will embark on creating a legal framework to support reforms, specifically around military expenditure, the organization of the military, and the articulation of the functions of the army. In addition, independent oversight institutions at the Parliamentary level will need to be organized.

10. **Intelligence Services.** Properly functioning and overseen intelligence agencies are essential in order to manage national security in accordance with democratic norms. These agencies main role could be the provision of information and analysis to enable decision-makers to implement agreed national security policy. Working methods should conform to international standards. Operations should be carefully designed to conform to the law and be overseen in detail by the people's representatives. Agencies could rely on the police to arrest and question suspects, on the defense forces to conduct military style operations and on politico-administrative authorities to coordinate actions.

11. **Justice.** A well-functioning justice system is a key component of good governance. For that reason, justice reform is among the top priorities in DRC. Capacity in key areas should be developed, including: organizational and institutional capacity, judicial infrastructure and training, service delivery and political will to fight impunity and corruption. Actions in these areas are key if the population is to gain trust in the judiciary. Following an audit of the justice system in 2003, the Government put in place a joint committee, *Comité Mixte de Suivi du Programme-Cadre de la Justice*. The Government has also identified a number of priority actions to improve the justice system, including the consolidation of anti-corruption efforts, respect for international human rights norms, the strengthening of human and institutional capacity (including the supply of physical resources), the improvement of prison conditions, and increased access to legal aid.

Priority Activities

12. **Donor assistance in the area of security sector reform will focus on clarifying the role and responsibilities of institutions in the security sector, ensuring oversight, including of the budgets of security institutions, by Parliament and civil society and helping the Government implement the following short and medium-term actions.**

- *Reform and transform the Congolese National Police (Police Nationale Congolaise, PNC) into a professional and unified structure, supported by a coherent legal framework.*

In the short-term: (i) continue to identify reform priorities through the *Comité de Suivi* and complete the police census; (ii) establish a payroll management system for the PNC; (iii) establish and operationalize effective and transparent budget management systems for the PNC; (iv) provide training, including components on justice, to PNC officers; (v) develop the civilian oversight

capacity of Parliament in the police sector; (v) introduce a system of community policing; and (vi) establish advisory services for police decentralization.

In the medium-term: (i) implement key priorities as outlined by the *Groupe de Réflexion* and developed by the *Comité de Suivi* including unified police curricula and pay structures and an organic law; (ii) reform PNC organizational and management systems; (iii) strengthen strategic planning within the PNC; and (iv) expand capacity human training.

- *Reform and transform the Congolese Armed Forces (Forces Armées Congolaises, FARDC) into a professional and unified structure, supported by a coherent legal framework.*

In the short-term: (i) develop a white paper on defense reform; (ii) complete the FARDC census; (iii) undertake a review of defense expenditures and explore possibilities for increasing salary payments; (iv) establish a payroll management system for the FARDC; (v) establish and operationalize effective and transparent budget management systems for the FARDC; (vi) finalize the Disarmament, Demobilization and Reintegration (DDR) process and reintegrated ex-combatants into local communities; (vii) establish mechanisms for ensuring that Integrated Brigades receive regular supplies and equipment; (viii) develop community-based Small Arms and Light Weapons (SALW) programmes that reduce the number of arms at the local level; (ix) provide discipline and leadership training; (x) develop the civilian oversight capacity of Parliament over the defense sector; and (xi) introduce training for military magistrates and lawyers on Congolese and international law.

In the medium-term: (i) provide technical support for the Ministry of Defense including the *Etat Major* and the *Structure Militaire d'Intégration (SMI)*, (ii) adopt key laws to regulate the FARDC including laws on the supreme defense council, military expenditure and military organization and function; and (iii) regulate military courts in accordance with international standards.

- *Reform and transform the intelligence services into professional structures, supported by a coherent legal framework.*

In the short-term: (i) re-define the roles of intelligence agencies including a review of their powers of arrest, questioning and detention; (ii) develop a strategy for the financing of the intelligence services; (iii) adopt legislation governing the functioning of the intelligence services; and (iv) design a restructuring and capacity building programme for the intelligence services enabling them to operate in conformity with international standards.

In the medium-term: (i) define the oversight powers of Parliament over the intelligence services; and (ii) provide training for Parliamentarians and Parliamentary staff on oversight functions.

- *Reform and reorganize the justice system in line with the new Constitution.*

In the short-term: (i) focus on fighting impunity and applying international human rights standards as priorities; (ii) establish the judiciary institutions foreseen in the 2005 Constitution; (iii) establish a National Commission on Human Rights; (iv) establish and operationalize effective and transparent budget management systems for the justice sector; (v) establish a payroll management system for the justice sector; (vi) provide training for judicial sector personnel; (vi) improve conditions in the prison system; and (vii) increase access to legal services and advise.

In the medium-term: (i) restructure and strengthen the organization and management of judicial institutions; (ii) strengthen the capacity of judicial officials to investigate and prosecute cases of trafficking in natural resources; (iii) establish a template for case management procedure; (iv) establish a legal information-sharing system; and (v) strengthen the *Commission Permanente de*

Réforme du Droit Congolais (CPRDC) including clarifying its reporting lines within the Ministry of Justice.

B. Enhancing Transparency

13. ***There are two main priorities in the area of transparency:*** First, increasing access to information to all non-classified government documents, both electronically and at government information offices. This includes publishing and disseminating critical information on the budget, annual reports of key public sector enterprises (such as GECAMINES and SNEL), terms of concessions in the extractive industries, and carrying out audits in critical areas.² Second, strengthening key review and oversight institutions that can help enhance transparency through the accountability system and ensuring that their findings and reports are made available widely to the general public. This would include support for institutions such as an anti money-laundering commission, the *Cour des Comptes* and the *Inspection Générale de Finances*. Also important, but not immediately pressing, is the need to build durable mechanisms for public participation and engagement with the Government. The Government has already garnered knowledge from the PRSP process, in which it carried out extensive consultations throughout the country. Mechanisms vary and may range from large-scale public consultations (which are expensive and difficult to organize), to electronic mechanisms (which are not currently feasible in DRC), to the use of the media such as radio (which is an efficient medium).

Priority Activities

14. ***Donor assistance in the area of transparency will focus on helping the Government implement the following short and medium-term actions.***

- *Increase access to information on all non-classified government documents, both electronically and at government information offices.*

In the short-term: (i) publish extensive information regarding public revenues and expenditure on a bi-annual basis and gradually improve the quality of such reporting; (ii) submit reports assessing budget execution to Parliament on a quarterly basis, including detailed information on revenue and expenditure; (iii) publish all future mining and forestry contracts to which the Government or public enterprises are a party; (iv) prepare and publish a series of audits including on the Central Bank, budget execution by the *Cour des Comptes*, use of HIPC savings, expenditures in key social sectors, financial management in large public enterprises, and mining and petroleum revenues; (v) publish regularly on the Internet the list of all contracts and key procurement data financed under the national budget and under donor projects; and (vi) prepare and publish a bi-annual analysis of Government-published information by the *Cour des Comptes* to provide a critical review of the quality of data published and identify potential transparency issues.

- *Contribute to improved accountability and transparency by strengthening key oversight institutions.*

In the short-term: (i) develop and adopt a three-year action plan to strengthen the capacity of key control institutions with an initial focus on the *Cour des Comptes* and the *Inspection Générale des Finances* and strengthen the capacity of Parliament to play its full oversight role over the executive; (ii) develop and adopt a three-year action plan to strengthen the capacity of external watchdogs including Parliament, the private sector, and civil society which are in a position to apply pressure

² The Government can increase access to information in a number of ways, including regularly disseminating information on government contracts, decisions on awarding concessions in the mining and other extractive sectors, the publication of audit and budget execution reports, publication of the use of HIPC savings, the tracking of expenditures in key social sectors, reports on financial management in large public enterprises, and reports on mining and petroleum revenues.

for better governance; (iii) establish an anti- money-laundering commission; and (iv) develop a system to control corruption investigations and ensure that their conclusions and recommendations are published.

In the medium-term: (i) implement plans to enhance transparency including strengthening formal oversight institutions, supporting, where appropriate, non-governmental oversight structures and monitoring the handling of corruption cases; (ii) provide training for journalists, NGOs and national and local assemblies to develop democratic accountability; and (iii) strengthen the capacity of governmental and non-governmental institutions to monitor anti-corruption efforts.

C. Strengthening Public Financial Management

15. *The Government seeks to strengthen its revenue system and to ensure a more effective and efficient use of Government funds.* Strengthened customs and taxation systems will bolster revenues particularly those from the mining and forestry sectors. In terms of budget management, the Government faces an over-centralized budget preparation system with little involvement of the line ministries, problems in the management of the *chaîne des dépenses*, in particular regarding expenditure authorizations; and a lack of reliable expenditure tracking mechanisms, especially the lack of reporting by Ministries on actual expenditures.

16. *Regional level financial management capacity.* In view of the eventual transfer of resources and competences to the provincial level, it would be important to start a similar process of review and analysis of public financial management systems and capacity at the second tier of government. Given capacity and resource constraints, it would be important to implement this in phases, starting with development and adoption of a three-year action plan to strengthen fiduciary capacity in provinces, with an initial focus on some key provinces, which could subsequently play a role in assisting other regions. Provinces that are likely to directly manage a relatively large amount of resources should be given particular attention. However, it is also important to focus on some of the provinces with limited resources, as these are likely to face particular problems in covering their operational cost, solutions for which will need to be identified.

Priority Activities

17. *Donor assistance in the area of public finance management will focus on helping the Government implement the following short and medium-term actions.*

- *Increase Government revenues and reform the budgetary process in line with international standards.*

In the short-term: (i) implement the revenue measures agreed upon under the programme supported by the Bretton Woods Institutions to broaden the tax base, strengthen the capacity of customs at key locations, including in Matadi, Kasumbalesa, Goma, and Bukavu, and reinforce internal taxation administration including for small and medium-size enterprises by conducting a feasibility study on contracting out the customs administration, either temporarily or permanently, to private international operators on a performance based fee-for-service arrangement; (ii) conduct a public expenditure review, particularly in key sectors including education and health; (iii) increase fiscal revenues from the mining sector; (iv) establish and meet quantified targets in the 2007 budget for increased pro-poor and essential expenditure; (v) develop, adopt and implement a three-year action plan to improve budget preparation, execution, and monitoring, based on the recent World Bank-supported fiduciary assessment (Country Financial Accountability Assessment, CFAA) including complete unification of the budget; (vi) consolidate the payroll system leading to regular payments of salaries in a transparent and effective manner in Kinshasa and the provinces; and (vii) adopt a new procurement code, accompanying decrees, and a two-year action plan for capacity building to ensure its effective implementation.

In the medium-term: (i) implement the reform agenda supported by the Bretton Woods Institutions including improved budget management, new expenditure tracking systems and capacity building, in particular, on public procurement reform.

D. Management of Natural Resources

18. ***The natural resource sector is a critical source of revenue for the Government.*** However, it will require significant management reform (to ensure proper management of resources, to increase transparency, and to include community voice) so that both the national and local governments benefit. Building transparency and accountability in this sector is particularly crucial in the process of rebuilding trust in government institutions. In the section on transparency, the need to provide open access to all key government documents related to the management of natural resources was already emphasized, and this is a principle to which commitments could be made as soon as possible by the authorities.

Priority Activities

19. ***Donor assistance in the area of natural resources management will focus on helping the Government implement the following short and medium-term actions.***

- *Manage natural resources in a sustainable manner on the basis of legal codes.*

In the short-term: (i) develop and adopt an EITI action plan as required under the initiative and establish a functional secretariat; (ii) maintain the moratorium on new forestry concessions until agreed conditions for lifting it are met including the completion of the legal review of forestry concessions and adoption of a participatory, three-year zoning plan for new concessions; (iii) complete and publish the ongoing legal review of forestry concessions and implement its findings and recommendations including the cancellation of invalid concessions; (iv) recruit and deploy a third-party observer to assist the forestry administration in controls on the ground; (v) continue to implement the 2004 fiscal reforms and transfer 40% of forest revenues to local entities; (vi) adopt key implementation decrees for the Forest Code and the new law on nature conservation; (vii) launch participatory forest zoning with a focus on protecting traditional user rights and the environment; (viii) rehabilitate key parks and World Heritage Sites particularly those with endangered or endemic species; (ix) implement sustainable forest management plans in all remaining concessions; (x) pilot new contracts and financing models that reward carbon, biodiversity and other environmental services; (xi) publish key elements and analysis of existing contracts in the mining sector and revise relevant agreements in line with international standards; (xii) adopt a business and reform plan for GECAMINES in order to restore its commercial viability; (xiii) develop and adopt adequate and transparent procedures for the award of new mining rights for both exploration and production; and (xiv) strengthen the capacity of personnel in charge of controlling the mining sector.

In the medium-term: (i) implement the EITI action plan and continue the reform of systems to award concessions in the mining and forestry sectors as well as the restructuring of state owned enterprises; (ii) recruit and deploy specialized firms to manage the mining cadastre and ensure mine inspections for a three-year period; (iii) adopt decrees for implementing the mining code; (iv) adopt a reform plan for other public enterprises in the mining sector; and (v) develop a certification mechanism for natural resources.

E. Public Administration and Civil Service Reform

20. ***Building an effective public service is likely to take years,*** if not decades, but will critically depend on the successful implementation of a series of prerequisites, in particular the creation of a reliable civil service register and payroll management system. Efforts are already underway to rationalize the structure and human

resource management systems in the public service, and the main challenge at the current time is to build on the work that has been initiated to bring a sense of order to the public service, while at the same designing initiatives to address some of the more fundamental problems affecting the operation of the public administration system, such as the need to build a strong top level civil service, and to address questions related to the organization of the civil service in the context of the planned decentralization process.

21. *The immediate priorities in this area are the creation of a reliable civil service register, a functioning payment management system, and the creation of a core of civil servants.* The creation of a civil service register will be based on the results of the civil service census, which is still ongoing. Linked to the census is the retirement programme for 94,000 over-aged civil servants (in 2005 the Government identified 96,000 to participate in the retirement programme) which is also underway. The Government also intends to review the structure of the Government, reporting and accountability relations between institutions, and an assessment of the organizational and management arrangements within sectors in order to avoid overlapping tasks and managerial confusion. The Government will also address questions on the structure of the civil service in light of the decentralization process.

Priority Activities

22. *Donor assistance in the area of public administration and civil service reform will focus on helping the Government implement the following short and medium-term actions.*

- *Reform and transform the civil service into a professional structure, supported by a coherent legal framework.*

In the short-term: (i) complete the civil service census the results of which will be reflected in the payroll and pass on any potential wage bill savings to the public service through higher wages; (ii) review the current compensation arrangement including benefits and bonuses for the high-level civil service to ensure transparency and fair treatment; (iii) design and adopt an operational strategy for new recruits in the civil service to set clear criteria and rules for filling vacant positions while managing budget constraints; (iv) revise and adopt the organic law regarding civil servants; (v) support the human resource section of the Central Bank; and (vi) revise the status of the customs administration and strengthen capacity for the customs administration.

In the medium-term: (i) implement the rationalization agenda and clarify the roles and responsibilities of the key institutions and entities with the highest potential impact on economic recovery and governance including the relationship between the central and decentralized levels of government as well as between the Government and non-government service providers; (ii) implement the public service wage reform plan which is currently being designed and create merit-based provincial and local public service systems; (iii) complete the retirement programme for all eligible civil servants; (iv) design and adopt an operational strategy for building a core high-level civil service including recruitment and evaluation rules and compensation arrangements; and (v) monitor closely new recruitments and pay increases taking into account both the needs of a functioning public service and budget constraints.

F. Local Governance and Decentralization

23. *In relation to the decentralization process, the Constitution foresees: (i) an increase in the number of provinces, from 11 to 26, and; (ii) the transfer of significant revenues from the center to the provinces.* This carries both opportunities and risks. The proposed strategic approach is hence three-fold: (a) clarify the legal and regulatory framework; (b) strengthen administrative capacity at the decentralized levels in key areas; and (c) limit large transfers or retention of fiscal resources for an interim period, until fiduciary systems in the provinces are at a minimum acceptable level.

24. ***The process of building a functioning local governance system, both capable and accountable for the delivery of core public services has three main dimensions.*** First, designing legal and fiscal frameworks for the operation of local authorities; second, strengthening provincial and local government institutions; and third, reviewing which exact functions can be transferred, and how this transfer could be staged, based both on capacity, subsidiary principles and fiscal capacity.

25. ***Sequencing the implementation of these three interrelated steps is complex,*** and there are different ways to achieving the overall objective of creating a professional and empowered regional and local governance system. However, considering the fact that provisions on revenue are already enshrined in the Constitution, it would make sense to proceed with the design of legal and fiscal frameworks, while, in parallel conducting capacity audits at the regional and local level.

26. ***Embarking on this process will be challenging.*** Transforming a system that has for decades functioned without clear roles or allocation of responsibility to a rule based multi-level governance system will be one of the key challenges facing the authorities in the coming years. This is an issue recognized by the Government, which has taken important initial steps for framing the process.

Priority Activities

27. ***Donor assistance in the area of local governance and decentralization will focus on helping the Government implement the following short and medium-term actions.***

- *Establish fiduciary systems at provincial and local levels and strengthen capacities to deliver social services, supported by a coherent legal framework.*

In the short-term: (i) initiate discussions with all relevant stakeholders to prepare key legal and regulatory texts foreseen in the Constitution; (ii) adopt legislation on the composition, organization, responsibilities and function of decentralized entities; (iii) develop and adopt a three-year action plan to strengthen fiduciary capacity in provinces, with an initial focus on the potentially richest provinces (i.e., those which include the cities of Matadi, Goma, Bukavu, and Lubumbashi; (iv) adopt and enforce adequate rules to limit large transfers or retention of fiscal resources until fiduciary systems in the provinces are at a minimum acceptable level; (v) strengthen the capacity of citizens at the provincial level to participate in local decision-making; (vi) mainstream human rights legislation into provincial policies and practice; and (vii) establish new administrations in the provinces.

In the medium-term: (i) implement key legal and regulatory texts foreseen in the Constitution on: a) the composition, organization, responsibilities, and functioning of decentralized entities; b) the organization and functioning of provincial public services; c) the nomenclature of local taxes and their distribution modalities between the various levels of the Government; d) the establishment of a revenue sharing system reflecting the 40% allocation to local level as mandated in the Constitution while ensuring that mitigating measures to prevent a growth in economic disparities between regions are taken, notably on revenue sharing arrangement on custom revenues, large enterprise taxes and mining revenues; and e) the organization and functioning of the inter-province redistribution mechanism to cover public investment funding (*Caisse Nationale de Péréquation*).

G. Investment Climate and Public Enterprise Reform

28. ***Although DRC has attracted significant investment recently (close to US\$1 billion annually) the business environment is poor.***³ In order to ensure growth in DRC, much needs to be done to ensure a continued high level of private sector interest and a diversification of investments beyond rapid return, low

³ The World Bank's *Doing Business Report* rates DRC as the most difficult country to work in out of 175 countries surveyed.

added-value activities. In addition, efforts are needed to ensure public enterprises contribute to, or at least do not hamper economic growth (in a context where privatization is unlikely to be successful).

Priority Activities

29. Donor assistance in the area of investment climate and public enterprise reform will focus on helping the Government implement the following short and medium-term actions.

- *Establish pro-investment legislation and frameworks and restructure and reform public enterprises in line with international standards.*

In the short-term: (i) enroll in the Organization for the Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation du Droit des Affaires en Afrique*, OHADA) adopt all key implementation decrees; (ii) publish annually reports on key regulatory and administrative obstacles to private sector activities and corresponding recommendations, including those from the Investment Climate Assessment and the Doing Business Report by the *Fédération des Entrepreneurs Congolais* (FEC); (iii) continue to implement the restructuring plans for approved Banks; (iv) adopt an action plan for the reform of public enterprises; (v) adopt and enforce strict limits on financial transfers from and to public enterprises; (vi) design and adopt a strategy for transferring social services currently provided by public enterprises to relevant entities and managing retrenchments as may be needed; and (vii) implement urgent reforms in key enterprises, including SNCC where a management contract or lease for the railways part of the company could be signed in an effort to effectively restore service in Katanga, towards Kasai and Maniema, ONATRA where a management contract or lease for the port of Matadi could be signed to remove one of the key obstacles to international trade, SNEL to improve corporate governance and internal controls, and REGIDESO.

In the medium-term: (i) implement new laws and related decrees on state divestiture, corporate governance of public enterprises, and transformation of public enterprises; (ii) prepare and implement in consultation with relevant stakeholders a comprehensive action plan on state owned enterprise reform based on a case by case assessment; (iii) establish qualified boards, management teams and audit committees in all key public enterprises; (iv) adopt laws and decrees on the divestment of the state in public enterprises; (v) establish a commercial tribunal; and (vi) implement an action plan to overcome obstacles and other constraints to the development of the private sector.

ANNEX II: SUPPORTING HIGH, SHARED, AND SUSTAINABLE GROWTH

I. OVERVIEW

A. Background

1. ***DRC is one of the poorest countries in the world, with a Gross National Income (GNI) per capita at about US\$120.*** Prior to the conflict, the economy was dominated by extractive and export activities (mining, agriculture, forestry, energy), which fueled a system of poor governance and large-scale corruption. The vast majority of the population remained poor, and derived its income from traditional agriculture and informal activities. Following fifteen years of conflict and political uncertainty, the economy is now transformed; based on subsistence agriculture and informal activities, with a substantial decline of exports and value-adding activities.

2. ***While the conflicts have had a devastating impact on the economy, the economy was already in decline before.*** The economic crisis in DRC was severe even before the conflict (per capita GDP declined from US\$380 in 1985 to US\$224 in 1990), as a result of poor governance, misguided policies, and insufficient investment. The conflict exacted a heavy impact, which further aggravated the situation: infrastructure suffered considerable damage; many institutions are in shambles, assets were lost, investment came to a halt, and public debt increased dramatically. Yet, the challenge is not only to recover from the years of war, but also to turn around the legacy of the pre-war economic system.

3. ***Progress over the last years has been significant, although somewhat unsteady, in a complex political environment.*** Since April 2001, the Government has implemented a solid program of economic reforms, supported by the Bretton Woods Institutions. Economic growth returned in 2002 after ten years of contraction – mainly pulled by the resumption of economic activity which followed the re-establishment of security and the reunification of the country (a pattern typical of post-conflict countries, especially in the trade, transport, construction, and agriculture sectors), by a boom of selected manufacturing (e.g., agrobusiness, construction materials), and by the restart of mining activities (from a very low base).

4. ***The challenges ahead, however, remain daunting.*** GDP today stands at about US\$7.5 billion. Assuming a 5.3 percent economic growth on average (a growth rate that in Africa only Botswana has been able to sustain over a long period), it will take until 2060 for the country to reach the level of GDP per capita it had in 1960. Assuming a 4 percent growth only (and a 2.7 percent population growth), it would take 200 years! These daunting challenges have to be faced in a context of limited fiscal resources and weak administrative capacity.

B. Strategic Objective

5. ***Research and experience highlight the importance of economic growth for stability in post-conflict situations.*** Faster growth empirically reduces the risk of renewed turmoil in both the short- and the longer-term, and research suggests that an additional 2 percent of economic growth sustained over 10 years reduces the risk of civil war by about one third. Growth on its own is thus a major contributor to DRC's stabilization.

6. ***Yet, in a situation like DRC, the quality of growth is essential.*** Job creation, gradual reduction of inter-provincial inequalities, and distribution issues are critical in a context where wealth has historically been captured by narrow private interests. In a country as richly endowed as DRC, high rates of growth are likely to be achieved as a result of restored political stability – but the actual translation of this economic activity into improved living conditions for the majority of the Congolese will require determined efforts.

7. ***The proposed strategic objective is hence to achieve both a high rate and a strong quality of economic growth in line with the PRSP objectives.*** As regards the level of growth, the PRSP has set an ambitious

objective of 7 percent for 2005-2008, and 8 percent for 2009-2010. As regards the quality of growth, the objective is to break with the past decades, with a focus on: (i) medium-term sustainability; (ii) fair distribution across provinces (which is particularly important for stability in a post-conflict environment); (iii) effective contribution to a poverty reduction agenda; and (iv) gradual diversification away from the primary sector.

C. Overall Approach: Accelerate post-conflict rebound and expand sources of growth

8. *The proposed overall approach is to place a heavy emphasis on agricultural growth* (as the most straightforward vehicle for broad based poverty reduction across all provinces), on recovery in the mining sector (as a key source of fiscal revenues and foreign exchange), and on laying the foundations for an eventual development of industry and services.

9. *In this context, a number of key challenges need to be faced:*

- *Make the best of the “post-conflict rebound”.* Such rebound is a typical pattern in post-conflict countries and is essentially linked to the resumption of economic activity as security, access, and confidence are restored. Research suggests that it translates into an average annual economic growth of 6 percent for a period of up to 7 years, before starting to subside. In a country as richly endowed as DRC, and where entire provinces are yet to truly enter the post-conflict era, the rebound is likely to continue to play an important role in the coming years, provided security and access can be restored. This may facilitate the transition to a more traditional growth path, provided the rebound period is effectively used to lay the ground for sustained growth across sectors.
- *Ensure sustained growth in the agriculture sector.* Agriculture, at about 42 percent of GDP has the potential to be a key engine of poverty reduction, as well as a source of well-distributed growth across provinces. In the short-term growth will be driven by the restart and extension of production, in particular as access to urban markets is restored, and over the medium-term by an increase of productivity (which even prior to the conflict was below the sub-Saharan African average). Priority actions include the improvement of security in rural areas as well as the deployment of a large-scale investment programme to re-open roads (and other surface transport) and to help reconstitute farmers’ assets.
- *Restore pre-war production levels in the mining sector and ensure proper management of revenue streams.* Extractive industries, which currently represent about 13 percent of GDP, have the potential of being a key source of both fiscal revenues and foreign exchange. They also have the potential, however, to create major imbalances and possibly tensions between provinces (since mineral wealth is mostly concentrated in a few districts) and to fuel large-scale corruption. Transparency and fiscal redistribution will hence be essential for this sector to truly contribute to DRC’s development. In view of the collapse of the sector over the last years, sustained growth rates over 10 percent for several years could be achieved relatively easily--although with a several-year timelag corresponding to the time needed to rehabilitate production facilities. Recovery in the sector could also provide a major boost to construction, industry, and services activities especially during the investment phase. Such a recovery will require, however, attracting major private investments, which in turn will be conditional on improved governance (including cadastre and mine title management, tax administration, and compliance to contract obligations, etc.) and the repair of relevant transport infrastructure. It will also require dealing with, over time, a large informal mining sector in which several hundreds of thousands of people are active in artisanal and small scale mining.
- *Lay the ground for the diversification of the economy, through private-led growth in manufacturing and services.* Such activities are important to sustain growth over the medium-term, and generate employment in urban areas. They can also provide some balance across regions, although they are likely

to remain concentrated in the main cities and in areas with easy international access. They could be pulled by the need to satisfy a growing domestic demand, in the third most populated country in Africa, by the activity generated by large-scale mining investments, and by competitive advantages on the global market in selected areas. Their development will require drastic improvements in the business environment, massive infrastructure investments (especially in the transport and energy sectors), restored access to credit, and the reform of those public enterprises which are an obstacle to growth. Their contribution to growth beyond the “rebound” period depends on the intensity of the reforms and the scale of infrastructure repairs.

- ***Ensure that economic growth is not achieved to the detriment of either the environment and benefits vulnerable and marginalized groups.*** DRC has the second largest tropical forest in the world and a unique biodiversity richness, which could suffer from unregulated economic recovery. Although forestry is not likely to become a major source of fiscal revenues in the coming years, it can provide significant employment and basic infrastructure in remote areas that are often left aside from large public investments programs – but could also result in significant environmental and social damage. The focus in the forest sector will be on strictly limiting and regulating logging activities (which will inevitably restart), on promoting participatory processes, on ensuring that benefits are equitably shared with the local people and with the country, and on enforcing forest management plans and environmental protection. Efforts will also be needed to ensure that reconstruction programmes do not negatively affect vulnerable groups, including (but not limited to) the Pygmies. Finally, efforts will be needed to ensure that all social groups benefit from renewed economic growth, and that the social changes inherent in growth (such as increased opportunities for women to climb out of poverty and to effectively participate in decision-making) are fostered and supported.

D. Macroeconomic Framework and Assistance Needs

10. ***The Government did not tighten fiscal discipline during the electoral period, and inflation was hovering at about the same level at the end of 2006 as it was at end 2005.*** Production in mining and manufacturing sectors slackened during 2006, which resulted in lower than projected economic growth in 2006. With the elections over and the security situation stabilizing, the country is now able to resume productive activities. Strong medium-term growth in the range of 6-8 percent over the next few years is realistic. As more of the efforts in improving governance in public sector and extractive industries begin to bear fruit, Government revenues are likely to continue to increase. However, the budget deficit will remain significant due to the enormous needs to reconstruct the country and to resume basic public service delivery.

11. ***DRC is expected to remain highly dependent on foreign assistance.*** As in other post conflict countries, the demand for infrastructure reconstruction programmes, public service delivery, and security efforts is very high. Despite a projected improvement in fiscal revenue partly explained by an expected rehabilitation of the tax mobilization capacity, the Government is still faced with a severe budget constraint. As a result, only 21 percent of development expenditures were financed with domestic resources in 2004. The estimated average financing needs for 2007-2010 is approximately US\$230 million.

12. ***But such assistance has yet to materialize on the level necessary.*** While total disbursements of external aid stand at a relatively high US\$3.3 billion for the period 2003 to 2005, this includes only US\$2.2 billion in economic assistance, and such assistance is mainly directed to social sectors and community activities. In a country where most areas cannot be accessed other than by air, and where most of the population does not have access to electric power – only US\$90 million have been disbursed in support of the transport sector, and less than US\$25 million in support of the energy sector, and support to agriculture has amounted to about US\$90 million. The challenge is hence to operate in a very severely constrained resource environment.

II. KEY TRANSVERSAL CONSTRAINTS AND PRIORITIES

A. Transport

13. *Most of the territory of DRC today is inaccessible—which has a dramatic impact on growth prospects.* Of the 10 provincial capitals, only one is accessible from Kinshasa by road (Matadi), three by river (Mbandaka, Kisangani and Bandundu), and six by air only. Communications between these capitals and the urban centers of their provinces are frequently inexistent. Access to rural areas, even those densely populated, is frequently impossible. Overall, in a country the size of the US East of Mississippi, only 2,800 km of roads were paved before the 1990s. Rail traffic on those few lines still in service is frequently limited to two trains per week (at speeds which rarely exceed 30 km/h). Moreover, undersized as it is, the transport system is characterized by its unreliability and high cost.

14. *The DRC transport system is multi-modal combining river, road, rail, air and maritime transport—in a climatic and geological environment where construction and maintenance are very difficult.* The backbone of the system is the Congo River (particularly the Kinshasa–Kisangani section) and its tributaries (particularly the Kasai River from Kinshasa to Ilebo). Railroads extend from the navigable sections of the Congo and Kasai rivers to the port of Matadi, the copper belt in Katanga, the Maniema province, Lake Tanganyika, and the Oriental Province. Roads are connected to this network and link the major urban centers. A network of airports across the territory permits rapid access to all the provinces. Finally, the maritime harbors at the mouth of the Congo River open up the country to ocean traffic, although with a limited capacity.

15. *Rehabilitation requires parallel efforts on the reform and investment fronts.* The dilapidation of transport infrastructure since the 1990s has been aggravated by the weakening of the commercial (ONATRA, SNCC, *Régie des Voies Aériennes*, *Régie des Voies Maritimes*) and non-commercial (*Régie des Voies Fluviales*) State-owned enterprises responsible for operation and maintenance. Given the current situation, investments cannot be delayed until reforms are fully implemented – but investments without reforms are likely to be pointless and both efforts must occur in parallel.

Priority Activities

16. *Donor assistance in the area of transport will aim to:*

- *Rehabilitate the transport structure and reform state and non-state owned transport enterprises:* (i) adopt, finance, and operationalize a road maintenance system, both for main roads and for rural roads; (ii) involve the private sector in managing key portions of the network (e.g., railways, port, airport, roads); and (iii) restructure the concerned State-owned enterprises in the transport sector.
- *Prioritize investments in the sector in a context of limited financial resources:* (i) rehabilitate key sections of the road network, e.g., (a) international trade corridors, (b) connections of provincial centers to the core transport network, and (c) connections of provincial centers to their immediate hinterland; (ii) re-connect rural areas, including the rehabilitation of rural roads in the vicinity of large consumption centers, e.g., between major cities and their immediate hinterland; (iii) restore river navigation and railway operations where appropriate to provide more sustainable and less expensive transport services; and (iv) develop reliable and safe domestic air transport.

B. Business Environment

17. *The private sector has a key role to play in DRC's recovery.* The resources needed to accelerate economic activity are far beyond the Government's means, as well as foreseeable donor assistance. On the other hand, in a country as richly endowed as DRC, there is significant interest among private investors, provided security is restored and consolidated and the business environment can be improved.

18. ***But the business environment remains extremely difficult.*** Despite efforts over the last years, it remains riddled with bottlenecks, bureaucratic traditions, and corrupt practices that hamper competitiveness and investment. Indeed, the World Bank 2007 *Doing Business* report presents DRC as the most difficult country to do business out of 175 countries studied. As an illustration, the report finds that it takes 172 days to start a business; 14 procedures to obtain a license; 8 procedures to register a property; and 51 procedures to enforce a contract.

19. ***Significant efforts and reforms will be needed to improve the situation and allow for the potential sustained high level of private investment to materialize.*** Priorities include: (i) developing a comprehensive understanding of the obstacles which hamper private sector activities, whether regulations or enforcement issues, and setting priorities for their removal, in close coordination with business organizations; and (ii) modernizing the existing legal and regulatory framework (in particular by joining a regional framework on business law in Francophone Africa, the OHADA); and (iii) restoring a functioning commercial judiciary.

III. SOURCES OF GROWTH AND SPECIFIC PRIORITIES FOR EXTERNAL SUPPORT

A. Agriculture

Background

20. ***Agriculture constitutes the most straightforward vehicle for shared growth.*** The sector accounts for almost half of GDP (42 percent) and is potentially a significant source of foreign exchange (see Box 1). Agricultural growth is particularly important as it directly benefits the large share of the population which is active in the sector (62 percent of men and 84 percent of women) and has the potential to be relatively broadly distributed across provinces.

21. ***DRC's agricultural potential has never been realized.*** DRC's agricultural potential has often been described in superlative terms: 80 million hectares of arable land; 4 million hectares of irrigable land; a climatic diversity and abundance of water that allows the cultivation of a large variety of crops; enough pasture to support 40 million cattle; inland fishery resources which could yield an annual production of 700,000 tons; and competitive production systems for a wide variety of crops. Still, this promise has never been fulfilled – largely due to the scope of the capital investments required to develop this potential (especially for infrastructure) and to a series of abhorrent or misguided policies during and after the colonial period.

22. ***Indeed, the sector's performance has been poor for several decades.*** Since the “Zairianisation” of the early 1970s (which deterred foreign investors, with a particularly severe impact in marketing and plantations), agricultural performance has been mediocre, with an average annual growth in the 1980s at 2.5 percent – i.e., below both the population growth rate and the Sub-Saharan African average (of 2.7 percent). Yields are lower than Sub-Saharan average. Real value-added per worker in the sector in 1990 was two-third of its 1960 level.

Box 1: Pre-War Agriculture in DRC

- *A combination of subsistence and export activities.* Agricultural production comprised of 79 percent cropping activities, 12 percent fisheries, and 9 percent livestock. These productions were largely spread across all provinces (with some geographical specialization for selected products).
- *Key productions for subsistence activities* traditionally include (by order of importance) cassava, plantain, maize, peanuts, sweet banana, rice, sweet potato, yams, beans, as well as smaller but still significant quantities of millet, onion, tomato, taro, potato, peppers, soybean, wheat, avocado, citrus, mango, papaya, pineapple, etc. DRC was also home to significant animal husbandry activities (cattle, goats, pigs, sheep, and poultry).

- *Key productions for exports* traditionally include coffee, cocoa, rubber, palm oil, tea, quinquina, and smaller quantities of palm kernels, cotton, and sugar cane. These productions, however, have declined since the 1970s and DRC stopped exporting significant quantities of bananas in 1970, of cotton in 1977, of tea in 2000, and of palm oil in 2002. Today's exports are limited to coffee, cocoa, and rubber.
- *The predominance of small-scale farming.* Following the gradual decline (in the 1970s and 1980s) and the collapse (in the 1990s) of plantation agriculture, food production in DRC (including for exports) is now almost entirely in the hands of small-scale farmers engaged in traditional agriculture—with an average per capita cultivated land use in the DRC estimated at 0.20 ha.

23. *The conflict has further devastated the sector*, due to insecurity, population movements, collapse of transport and marketing systems, and direct destructions. The contribution of agriculture to GDP fell from US\$3.4 billion in 1990 to US\$2.5 billion in 2003. Exports collapsed, while food imports increased. Malnutrition is now affecting over 75 percent of the population (with an average dietary energy supply of 1,500 kcal/day, far below the FAO-recommended 2,500 kcal/day).

Growth Potential and Key Constraints

24. *The growth potential is significant across all commodities, first to return to pre-war production levels, and eventually to exceed them.* Despite continued violence in some areas (especially in the East), agricultural land remains available throughout the country and traditional land tenure arrangements, similar across the country, seem to work relatively well. At this stage, the regulatory environment is not a major impediment to production (compared to other constraints), whether for domestic consumption or for export. And current production is about 35 percent below pre-war levels, which were achieved with low productivity and low capital investment. In such a context, agricultural growth in the coming years is likely to result from three factors: (i) enhanced access to urban markets for a rural population who has been de facto forced into autarky; (ii) demographic growth of the rural population; and (iii) improvements, however minor, in productivity.

Box 2: Development Domains and Priority Areas

In view of the size and diversity of the country, no one-size-fits-all strategy will work for the DRC. In a context of limited resources, efforts need to be tailored to each region's comparative advantages. Based on previous research in Sub-Saharan Africa, the three most important factors to determine the comparative advantages of different production zones are agricultural potential, access to markets, and population density. On this basis, a recent Bank analysis identified several development domains:

- Domains with relatively high agricultural potential, population density, and market access – i.e.: (i) the area extending from Bas Congo to Kabinda; (ii) the mining cities and their hinterlands in Katanga; (iii) the Great Lakes region; (iv) Northern Equateur; and (v) the area along the Congo River from Kisangani to Pool Malebo. These domains are most suitable for production of staple crops (cassava, maize, etc.), perishable cash crops (vegetables), non-perishable cash crops (cotton, rubber, cocoa, etc.), intensive livestock activities and intensive fishing. These are areas in which interventions are likely to yield the largest impact, in terms of both growth and number of affected beneficiaries.
- Domains with high agricultural potential, but weak market access and low population density – i.e.: (i) Maniema to Uéle; and (ii) Cuvette centrale. These domains are most suitable for production of high input cereals (e.g., maize, rice, wheat) and non-perishable cash crops. Although interventions would have less of an impact, they could still be key for food security at the local level.
- A domain with low agricultural potential and population density, but relatively high market access – the Marungu Plateau. This domain may be well suited for extensive livestock activities.

25. **Key constraints for the short-term include** (by order of importance, and assuming the consolidation of the overall political and security environment):

- **Persisting insecurity in rural areas**—due both to the presence of active militias in some regions (e.g., in the East) and to harassment by armed personnel across the country.
- **Poor state of transport infrastructure.** Over half of Congolese farmers live more than 8 hours away from a trading center and post-harvest losses reach up to 80 percent in some areas. Isolation and high transport costs inhibit the integration of farmers into the market economy.
- **Sector decapitalization and lack of access to inputs.** A relatively large share of the rural population has lost its (already limited) pre-war assets, whether basic tools, seeds, or small animals. In a context of isolation, insecurity, and extreme poverty, most farmers have not been able to, and are not likely to be able to replace these assets, and therefore to restart their activities (rural finance mechanisms are de facto inexistent or highly ineffective and are not likely to play a major role in the coming period).

26. **In the medium-term, a series of structural transformations will be needed** to sustain high agricultural growth rates, especially to: (i) reflect the changes in production and consumption patterns which happened during the conflict (some farmers will have to find new markets, and possibly change production); (ii) restore DRC's competitiveness on export markets (this will require productivity increases but also a shift across productions to reflect changed world prices); and (iii) reverse the steady decline of the past 35 years (by increasing small-farming productivity, developing a strong private sector, and re-building an adequate marketing system).

27. **Parallel efforts will be needed to prevent uncontrolled logging and illicit exploitation of forestry resources.** As security is re-established and transport constraints are gradually lifted, both biodiversity and forestry resources will be at risk. The key constraint for sound natural resource management is the weakness of key institutions and the presence of strong vested interests.

Priority Activities

28. **In view of the magnitude of the needs, donors' efforts will need to be carefully targeted to ensure an optimal use of available resources.** Assuming a consolidation of the political and security situation, priorities for donor support are:

- **Recapitalize the agricultural sector and provide inputs:** (i) continue and strengthen ongoing efforts to distribute inputs, including seeds, tools and small animals to re-connected areas on the basis of area-specific requirements; and (ii) support farmers associations and the private sector to rehabilitate and modernize storage and processing facilities and equipment.
- **Lay the ground for medium-term growth:** (i) support producer and community organizations; (ii) develop a regulatory framework for rural finance, including micro-finance; (iii) support public-private arrangements for the provision of key services (e.g., extension, veterinary, pest management); and (iv) collect agricultural statistics.
- **Help manage the forestry sector:** (i) design simple, enforceable regulations in line with the low capacity of technical institutions, including transparency, accountability and monitoring systems; and (ii) promote innovative approaches such as the devolution of management responsibility to local communities, monitoring of environmental and social compliance by specialized NGOs, and independent certification.

B. Mining

Background

29. *DRC has traditionally suffered from the “curse of natural resources”*. The country’s richness in mineral resources is legendary – with large deposits of copper, cobalt, diamond, gold, coltan, tin, zinc, oil, as well as a number of other rare metals. But mining activities have historically fostered a system of predation and have never translated into improved living conditions for the population. Throughout the 1990s, the country’s mineral wealth even became both a stake and a fuel in the successive conflicts, with a reportedly large-scale illegal exploitation of natural resources by warring parties, including neighboring countries.

30. *Production has collapsed since the late 1980s*. Mining typically represented about 10 to 15 percent of GDP before the war, and a very significant share of exports. Since independence, the sector has gone through four phases: (i) a steady growth until 1987; (ii) a severe decline between 1987 and 1993 (due to the deterioration of the overall economy, lack of investment, and a fall of international commodity prices); (iii) a collapse during the conflict (between 1993 and 2000, mining production was at 25 to 32 percent of the 1987 level); and (iv) a rebound since 2001 (with a 58 percent increase between 2001 and 2005). Overall, mining GDP in 2004 stands at only 46 percent of the 1987 level—with three minerals accounting for 95 percent of production: diamond (51 percent), cobalt (34 percent), and copper (10 percent).

31. *But there are significant variations across sectors* (see Box 3). A detailed analysis of the sector by mineral product shows wide variations as regards: (i) production trends (and hence growth potential); (ii) geographical concentration (and hence distribution of benefits); and (iii) organization of production, with two main models: dominance by large, often State-owned, firms (e.g., for copper, cobalt, oil) or proliferation of artisanal mining (e.g., for diamonds, gold, coltan).

Box 3: A Disaggregated Picture of the Mining Sector

Copper: the collapse of the crown jewel

- *Production trends*: production in 2004 represented only 6 percent of the 1990 level (about 400,000 tons a year – which accounted for 61 percent of DRC’s overall mining production).
- *Geographical concentration*: the Southernmost part of the Katanga province (around the cities of Lubumbashi, Likasi, and Kolwezi), which is part of the copperbelt; DRC’s reserves have some of the highest grade deposits in the world, and are sufficient for exploitation over several decades.
- *Organization*: historically, production (which started in 1906) was essentially under a State-owned company, , GECAMINES, which holds an 18,000 km² concession and owns complete production facilities from mining to refining; the company, however, suffered from mismanagement and predation, and is today only a shadow of its former self, with deteriorated technical installations and a debt estimated at US\$1.6 billion to US\$2.4 billion.

Cobalt: a parallel collapse finally remedied by private investment

- *Production trends*: production collapsed in the 1990s (by about two thirds in volume), but since 2001 it has rebounded to roughly pre-1990 levels (at 8,000 to 11,000 tons a year); current production levels represent about 20 percent of global production and any significant change in DRC’s output, whether upwards or downwards, has an impact on international prices.
- *Geographical concentration*: same as copper (cobalt is traditionally produced as a by-product).
- *Organization*: traditionally all of DRC’s cobalt was produced by GECAMINES; since 2001, however, this structure has changed, and cobalt is now produced by private investors (through joint ventures with GECAMINES) for 84 percent of production, and artisanal miners (often under a system of “licenses” purchased from GECAMINES) for the remaining 16 percent.

Diamond: the growing role of artisanal miners

- *Production trends*: production fell in the 1990s (fluctuating between 13 and 22 million carats), but has rebounded since 2002 (to about 30 million carats in 2004).

- *Geographical concentration:* reserves are extensive (over 200 million carats, with major deposits still to be explored) but quality is relatively low with industrial diamonds carat value at US\$5 to US\$20 and jewelry diamonds carat value at US\$50 to US\$200 and more (Angolan diamonds sell at US\$200 to US\$300 a carat); reserves are spread across several provinces, primarily in Kasai Oriental (Mbuji Mayi), Kasai Occidental (Tshikapa), Province Orientale (Kisangani), and Equateur (Gbadolite).
- *Organization:* the structure of production has been significantly altered during the last decade, with the decline of industrial production, mainly by the MIBA Mines (*Minière de Bakwanga*), from 40 percent of total production in the 1980s to 25 percent in 2004 – and the corresponding increase in artisanal and small scale mining; artisanal mining (which is accompanied by organized and criminal violence) accounts for 75 percent of the national diamond production and hundreds of thousands of jobs (up to 700,000 according to some estimates).

Gold: a case of illegal exploitation of natural resources

- *Production trends:* official production collapsed from 6,100 kg in 1991 to 650 kg in 2004; there is no reliable estimate of the current illegal production.
- *Geographical concentration:* mainly near Bunia (concessions of Kilo and Moto) in Province Orientale, but also in other provinces.
- *Organization:* traditionally, gold was mainly produced by the State-owned *Office des Mines d'Or de Kilo-Moto* (OMIKO); during the conflict, gold became one of the key mineral resources reportedly exploited by occupying armies, and illegal small scale and artisanal mining (often involving forced labor and militia control) proliferated in the Kivus, Maniema, Province Orientale, and Equateur.

Oil: a relatively stable, although limited, production

- *Production trends:* total output (at about 10 million barrels) fluctuated relatively little over the last period, due to the production sites relative isolation from conflict; GDP and export value have significantly increased as a result of rising oil prices.
- *Geographical concentration:* Bas Congo (offshore for 75 percent of the production, onshore near the mouth of the Congo River for 25 percent).
- *Organization:* Offshore wells are exploited by a Chevron-led joint venture, onshore wells by a *Petrofina* subsidiary.

Coltan and cassiterite: illegal exploitation and abuses, but a marginal economic role

- Coltan and cassiterite production has substantially increased since the mid-1990s (in Maniema, North Kivu and South Kivu), under a system of small scale and artisanal mining. The reported involvement of armed militias and large-scale smuggling through neighboring countries pose a series of political and security problems. Still, the current and potential contribution of these minerals to economic growth is negligible (quantities remain small).

Other ores: a largely untapped potential

- DRC's abundant, and often largely untapped, reserves of minerals include bauxite, cadmium, chrome, emerald, heterogenite, iron, lead, lithium, manganese, marble, nickel, niobium, phosphates, platinum, sapphire, silver, tin stone, uranium, vanadium, and wolfram. These ores are mined by artisans in low quantities – but a variation of global prices, or a sudden and significant increase in the demand of one of these minerals (e.g., for a new high-tech product) could result in impressive growth rates.

Growth Potential and Key Constraints

32. ***The growth potential is very significant.*** Growth will be driven by the recovery and possibly expansion of production, in a context of relatively high global prices (and its level is likely to depend on prices fluctuations). Some new projects and investments are indeed already underway – and copper production is expected to increase to 200,000 tons over the next 2 to 3 years. For other investments, the lead times may be longer (typically 5 to 7 years before significant production occurs) but the pull effect of such large-scale investments on construction and services should already be significant in the short-term.

33. ***Growth is likely to be pulled by three products: copper, diamond, and gold.*** Of DRC's main mining products, there is significant growth potential for copper (rehabilitate existing mining facilities to allow for a gradual return, over time, to 1990 production levels), diamond (upgrade existing industrial production facilities, explore potential new sites), and gold (restart formal production in existing gold mines) – but much less for cobalt (production has already returned to 1990 levels and any further increase could affect global prices downwards). Other products may play an important role in specific regions, but they are unlikely to have a significant impact on DRC's overall economic growth.

34. ***Growth will largely depend on private investment.*** The re-start and/or development of copper, diamond, and gold production will require significant investments in production facilities (of about US\$4 to US\$5 billion). The Government has adopted over the last few years a series of important reforms to attract private investors (e.g., mining code, investment code) – and there are indications that major foreign companies are interested in investing on a large scale (the first projects have been launched, for a total in excess of US\$1 billion), provided the environment is right (including politics, security, enforcement of key provisions of the mining and investment codes, and international prices).

35. ***In this context, key constraints vary across products*** (assuming the consolidation of the political situation, and a relatively stable level of international prices). For copper, the key constraints are: (i) business environment; (ii) transport infrastructure; and (ii) electric power (for transformation). For diamonds, they are mainly related to the business environment (neither electric power, nor transport infrastructure are critical). For gold, they are: (i) security in the Kilo and Moto sites and (ii) business environment.

36. ***Social issues will also need to be addressed to prevent their becoming a major short-term constraint to investment.*** In particular, specific action may be needed to regularize and support small scale and artisanal mining, to reduce poverty in a sector that employs hundreds of thousands, but also to ensure that conflicts that arise between miners and the community are mitigated and constructively resolved (this would not only avoid the creation of situations of insecurity that would deter large-scale investment, but also increase benefits to the neighboring communities). In addition, GECAMINES' social activities (the company provides a large share of the available education and health services in Katanga) will have to be effectively taken over by new providers as a key element of the restructuring of the company away from productive activities.

37. ***Overall, the challenge is to ensure the quality of growth.*** Judging from history, there is no evidence that growth in the mining sector will automatically translate into benefits for the population. Specific measures are needed to prevent the development of a new system of predation. These include substantial capacity building (within the Ministry of Mines – and its specialized technical services, cadastre services, as well as customs and police), rationalization of mining associations, and continued implementation of the Extractive Industries Transparency Initiative as discussed as part of the Governance Contract.

Priority Activities

38. ***Donors' efforts need to focus on facilitating private investment.*** Assuming a consolidation of the political and security situation, priorities for donor support are:

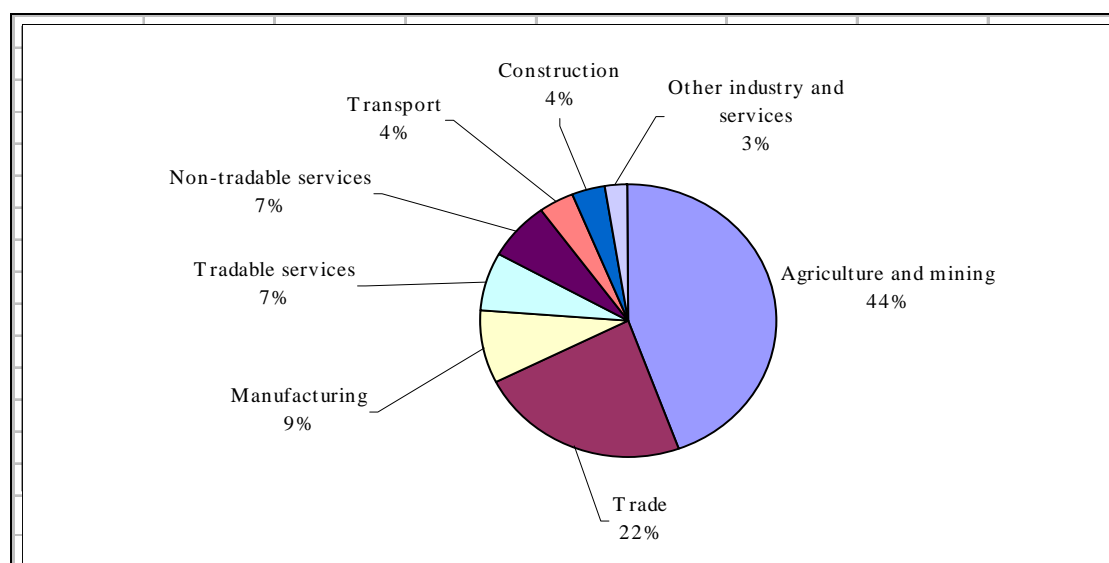
- *Help the authorities improve the business environment*, with a focus on enforcement of the existing regulatory framework: (i) further strengthen the capacity and improve the functioning of key entities (e.g., the Ministry of Mines, mining cadastre, customs, arbitration entities, Parliamentary commissions and local authorities, commercial courts); (ii) support efforts to review the partnerships already entered into by GECAMINES and MIBA (in terms of quality of the partners and terms of the contracts); (iii) complete the restructuring of GECAMINES; and (iv) help to rapidly clarify existing mining rights.

- *Regularize small scale and artisanal mining.* Experience in other countries suggests that there is no easy way to regularize artisanal mining and improve artisanal miners' living conditions – especially in a context like DRC where security and political issues further complicate the problems. Efforts should support a broad range of complementary activities: (i) strengthen Government oversight institutions; (ii) provide information and extension services to the miners; (iii) support the organization of miners (e.g., in cooperatives) or the rationalization (and “legitimization”) of existing structures; (iv) formalize a relationship between artisanal miners and neighboring industrial exploitations; (v) improve access to artisanal mining areas; (vi) improve control of regional and cross border trading activities; and (vii) promote alternative livelihoods.

C. Industry and Services

Background

39. *Prior to the conflict, industry and services in DRC were relatively less developed than in other African countries* (Graph 1). Non-mining industrial activities accounted for 12 to 15 percent of GDP (Sub-Saharan African average: 30 percent) and services for 42 percent of GDP (Sub-Saharan African average: 52 percent). Industry mainly included manufacturing (8 to 9 percent of GDP) and construction (3 to 5 percent), with some marginal addition from water and electric power (1 percent). Services were dominated by trade (23 percent of GDP), and also included tradable services (7 percent), non-tradable services (7 percent), and transport (4 percent), while financial services represented less than 1 percent of GDP.



Graph 1: Pre-war composition of GDP

40. *Since the early 1990s, the overall industry and services output has significantly declined:*

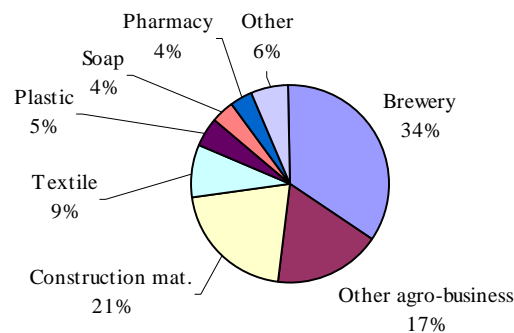
- *Manufacturing.* Pre-war production consisted mainly of simple goods for the domestic markets. Output fell from about US\$930 million in 1990 to about US\$180 million in 2002, due to the dilapidation of industrial facilities and equipment, the collapse of domestic demand, and the emergence of new competitors (e.g., China). Today, manufacturing activities are limited to a few low value-adding activities in key urban centers (mainly Kinshasa, and to some extent Lubumbashi), aimed at the domestic market.

- **Construction.** Production in the sector has fluctuated widely over time, with a low in the 1980s (at a time of overall disinvestment in the economy) and a series of one to two-year rebounds after each round of violence in the 1990s. It has recorded a relatively significant growth over the last years.
- **Trade and transport.** These activities (which included a large informal sector) were dominated by the commerce of locally-produced agricultural products (about half of the value added), and to a lesser extent of locally-produced manufactured goods (about a third of the total) – and they have therefore declined in parallel with the fall of agriculture and manufacturing production (aggravated by the rapid deterioration of transport infrastructure). The commerce of imports has remained limited due to the overall impoverishment of the population.
- **Tradable services.** Tradable services in DRC mainly included real estate, hotel management, fuel distribution and car repair workshops, craftsmanship, liberal professions, and domestic services. During the 1990s, activities declined, in parallel with the overall contraction of the economy, although a comprehensive picture of the sector is not available (a large part of these activities are informal).
- **Non-tradable services.** As the Government saw its revenues collapse during the 1990s, it ceased to provide most public services, and the delivery of non-tradable services hence declined by about 90 percent during the decade.

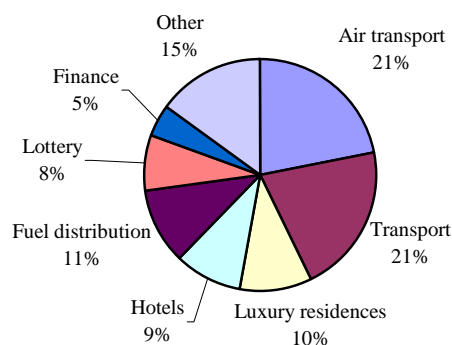
41. ***The recent surge of private investment bodes well for the future***—and is the result of both political stabilization and early economic reforms. At over US\$1 billion a year, private investment exceeds official development assistance received by DRC and accounts for about 11 percent of Foreign Direct Investment (FDI) to Sub-Saharan Africa (see Box 4).

BOX 4: TRENDS IN PRIVATE INVESTMENTS SINCE 2002 (EXCLUDING AGRICULTURE, FORESTRY, AND MINING)

- ***A telecommunications boom.*** About half of all investments (US\$1.4 billion) are in the telecommunications sector (to set up cell phone networks). Of the remaining part, manufacturing and services each account for about half (US\$600 million each).
- ***A gradual decrease, reflecting political uncertainties.*** Non-telecommunications investment has decreased from US\$566 million in 2003 to US\$385 million in 2005: the number of projects has been relatively stable (90 to 100 projects a year), but the median size has fallen from US\$2.5 million to US\$1.9 million.
- ***A focus on rapid return, low value-added activities*** in an environment which remains fraught with uncertainties (see graphs below).



Composition of investments: Manufacturing (2003-05)



Composition of investments: Services (2003-05)

- *A financing that is mostly foreign*, with only about 25 percent of (non-telecommunications) investments financed by Congolese nationals or companies.
- *A focus on Kinshasa and Katanga*. Over 85 percent of non-mining, non-telecommunications projects are in Kinshasa. Mining investments are heavily concentrated in Katanga. Bas Congo receives about 5 percent of non-mining investments (transport and agro-business). There are some limited mining investments in the two Kasai, and some forestry investments in Bandundu, Equateur, and Province Orientale. There is very little if at all in North and South Kivu and Maniema.

Growth Potential and Key Constraints

42. *The growth potential will largely depend on the pace of recovery of the overall economy*—i.e., on progress in the agriculture and mining sectors. In the manufacturing sector, the short-term growth potential is determined by the investments of the last years and may be very significant – but medium-term growth will require a revival of domestic demand and the removal of key obstacles to business activity. Construction activity is likely to depend both on the level of external assistance for reconstruction projects and on the revitalization of domestic demand through overall economic growth. Growth in trade and transport activities is essentially linked to the opening of the domestic market (by re-connecting of isolated regions) and to an increase in the supply of traded goods growth (traditionally locally-produced agriculture, forestry, mining,

and manufacturing products). Growth in other services will also depend on the level of overall economic activity.

43. ***But constraints remain formidable***--and even for labor-intensive activities, such as textile, and on the domestic market, Congolese firms find it difficult to compete with imports:

- ***Business environment.*** Despite the adoption in 2003 of a modern and attractive investment code, DRC's business environment is challenging.
- ***Infrastructure*** (especially transport and energy). Poor transport infrastructure makes many parts of the country inaccessible which has an obvious impact on the feasibility of doing business in most provinces. International trade from the Western half of the country is severely limited by the poor functioning of the country's port (in Matadi), uneasy navigation on the Congo river, and overall prohibitive transport costs. Five provincial capitals have virtually no electric power other than for emergency needs (e.g., water pumping stations, hospitals), three have very limited and irregular access to electric power, and only three (plus Kinshasa) have a relatively reliable access to energy.
- ***Credit.*** Despite the launch of a vigorous reform program, credit is de facto not available in DRC. The total assets of the banking sector amount to about 10 percent of GDP (US\$770 million), total credit to 2 percent of GDP (US\$180 million), total deposit to 5 percent of GDP (US\$400 million). There are ten commercial banks, five of which under restructuring (nine banks have been liquidated since 1998), there are less than 30,000 bank accounts, and one bank branch per 2 million inhabitants.

Priority Activities

44. ***Donor support should focus on removing key obstacles to private sector activity.*** The challenge, however, will be to set priorities to ensure that the limited financial and administrative means available are directed towards those activities which are likely to have the highest impact on growth. Assuming a consolidation of the political and security situation, priorities for donor support are:

- ***Help restore access to credit:*** (i) support further reform of the financial sector including strengthening of the Central Bank for improved sector regulation and supervision; (ii) reform the regulatory environment for microfinance; (iii) recapitalize viable banks; (iv) support the growth and professionalization of microfinance with a focus on areas which are easily accessible (for production to be traded); and (v) develop short-term mechanisms (e.g., credit lines) to bridge the gap until the revival of the financial sector with a focus on those cities which have access to the outside world (at this stage Kinshasa, Lubumbashi, Goma, Bukavu, and Matadi).
- ***Increase availability of electric power:*** (i) rehabilitate a base capacity of 1,300 MW in Inga; (ii) further rehabilitate and expand key parts of the transmission network (Inga–Kinshasa, etc.); (iii) improve distribution networks (with an initial focus on Kinshasa); (iv) support reform of SNEL, with a focus on accountability and transparency; and (v) gradually boost exports (including to Southern Africa) as a source of foreign exchange.

ANNEX III: IMPROVING ACCESS TO BASIC SOCIAL SERVICES AND REDUCING VULNERABILITY

I. OVERVIEW

A. Background

1. *DRC has some of the worst social indicators in the world.* The following PRSP figures, all MDG indicators, illustrate the catastrophic situation in DRC with regards to key social indicators:

Table 1

| Social Indicator | Latest Statistic for DRC |
|---|------------------------------------|
| Infant (0-1 year) mortality rate | 129 deaths per 1,000 infants |
| Child (0-5 years) mortality rate | 205 deaths per 1,000 children |
| Maternal mortality rate | 990 deaths per 100,000 live births |
| Gross enrolment rate in primary school | 64% |
| Population with access to clean water | 22% |
| Population with access to adequate sanitation | 9% |

2. *Nationally, these poor indicators show little sign of improving.* During the conflicts of the past decade most MDG indicators have deteriorated, some, very sharply. Despite expectations that conditions would improve markedly during the Transitional Government, there has been virtually no progress in reversing negative social trends, in part, because of the almost total collapse of state services. As a result, in the water and sanitation sector, the vast majority of the population still do not have access to clean water and sanitation; in education, between 5-7 million children of primary school age do not attend school and on average, a Congolese person visits a health facility once every 6.7 years. However, in recent years, there have been signs of improvements in utilization rates (including immunisation rates) in areas receiving humanitarian and development support. The challenge facing the Government and the international community is how to scale up these successes so that DRC will reach the majority of MDGs in a reasonable period of time.

3. *The DRC Government is committed to improving social indicators.* In demonstrating its commitment to achieve the MDGs and acknowledging the importance of human capital in poverty reduction, the Government has devoted an entire pillar of the PRSP to developing the social sectors. The strategy proposed by the Government focuses, primarily, on **improving access** to basic services and reducing vulnerability.

4. *Poor social indicators are due to low consumption levels of services.* The causes of DRC's poor social indicators are numerous and interrelated. Poor health outcomes, for example, are the result of high poverty rates, inadequate nutritional status, low educational levels and conflict. Whilst many factors are important, a main reason that DRC's social indicators are some of the worst in the world is because most people, particularly poor people, consume so few basic services. High child mortality rates are directly related to children not using basic curative and preventive health services. The same is true in education, where the decline in literacy rates is directly related to low attendance and retention rates in schools.

5. *People are not accessing services because they represent poor value for money.* In DRC, as is the case throughout the world, people make decisions about whether to use services and which provider to visit on the basis of their perceptions of geographical accessibility, quality and price. Combining all these criteria into one, people often choose the service they believe represents the best **value for money**. Low utilization rates in Congo indicate that for most people the social services on offer are not worth the expense. Services are often geographically inaccessible and of low quality, with essential inputs frequently unavailable. Services are also prohibitively expensive, especially for the poor. For example, rough estimates indicate that households pay on average 20% of their income for each child they send to school. Both the PRSP and PPA

highlight the importance of financial barriers in restricting access. Faced with the combination of limited accessibility, low quality and high charges, many poor people have ceased using formal services. Instead, they resort to self-help mechanisms or informal alternatives, for example, practitioners of traditional medicine. For services to have any impact, however, they must be used. If people do not attend school, access water and sanitation or visit health clinics, there is no way these services can help to reduce poverty or improve living conditions. Therefore, the priority for the Government and its donor partners will be to improve social indicators by increasing access to effective social services.

B. Strategic Objective

6. *Extensive international research has demonstrated the importance of developing human capital as a means to stimulate economic growth and reduce poverty.* The benefits to economies, through improved productivity, of healthier and better-educated workforces have been well documented throughout the world. In post conflict countries such as DRC, higher levels of human capital are expected to contribute disproportionately to improved stability, both directly, for example through education, and by facilitating economic growth.

7. *The proposed strategic objective is to improve social indicators in line with PRSP objectives by increasing access to effective, efficient and equitable social services.* In concentrating on access issues, the PRSP acknowledges that social services can only contribute to better social outcomes if people have access to, and actively consume, the services on offer. There is no point in making services available if people do not use them. The aim of donor social sector strategies is therefore to reduce vulnerability among the population by supporting Government efforts to increase access to quality essential services. Progress towards this objective will be measured through **output** indicators in each of the key social sectors – education, health and water and sanitation. After reviewing stated Government policies and assessing the overall resource envelope available, it is proposed that by the end of the CAF period the following output figures (which should be disaggregated by gender) should be reached:

| Output Indicator | Target for 2011 |
|--|------------------------|
| Gross enrolment rate in primary schools | 85% |
| Visits per person per year to a health facility | 1.0 |
| % of children fully immunized | 83% |
| % of the urban population with access to clean water | 50% |
| % of the urban population with improved sanitation | 35% |

Note: that these figures will be subject to revision, following consultations with the Government and once up to date baseline data and overall resource envelopes for the various sectors become apparent. It is hoped that more accurate baseline data will soon be forthcoming from the ongoing Demographic and Health Survey and from joint sectoral working groups.

C. Overall Approach: Improve the performance of the social sectors by implementing comprehensive and sequenced programmes of supply side and demand side reforms

8. *The proposed overall approach is to increase access to essential services by simultaneously tackling supply side and demand side constraints.* Given the vast range of activities to be undertaken, it will be vital to prioritize and sequence actions in line with the limited resources available. This will require concentrating resources on proven cost-effective interventions and delaying activities which have a smaller impact on utilisation rates. In a low-income country such as the DRC, where the majority of the population is poor, this approach will require two essential components:

- *Improve the coverage and quality of basic social services* to make them more readily available and attractive to the population. This will require considerable investment to improve the supply of service inputs, particularly recurrent inputs, for example: medicines, school books, teachers and health worker salaries and training. Increased capital investment (for buildings, vehicles and equipment) will also be

required but growth here should not exceed the capacity of the various sectors to deliver effective services. Resources will be wasted if donors build health facilities but there is no staff to run them or there are inadequate drug supplies.

- ***Reduce barriers which inhibit access to services, in particular, financial barriers.*** Financial barriers have been identified in the PRSP and the PPA as the major reason that people in the DRC do not consume essential services. Eliminating barriers altogether as a way of increasing access to *some* services is so important to society as a whole (for example treating communicable diseases and attending primary school) that a very good case exists for abolishing fees for these services entirely. However, given the severe constraints on public spending in DRC and the fragility of management systems, it is unlikely that the rapid elimination of both health and education fees is a viable option over the CAF period. If Government and CAF donors allocate resources appropriately and implement concurrent sector reforms there will be scope to reduce certain financial barriers in the next three years. Donors will therefore help the Government to increase access to basic social services through the systematic reduction and eventual elimination of financial barriers. It will be particularly important that stakeholders implementing sector strategies support the sequencing of these policies with other supply side reforms to ensure that adequate inputs are available to meet large increases in demand.

9. In order to maximize the impact of social sector spending on poverty reduction, it will be important to target resources effectively. Governments are frequently criticized for allowing the benefits of publicly funded social services to be captured by wealthier members of society. Often, the group that benefits the least is the one that needs the services the most. From both an efficiency and equity standpoint, it will be essential that public funding for the social sectors is allocated with a benefit incidence skewed towards the poor. This will require making resources readily available at local level facilities, closer to where poor people live. Ensuring that this occurs will be a key challenge for the Government, particularly as it embarks on a major programme of decentralisation.

10. As well as obvious equity implications, targeting social services to benefit the poor will improve efficiency. The PRSP emphasizes that the poor, as well as having lower social indicators, have the worst access to services. Targeting public expenditure to meet the needs of the poor will therefore result in greater returns in terms of expanding access to services and subsequently improving social indicators. Given the considerable externalities associated with using certain social services, for example immunizing children, the benefits of better access for the poor will be considerable for society as a whole. From an efficiency perspective, it makes more sense to target resources to increase the consumption of health, education and water and sanitation services by the poor than making marginal differences to the lives of wealthier members of society.

11. In order to improve the efficiency of public spending (including Official Development Aid, ODA) the Government and CAF partners will evaluate different models of service delivery. As the Government begins to undertake significant social sector reforms it is apparent that there already exists a wide variety of sector programmes across the country. These differ in many respects including their scale, structure, partner characteristics, objectives, beneficiary groups and financing mechanisms. As the Government formulates its overall sector strategies it will be important to evaluate these programmes (using effectiveness, efficiency and equity criteria) and build on the learned lessons from the most successful programmes.

II. SPECIFIC SOCIAL SERVICES AND PRIORITIES FOR EXTERNAL SUPPORT

A. Education

Background

12. ***Low enrolment rates show that education in the DRC is in a state of crisis.*** Present indicators show that DRC's performance is extremely poor against virtually every internationally set development goal for education. MDG 2 and the Education for All initiative (EFA) set a target that all children should attend primary school. In the DRC, the Gross Enrolment Rate (GER) for primary school is estimated to be only 64 percent with the majority of these pupils attending public sector schools managed by religious networks. This rate is considerably lower than many of DRC's neighbors which are achieving **net** enrolment rates in excess of 80 percent. Unfortunately, in the case of the DRC, the lack of reliable statistics on population and demographic growth as well as failings in the education management information system make it impossible to calculate net enrolment rates, although these are almost certainly lower (typically 10-15 percentage points) than the gross rate.

13. ***Low national enrolment rates conceal substantial inequalities between population groups.*** According to the latest Multiple Indicator Cluster Survey, approximately five million children of primary school age are out of school and only 17 percent of six-year-old children enroll in the first grade. Whereas the PRSP puts the gross enrolment rate at 64 percent (2002), this figure conceals gender as well as regional disparities. GER for boys is 72 percent, while for girls, it is only 56 percent. Disparities between regions are even starker: GER in urban areas is 71.6 percent while in rural areas it is only 43.6 percent. One fact is clear from these statistics: the majority of children in rural areas do not go to school.

14. ***Low literacy rates are an outcome of DRC's failing education system.*** One of the direct consequences of limited access to education, high drop out rates and low exam pass rates, is a very high illiteracy rate. At least 32 percent of the adult population is unable to read and write. Like the gross enrolment rate, the national figure conceals large inequalities between men, 19 percent of whom are illiterate, and women, 44 percent of whom are illiterate; and between urban areas where 14 percent of the population can not read or write and rural areas where 40 percent of the population is illiterate.

15. ***Technical and vocational education services are not contributing effectively to economic growth.*** The technical and vocational sub-sector of the education system should be producing large numbers of workers with the necessary skills to re-build the economy. However, with the exception of some small-scale faith based organizations, this is mostly not the case. In the absence of effective state financed services there has been a growth of unregulated private training facilities of potentially dubious quality.

Growth Potential and Key Constraints

16. ***A situational analysis of the education sector highlights many constraints affecting current sector performance.*** The education sector is characterized by low enrolment; poor pass rates, weak institutional capacities at central, provincial and sub-provincial levels, inadequate numbers of poorly trained and unmotivated teachers, an inappropriately distributed workforce, shortages of teaching materials, inadequate learning spaces and gender-insensitive pedagogic practices.

17. ***The PPA shows that financial barriers are the most significant reason constraining parents from sending their children to school.*** Due to a collapse in state funding for education in the last fifteen years, schools have become increasingly reliant on income from school fees to cover their costs. For many parents, particularly those with low and irregular incomes, the cost of these fees is prohibitive. Rough estimates indicate that households pay on average 20 percent of their income per schoolchild. As a result, parents are not enrolling their children in school or have been forced to ration education for selected children. This rationing is evident in the lower enrolment rates for girls and for children living in rural areas. The fact that poor families are not sending their children to school because of school fees is one of the key messages from

the PPA. As a consequence of this situation, the limited state funds available for the sector are disproportionately benefiting those children who can attend school and who tend to come from relatively wealthier families.

18. *Poor quality of services results in poor learning outcomes and is another reason parents cite for not sending their children to school.* As well as barriers caused by high fees, parents do not send their children to school because they believe that the services on offer are of poor quality. School buildings are dilapidated and essential inputs such as books and motivated and qualified teachers are in limited supply. This poor quality of education services results in disappointing outcomes, reflected by low pass rates for pupils and high repetition rates. These, in turn, represent additional costs for parents, of whom only the wealthier can afford to pay fees for the extended time in school when children repeat grades. Many parents regard the current high cost/low quality education system as a poor investment for their limited household resources and as a consequence, their children exit the education system.

19. *Chronic under-funding from public sources is the primary constraint perpetuating the current low-quality/high-fee education system.* At present, only 9 percent of the national budget has been allocated for education, of which less than 50 percent goes to primary education. In the PRSP, education's share of the national budget is scheduled to grow from 12.2 percent in 2006 to 15.5 percent in 2007 and 16.7 percent in 2008. Funding allocations for the current year, however, already fall short of the PRSP target. With only part of all budget allocations actually spent, execution must be improved by ensuring that spending is effectively channeled to intended purposes and that leakages are curtailed.

20. *At present, capacity for educational planning and management is weak throughout the entire system, from the Ministries of Education down to the school level.* Insufficient coordination and confused accountabilities between the ministries involved in the education sector create considerable difficulties. In the context of the decentralization process, the respective roles of central and local authorities in the management of the sector will need to be defined, and the corresponding transfers of responsibilities and resources organized. It is also apparent that major providers of education services, notably religious organizations, will need to be actively engaged in overall sector management on the basis of clearly articulated partnership principles with the State.

21. *As a result of a poor strategic and operational management, exacerbated by a lack of basic information, the education system is fragmented and inefficient.* Any attempt to improve the management of the sector is currently undermined by weaknesses in the education management information system, including a lack of equipment and inadequate capacity to manage data. The absence of current basic demographic data on school populations makes it impossible to calculate reliable routine baseline figures such as gross and net enrolment rates. Poor coordination and weak supervision also result in non-compliance with policies, for example, wide variations in pupil charges.

22. *Years of conflict and instability have also taken their toll on the most important input into the education system—human resources.* In particular, there has been a progressive deterioration of the quality and skills of the teaching force. It is estimated that only 37 percent of the 238,000 primary school teachers have adequate qualifications. More than a quarter of primary teachers nationwide are fully financed by parents through fees because the schools in which these teachers work are not yet formally registered by the Ministry of Education. Monitoring and supervision are weak and pedagogic materials are in short supply. Urgent efforts are also needed to bring all teachers under a unified and transparent pay structure, eliminate ghost workers, clarify the status of people informally employed over past years to fill critical gaps, and arrange the departure of pension-age staff. The decision to increase teachers' salaries in 2005 signals the Government's intention to improve human resources as part of its emerging education strategy.

23. *Classrooms in some urban locations are overcrowded and basic school furniture is in short supply.* Although learning spaces are inadequate all around the country, the situation is worse in rural areas. There

are currently approximately 29,000 primary schools in the country. School infrastructure is dilapidated and in most places suffers from lack of maintenance. In conflict-affected areas, school buildings are often vandalized. A shocking 75 percent of schools have no water or a latrine, which, as well as creating public health risks, undermines efforts to retain girls in school and inhibits the dissemination of preventive health care messages.

24. *The secondary education sub-sector has similar constraints to those of the primary sub-sector.* These include limited access, poor quality teaching, un-motivated teachers, dilapidated infrastructure, inadequate teaching-learning materials as well as curricula which have not been updated since the 1960s. The number of secondary schools is estimated at 19,000, with 3.7 million students and 209,000 teachers. Approximately half of the teacher force in the public sector, approximately 95,000 teachers, is estimated to be fully financed by parents through the collection of user fees.

25. *The once strong tertiary education sector has declined rapidly due to years of neglect and under-funding.* Whereas the tertiary education sector in DRC was a source of pride for the country in the 1980s, years of conflict, mismanagement and under-funding have resulted in rapid deterioration in the coverage and quality of tertiary education services. There are approximately 430 institutions with about 10,400 teachers and 250,000 students. User fees at this level are also high and continue to be a contentious issue in this sub-sector. There has been a noticeable decline in the quality of students entering the system due to the failings of the primary and secondary schools. Dwindling resources have also resulted in a contraction in both pure and applied research activities.

26. *Technical and vocational education services are similarly constrained.* In addition to recurrent funding constraints, public technical and vocational education services have been hindered by poor status, outdated equipment, obsolete methodologies and limited relevance to the realities of current economic life.

27. *Given the Government's explicit commitment to developing the education sector, growth potential is good.* Although both the Constitution and the PRSP call for free and compulsory primary education, a genuine commitment to implement this policy is not yet demonstrated. International donors intend to help the new Government turn this policy into reality by supporting a comprehensive package of education reforms. This will enable the Government to sequence, over time, the necessary supply side and demand side reforms to achieve their stated goal of free compulsory education. Neighboring countries are achieving net enrolment rates of 80-90 percent to free primary education by spending around \$6-8 per capita, including donor contributions, on primary education services. These levels exceed current projected expenditure levels in DRC where abolishing fees is more difficult compared with other countries because of the extent to which households finance core service delivery. There are numerous fees, and significant amounts charged at school level are further transferred to other levels, including the central treasury and provinces. During the CAF period it should be possible for the Government to move towards providing free primary education by using public resources to include a greater proportion of primary teachers on the payroll, although the removal of all fees will require an infusion of significantly more resources into the sector than are currently projected.

28. *In terms of removing financial barriers, to increase enrolment rates, the immediate priority will be to support a Government led initiative to remove the frais de fonctionnement.* It is expected that this objective will be achieved over the CAF period. Due to the commitment of the Government and international donors to universal primary education, it is hoped that in the next three years additional public resources may be forthcoming to accelerate the phasing out of other fees, including the *frais de motivation*. This fee is currently used to complement (or pay in full in some cases) teacher salaries. It is roughly half of the total fees charged and represents around \$5 million in revenue on a monthly basis.

29. *To sustain higher utilization rates, it will be important that the supply of education inputs meets the rising demand for services.* If the MDGs and Education For All (EFA) goals are to be met, there must be a

significant improvement in education sector inputs to improve the coverage and quality of services. This will require investments in: retaining, re-training and, if necessary, recruiting more teachers; constructing and rehabilitating learning spaces; improving the curriculum; and providing additional learning materials, particularly textbooks and teachers' guides. This will also require investments in non-formal education (vocational training) to cope with the complex problem of millions of out-of-school children. Due to considerable funding constraints resources should be concentrated on rehabilitating existing facilities, with service coverage expanding to under-served areas as more resources become available.

30. *In order to maximize the impact of new investments in the education sector, it will be essential to improve the strategic management of the sector.* The absence of an updated legal framework hampers attempts to produce a strategic sectoral plan which can be used for efficient planning and management of the sector as a whole. As a top priority, the Government will need to undertake an extensive programme of sector reform involving all major stakeholders. Specifically, the Ministries of Education should be supported to embark on a Sector Wide Approach (SWAp) to improve strategic management of the sector.

31. *With tax revenues currently so low, considerable subsidization of the system by external sources will be necessary in the short-term.* Although work is ongoing to cost the financing requirements of the education sector, it is already clear that, in the short-term, these will exceed the level of resources available from domestic sources. Substantial predictable aid financing will therefore be essential to subsidize proposed reforms in the education sector. To maximize aid effectiveness, financing will need to be harmonized, aligned to the Government's strategy, and used to fund activities in expanding access to primary education.

32. *To improve efficiency, the public education sector should develop efficient Government budget and payment systems.* With public funding so constrained, it will be imperative to maximize the efficiency of the finances allocated to the education system. This will require a complete overhaul of the public budget and payment system. In order to facilitate strategic planning, annual education budgets will need to be derived from a rolling Medium-term Expenditure Framework (MTEF). The MTEF will help formulate realistic programming based on the needs for the sector and serve as a mechanism for justifying additional resources for the sector in order to meet its strategic objectives.

33. *Wherever possible, it will be necessary to pool Government and donor resources to improve efficiency.* Multiple funding channels are inherently inefficient due to heightened risks of inappropriate allocations (for example, some activities being over-funded whilst higher priorities are under-funded) and unnecessary duplication of administration costs. During the lifetime of the CAF, the Ministry of Primary, Secondary, and Professional Education (EPSP) and external donors should review the possibility of using pooled funding mechanisms to improve the efficiency of government and donor education financing. Initially, this may be restricted to some limited basket funding arrangements for specified inputs and activities but, ultimately, the aim is for the state budget system to accommodate direct support from donors.

34. *Reforms in operational management systems are also required.* Establishing a SWAp will help improve allocative efficiency in the sector but it will also be important to develop effective management systems to improve operational efficiency. This will require building capacity at the national, provincial, and school facility levels in education planning and management systems. Specifically, investments will be needed in: human resources management; procurement; financial management; quality assurance and information systems.

35. *In addition to heavy investment in primary education, an effective and efficient education sector requires targeted developments in post-primary education services.* With regard to secondary education, efforts are needed to increase retention rates to ensure that students stay in school through the secondary level. This will require improvements in curriculum and the quality of instruction, as well as the eventual reduction and elimination of fees. Improving the tertiary education sub-sector will be important if the country is to produce the quality of graduates to propel and sustain development in the sector and beyond. Efforts to

ensure that education programmes are consistent with needs of the country for a trained workforce also need to be made. This will require difficult reforms and restructuring of the higher education system.

Priority Activities

36. ***Donor assistance will focus on helping the Government implement four key strategies.*** If implemented, these strategies offer an opportunity to significantly advance towards the achievement of the education MDG in the DRC. Note that exact quantities of inputs will need to be finalized once Government and CAF resources are known and priorities have been set in accordance with the total resource envelope:

- *Improve strategic and operational management:* (i) advise Parliament on adopting a new overall education law; (ii) update the national policy on education; (iii) improve public finance mechanisms including validation of the teachers payroll, and introduce a simplified, more equitable and more transparent pay system to ensure that teachers are better and more regularly paid in line with public sector reforms and norms; (iv) establish an education SWAp led by the Government and involving all stakeholders in the sector; (v) develop a realistic and costed long-term strategic plan for the education sector which allocates increasing resources to agreed priorities and takes into account decentralization processes; (vi) train relevant Government staff to implement sector wide approaches and develop a cadre of education planners and managers; (vii) improve basic statistics needed for efficient policy decisions on education (including a census of teachers, removal of ghost workers); (viii) undertake a school mapping exercise to ensure equitable coverage and inform a rationalization exercise; (ix) strengthen capacities of education sector stakeholders in programme design, data collection/analysis and system management at central, provincial and facility levels; (x) strengthen the inspectorate wing of the EPSP at the national and provincial levels and establish quality assurance mechanisms; (xi) increase the capacity of the Education Management Information System (EMIS) and educational planning/management at all levels; and (xii) improve accountability mechanisms and systems, including strengthened school management committees and parent teachers associations.
- *Increase the levels of public financing for the education sector and improve the management of the sector:* (i) align the contributions from stakeholders with the education strategy; (ii) develop an education financing strategy to support service delivery; (iii) formulate a MTEF for the sector; (iv) undertake an annual mapping of donor contributions to the education sector and those from other sources; (v) increase the share of the state budget allocated to education to 10 percent immediately and to at least 20 percent by the end of the CAF period; and (vi) develop budget monitoring systems to ensure that public funds reach intended beneficiaries.
- *Move progressively towards universal access to free primary education:* (i) sequentially remove school fees, starting with the *frais de fonctionnement*; and (ii) conduct targeted communication and social mobilization campaigns aimed at increasing the demand for education for girls and other marginalized and vulnerable children.
- *Improve the coverage and quality of basic primary and secondary education services:* (i) retrain and if necessary recruit new teachers and 1,000 new inspectors and administrators for deployment in under-served areas; (ii) establish at least one teacher training centre in each province as part of a strategy to scale-up teacher training; (iii) establish functional literacy centers in each province to meet the needs of youth and adults, particularly women; (iv) establish 'catch-up' classes and non formal education and vocational training centers to address out-of-school children and youths; (v) rehabilitate and equip 4,000 classrooms yearly, including in under-served areas; (vi) provide textbooks on a one textbook per pupil for all core subjects at the primary level; (vii) supply basic stationery to pupils; (viii) supply guides/manuals and pedagogic materials to teachers; (ix) expand the secondary school system to absorb primary school completers; (x) increase the proportion of vocational education within the secondary school curriculum; and (xi) develop a strategy for the including children with special needs in schools.

- *Rationalize and revamp tertiary and vocational education:* (i) undertake a comprehensive review of tertiary and Technical and Vocational Education Training (TVET) sub-sectors to determine where returns on investment will be highest; (ii) develop a strategy for technical education and vocational training; (iii) rationalize tertiary institutions in terms of numbers, location and quality of their programmes; (iv) refurbish research facilities at selected tertiary institutions; (v) provide fee support to boost access to science and technology education for women; (vi) establish TVET centers in each province; (vii) establish mechanisms for industry-university partnerships to maintain relevance; and (viii) establish linkages between industry and vocational training centers.

B. Health Sector

Background

37. *Health indicators in DRC are among the worst in the world and it will be extremely challenging for the country to reach the health-related MDGs.* Maternal and infant mortality rates are very high: 129 children out of 1000 still die before the age of one and 205 children out of 1,000 die before the age of five. In 2001, the maternal mortality rate was 1,289 women/100,000 live births, or over 36,000 women dying each year. In addition to the many children orphaned by maternal deaths, an increasing number become parentless each year due to HIV/AIDS. At least 16 percent of young children are severely malnourished.

38. *The epidemiological profile is dominated by infectious diseases.* In particular, there is a high burden of disease affecting children, including malaria, acute respiratory infection, and diarrhea and, among populations with low levels of immunization, measles. Perhaps the most effective way to reduce child mortality is to tackle malaria, which accounts for a third to a half of all child deaths, representing 150 to 200 thousand child deaths annually. Other infectious diseases contributing to poor health indicators include: HIV/AIDS, tuberculosis, onchocerciasis and sleeping sickness African Human Trypanosomiasis (THA). The country also suffers from a resurgence of several epidemics of formerly controlled diseases including measles, whooping-cough, plague, poliomyelitis, bacillary dysentery, and cholera. Emerging diseases such as the hemorrhagic fevers Ebola and Marburg as well as monkey-pox are also present and Avian influenza could spread very rapidly if it appears.

39. *For such a high burden of disease, the population of DRC is not consuming enough effective health care.* Although many problems are known to impact on health outcomes, including poverty, conflict, and agricultural productivity, in the case of the DRC, a key factor affecting the health status of the population is inadequate health services. As is the case in the education sector, low utilization rates (the current outpatient attendance rate is 0.15 visits per person per year) clearly demonstrate people are not satisfied with the services on offer. However, where external support is improving services, people are returning in larger numbers. In the rest of the country, instead of visiting a health facility, sick people are choosing to self-treat in private pharmacies or to use practitioners of traditional medicine. All too often the choice is not to use any type of service at all.

Growth Potential and Key Constraints

40. *People are not accessing health services because they represent poor value for money.* As is the case everywhere, people who require health care in the DRC investigate services, basing their choice of provider on perceptions of quality and price. Whether the issue is quality or price, health services in Congo are failing the population. Regarding quality, health services in the DRC are often inaccessible, but even when within reach, essential inputs in most clinics, for example drugs, are often unavailable. In terms of price, health services are prohibitively expensive for the overwhelming majority of people. This is confirmed in PPA, which cites user charges as the major reason that people do not access health services. In many instances due to a lack of management supervision, public services have in effect become commercialized, with health

workers offering inappropriate expensive treatments (notably injections and blood transfusions) in order to maximize their incomes.

41. ***Current failings in the public health system are due to a variety of factors.*** In the diagnostic prepared for the Health Systems Strengthening Strategy (HSSS) the Ministry of Health identifies the major constraints facing the sector as:

- ***A weak financial commitment by the state***, putting the burden of financing of the sector on patients (in the form of user charges), and on external partners. Even with improved budget allocations, due to the weakness of the economy, the overall state budget will be inadequate so significant external assistance will be required for the foreseeable future.
- ***Weak organization, policy-making and management of services*** at central and provincial levels leading to a proliferation of new technical units often with low capacity.
- ***Very weak management of public health services*** at the local operational level, recently exacerbated by: the multiplication of Health Zones and a decrease in the motivation and the quality of care by health workers in the public sector due to deteriorating working conditions, long delays in salary payment, and unbalanced distribution of qualified personnel.
- ***A recent proliferation of health professionals*** offering poor quality care following the uncontrolled expansion of private medical schools and training institutions for nursing and allied health professions.
- ***Weak governance of public resources*** characterized by high levels of corruption and low accountability of the public administration to the population.

42. ***The primary constraint inhibiting health sector development is chronic under-funding.*** Whereas accurate health financing data is currently unavailable (particularly regarding private expenditures) it is evident that the overall resource envelope for the sector is grossly insufficient to meet the needs of the population. This has largely been due to a collapse in public financing, (including external support) during the 1990s when budget allocations to health fell to less than 1 percent of the state budget. By 2004, this had increased to 7 percent but this still only represents funding in the order of US\$1 per capita. With a budget execution rate of only 31 percent in 2004, public financing amounted in that year to US\$0.31 per capita.

43. ***Poor coordination is another key constraint and is a direct result of weak stewardship of the health sector.*** This has been reflected by a lack of coherent policy-making, a weak administrative framework and outdated health legislation. The Basic Health Law of 1952 is no longer relevant and the absence of updated legislation has promoted a *laissez faire* attitude towards the planning and management of health services. Institutional inflation, often due to external donors, has led to a proliferation of poorly coordinated new units with low technical capacity. In addition, communication has been weak between the Government and its partners (including church-based health providers) and between external partners supporting the health sector. On the positive side, the Health Zone system developed in the 1980s is still best-practice for primary health care service delivery and there has been substantial policy work since 2001 on developing basic packages of services and public-private partnerships. Important policy work has also been done on Health Zone services standards and on a sector strategy. Coordination of donors is improving within the national strategic goal of developing the Health Zone system, although more work and strengthening of the Ministry of Health is needed.

44. ***The development of effective human resources has been constrained by an over-supply of poorly trained health workers.*** The number of health professionals in several categories has increased markedly in recent years, particularly professions seen as lucrative, including nursing and laboratory technicians. Training, often of poor quality, has been provided by new institutions which have sprung up without any

planning or control. Failures in the labor market have led to an oversupply of poorly trained and inequitably distributed health workers in some fields and a chronic undersupply of workers in others, including sanitary engineers, medical equipment technicians and health workers in food safety and hygiene.

45. *Over the last decade, civil servants have not retired.* A considerable number of Ministry of Health workers, estimated to account for up to 25 percent of the entire sector workforce, are still registered as active salaried workers although many receive very low salaries or none at all and therefore work only minimally. Through coordination with the civil service administration and in line with the reform of public administration in DRC, these workers will need to be retired with appropriate retirement benefits as soon as possible.

46. *Inefficient drug supply systems represent a considerable constraint on health sector development.* The national supply system of essential drugs is unable to ensure that drugs are available within deadlines and in sufficient quantity and quality and to ensure that costs are covered. The regional drug distribution system (*Fédération des Centrales de Distribution des Médicaments Essentiels, FEDACAME*) is poorly resourced, has low management capacity and only limited storage facilities. *Centrales de Distribution Régionales (CDR)* at the provincial level suffer from the same problems. In addition, essential drugs are still subject to import tax and other import charges. However, the regional drug distribution system has made considerable progress since being introduced in 2001 and provides a good foundation for further expansion. Private sector drug distribution systems are almost totally unregulated.

47. *Growth potential is good in the health sector because the Government has given high priority to health in the PRSP.* As stated in the PRSP, the intended goal in the health sector is to ensure quality primary health care for the entire population, including vulnerable groups, and to fight malnutrition and major infectious diseases through the revitalization, and gradual strengthening of the health system.

48. *In the short-term, growth in the health sector will concentrate on the development of Health Zones as the most efficient unit of health service delivery.* A new approach to defining Health Zones is being introduced which will use the existence of a general referral hospital as the main criterion. This definition is expected to lead to a reduction in the number of Zones from the currently untenable level of 515. Support to Health Zones is seen as essential for improving health indicators and is expected to come in the form of a comprehensive set of packages including improved training on the diagnosis and treatment of common diseases and better logistics support to ensure efficient procurement of necessary drugs and supplies. Consolidation of the existing system will require phasing in adequate financing for **all** Health Zones, including those not currently supported by a partner.

49. *The strengthening of the peripheral level of the health system will include provision of minimum packages.* Minimum Activity Packages (MAP) for primary care health units have been developed as well as Complementary Activity Packages (CAP) for referral hospitals in accordance with the norms and standards in the relevant guidelines and principles developed by the HSSS. These minimum packages need to be costed on the basis of actual experiences in delivering them in the country. The Ministry of Health is aware that the expansion of packages will need to be sequenced across the country to maximize efficiency and equity. Measures for ensuring acceptable standards of service delivery, particularly by non-state partners, will also need to be implemented.

50. *All Health Zones should be able to provide a basic package of free services.* Recognizing that it will take time to roll out MAP and CAP services to all health units across the country, it will be important in the interim that Health Zones provide at least a **basic package of services**. The exact composition of this package will need to be agreed with the Government and will be dependent on the resources available. At a minimum, it is hoped that the package will include: distribution of long lasting impregnated insecticide mosquito nets for children under five and pregnant women; vitamin A supplements; regular de-worming for children; communication of key messages; immunization of children and women; distribution of iron/folate

during pregnancy; supervision of simple malaria treatment in the home and in health units; and community treatment of acute respiratory infections. Due to the relatively low cost of these child-focused interventions and their high public health benefits, it is hoped that the Government will be able to provide this basic package of services free of charge within the timeframe of the CAF. Donors will need to work closely with the Government to ensure that sufficient resources are allocated to meet the objective of providing a basic package in all Health Zones.

51. *Community and household-level interventions can help to reach the maximum number of people.* To ensure that substantial progress is made in the next years, much more will be needed to provide the basic package of free services at the household and community level, rather than relying solely on facility-based programmes. Increased utilization of community health workers for key interventions, including household-based malaria care, will be a step in this direction.

52. *To improve efficiency, considerable restructuring will be required throughout the health system.* Planning is under way for a restructuring of the central level of the Ministry of Health within the framework of the general reform process of the Public Administration. In addition, a Steering Committee composed of the Ministry of Health and key donors is expected to support the HSSS reforms specified in the strategy document. At the intermediate level, provincial teams are expected to support the development of Health Zones, with provincial steering committees being established to guide implementation of HSSS. These committees will be important bodies for the sector to respond to the decentralization processes advocated by the new constitution of the DRC. Although it is still too early for the implications of decentralization to be fully known, financing in the health sector will almost certainly be affected, with a significant proportion of revenues for services coming directly from the provinces. This trend will need to be monitored and donor financing strategies adjusted as necessary.

53. *In parallel, attention will need to be given to the reorganization of an institutional support to the intermediate and central levels of the system.* This will enable the development and implementation of policies and activities to assure efficient management, stable financing and a balanced supply of health workers. The Ministry of Health has described these strategic axes in the HSSS, finalized in 2006, which is supported by all development partners in the *Groupe Inter Bailleurs Santé* (GIBS).

54. *In order to maximize the impact of new investments in the health sector, it will be essential to improve the strategic management of the sector.* At a strategic level the Government will need to undertake a substantial programme of sector reform involving all major stakeholders. Specifically, the Ministry of Health should be supported to embark on a Sector Wide Approach to improve strategic management of health systems. One of the key objectives of the national SWAp will be to revise the overall health sector strategy taking into account the lessons learnt from the various health programmes currently being implemented in the country. It will be important to evaluate which programmes are the most effective, efficient and equitable in increasing access to good quality health services. In supporting a Government-led SWAp, donors too will need to revise their own health programmes taking into account the results of these evaluations.

55. *The health sector should produce costed multi-year operational plans.* This would in effect be the rolling action plan for the HSSS, and would explicitly state the priorities for health sector development in the medium-term. Taking into account the overall resources available for the sector, the costed activities in these plans would determine financial allocations in the sector's MTEF.

56. *To facilitate planning, a good estimate of the cost of delivering the basic package of health services needs to be developed on the basis of empirical evidence in DRC.* Early indications from development projects indicate that a basic package of services can be provided at a funding level of between US\$6.50 and US\$8 per capita. In recent years, due to the almost total absence of state financing, the population has been forced to use private funding mechanisms, particularly user fees, to access health services. For many

households, however, these fees have been prohibitively high. Utilization levels have plummeted and millions of Congolese have ceased to use formal health services.

57. *Coordination mechanisms need to be established to manage epidemic and emergencies.* Coordination mechanisms will need to be established to ensure a more effective alert system, including better surveillance and monitoring of disease vectors. Mechanisms for coordinating responses to outbreaks will be required including traditional (and infant killer) diseases such as malaria, measles, diarrhea and meningitis. Specific plans will also need to be developed for epidemics of emerging diseases, including hemorrhagic fevers and Avian influenza.

58. *There needs to be better integration of vertical disease programmes.* To maximize efficiency, the activities of vertical disease programmes will need to be fully integrated within the service packages delivered at the facility level. This will require integrating financing, management, and monitoring and evaluation systems with those of the broader health system. Developing appropriate guidelines and protocols will also be an important aspect of this process and is expected to lead to better coordination of care at the health facility and individual patient levels.

59. *Growth in the health sector will be dependent on increasing public financing.* In the short-term, at least 7 percent of the national budget should be allocated to the health sector. This is expected to increase to at least 15 percent by 2015. In increasing public financing, it will be essential that these funds are allocated efficiently. A significant part of additional Government expenditure should go to essential public health functions including the procurement of drugs and the improvement in remuneration and working conditions of public health workers.

60. *With tax revenues currently so low, considerable subsidization of the system by external sources will be necessary in the short-term.* Although work is ongoing to cost the financing requirements of the health sector, it is already clear that, in the short-term, these will exceed the level of resources available from domestic sources. Substantial predictable aid financing will be essential to subsidize the proposed reforms in the health sector. To maximize aid effectiveness, financing will need to be harmonized, aligned to the Government strategy, and used to fund activities in expanding access to primary health care. There is also scope for large scale employers to contribute to the health care costs of their workers. The extent to which large enterprises (notably in the mining sector) should finance health and other social services is currently being discussed within Government.

61. *The public health sector should develop efficient budget systems.* With public funding so constrained, it will be imperative to maximize the efficiency of finances allocated to the health sector. As in the case of the education sector, this will require a complete overhaul of the health budget system. In order to facilitate strategic planning, annual health budgets should be derived from a rolling MTEF. The MTEF will help formulate realistic programming based on the needs for the sector and serve as a mechanism for justifying additional resources for the sector in order to meet its strategic objectives.

62. *Investigate pooling resources to improve efficiency.* To improve the efficiency of public health funding, the Ministry of Health and external donors should review the possibility of developing pooled funding mechanisms. Initially, this may be restricted to some limited basket funding arrangements for specified inputs and activities but ultimately, the aim is for the state budget system to accommodate direct support from donors. Whatever funding modalities are used, donor funds will need to be harmonized and predictable. As a number of donors are starting large scale health projects, several of which are supported through province-level funds, and new funding sources are coming on stream (e.g., Global Alliance for Vaccination and Immunizations, GAVI and the Global Fund) there is a good opportunity to harmonize these inputs.

63. *The management of the growth of human resources will be very important.* In developing human resources inputs, priority will need to be given to managing the growth of the health workforce at the

intermediate and peripheral levels, particularly in Health Zones, where continuous training is envisioned for Zone Framework Teams.

64. *Improving the remuneration of health workers will be an essential element in revitalizing services and particularly reducing user fees.* In many areas receiving external assistance, this is currently being done through incentives (primes) to health workers, paid by NGOs from donor funds. Without addressing constraints in the health labor market, including contractual arrangements and remuneration, generalized improvement in service utilization will not occur. Any strategy to raise salaries and working conditions for health workers will need to be accompanied by measures to increase supervision and monitoring, to improve the quality of services and ensure compliance with guidelines, notably regarding patient charges.

65. *Public health workers terms and working conditions need to be improved systematically.* In order to eliminate the need for supplementary payments, new salary scales for each category are required. These scales will need to be in line with the average wages (*Salair Minimum Garanti*, SMIG) law and take into account professional training and experience. To encourage recruitment and retention in underserved areas, a system of monetary incentives and other benefits for workers should be developed. Any health labor market reforms, including changes to incentive packages, will also need to take into account the likely impact on private sector providers.

66. *Overall sector development will require an appropriate mix of public and private providers with effective contractual arrangements.* In recent years, many health services have been delivered on behalf of the State by not-for-profit health providers including the Catholic and Protestant churches, other faith-based groups, NGOs and public enterprises. The PRSP implicitly recognizes the need to maintain this system as part of a mixed economy of public and private providers. Developing an appropriate public-private mix of services will require a two-pronged strategy: The provision of public services will need to be improved, at the same time that mechanisms are introduced to ensure adequate oversight of the services provided by non-state partners. This will require developing efficient contracting arrangements, which provide incentives to improve performance without creating excessive administrative costs. Formulating policies on public-private partnerships will be an essential element of overall reforms and will require evidence-based decision making and close collaboration between all partners.

67. *Improve inter-sectoral collaboration.* The interaction between health and poverty is well established. Improvement in health and health systems are therefore linked to actions carried out in other sectors. Consequently, it is essential to underline the linkages and benefits of activities in the other pillars included in the PRSP.

Priority Activities

68. *Donor assistance will focus on helping the Government implement six key strategies.* On the basis of the constraints and growth potential identified above, the CAF health strategy will concentrate on supporting the Government in the following six priority activities. Many of the interventions listed below are taken from the Government's own HSSS. If implemented, these strategies offer an opportunity to significantly advance towards the achievement of the health related MDGs in DRC:

- *Revise the legislative framework for the health sector:* (i) advise Parliament on the adoption of a new health law; (ii) improve governance within the Ministry of Health through development and compliance with new directives; (iii) update and distribute to all levels, the national policy and plans for health system development, and guidelines for health system strengthening; (iv) establish systematic communications, discussion and collaboration between Ministry of Health directors at central level and communicate policy to the provincial level; (v) regroup and strengthen technical programmes within the various departments in the Ministry of Health, and suspend the establishment of new units in the interim; (vi) develop and apply guidelines regarding management functions, communications and reporting

between central, provincial and Health Zone authorities; (vii) draft legislation on the establishment, accreditation and licensing of private for-profit health providers; (viii) develop regulations and guidelines and criteria for the establishment and registration of health NGOs; (ix) develop contracts for partnerships with health NGOs and provincial health authorities; (x) develop guidelines on selection and procurement of medical equipment; (xi) manage health sector reforms efficiently in accordance with decentralization processes; and (xii) establish monitoring and evaluation systems, including for private sector providers.

- *Improve access to care as well as equity:* (i) provide a basic package of curative and preventive health services including family planning services in all Health Zones; (ii) revise the organizational structure of the health sector at all three levels; (iii) reduce user fees and drug prices and conduct studies to investigate the impact of fee removal on utilization levels, particularly among the poor; (iv) prioritize Health Zones with high potential for new investment; (v) implement high impact interventions in Health Zones with weak capacity; (vi) roll out the Minimum Activity Package of services in primary care units and the Complementary Activity Package in hospitals; (vii) update continually and disseminate protocols on the management of common diseases and methods of referrals and coordination with vertical disease programmes; (viii) develop a strategy and policy framework for public-private partnerships, including contracting mechanisms, social marketing and delivery of high-impact services to households; and (ix) construct new health facilities in accordance with the plans laid out in the HSSS and enforce a moratorium on all capital developments outside of this strategy.
- *Achieve a balanced supply of human resources for health:* (i) establish a joint committee with the Ministry of Education and Institute for Professional Preparation aimed at reforming training of health professionals; (ii) determine criteria for the accreditation and licensing of training institutes as well as for the closure of institutes which do not meet the standards for A1 training levels; (iii) enforce a moratorium on the establishment of new secondary level training institutions; (iv) elaborate and implement training plans for all levels of the health system; (v) establish examinations for graduates of unaccredited training institutes; (vi) agree optimal levels of supply of nurses at A2 level and establish the appropriate number of accredited training institutions per province; (vii) harmonize salary supplements for staff in the Ministry of Health in accordance with the SMIG; (viii) develop incentive payment mechanisms for posts in selected areas and occupations; (ix) offer retirement packages with appropriate conditions; and (x) conduct a health labor market study on current incentive schemes and perceptions of public and private sector health workers.
- *Ensure a continuous and regular supply of drugs and other resources:* (i) provide appropriate office and storage facilities for *Fédération des Centrales de Distribution des Médicaments Essentiels* (FEDECAME); (ii) remove import taxes and administrative fees on certain essential pharmaceuticals; (iii) rationalize the ordering of drugs through FEDECAME-CDR; (iv) strengthen the capacity in CDRs and relocate certain CDRs; (v) reinforce mechanisms for controlling the quality of pharmaceuticals; (vi) reinforce and rationalize mechanisms for inspecting pharmacies; (vii) regulate the acquisition of drugs by public health units in the private sector; and (viii) conduct a feasibility study for the production of drugs in DRC as well as drug pricing and subsidies.
- *Establish stable and sustainable financing mechanisms for the health sector and sequentially remove financial barriers to health care:* (i) align financial contributions from stakeholders with the health strategy; (ii) establish a health SWAp led by the Government and involving all stakeholders in the sector; (iii) develop a health financing strategy to support service delivery; (iv) sequentially reduce and possibly eliminate financial barriers for selected health services and/or population groups; (v) formulate a medium-term expenditure framework for the sector; (vi) increase the share of the state budget allocated to health to 7 percent immediately and 15 percent by the end of the CAF period; and (vii) undertake annual mappings of donor contributions to the health sector.

- *Establish multi-sectoral coordination mechanisms:* establish linkages and collaborative networks with institutions in: (i) education; (ii) agriculture; (iii) water and sanitation; (iv) roads, communications and transport; (v) community participation; (vi) gender; (vii) environment; and (viii) nutrition.

C. Water And Sanitation

Background

69. ***The current water and sanitation coverage rates are some of the lowest in the world and have actually decreased in the last 20 years.*** The latest statistics found in the PRSP indicate that just 22 percent and 9 percent of the population currently has access to clean water and adequate sanitation, respectively. These low coverage rates have resulted in a public health situation where diarrhea causes 12 percent of Congolese deaths, morbidity rates of diarrhea for children under five (in a two week period) have reached 20 percent, and water and sanitation related disease epidemics including cholera and plague continue to affect population centers.

70. ***Progress in reaching the MDGs for water and sanitation is slow.*** With respect to MDG 7, safe drinking water is defined as any “improved” water source and includes protected springs, rainwater collection systems, and protected dug wells, with or without pumps. Improved sanitation facilities include both simple pit latrines and VIP latrines. For the DRC, Goal 7 translates to reaching 72 percent water coverage and 58 percent sanitation coverage by 2015. This means that the DRC will need to have an additional 18 million people drinking safe water and an additional 24 million having access to safe sanitation systems. More than 5,000 people will need to gain access to safe water every day and 6,500 people will need to gain access to basic sanitation.

71. ***Financial barriers are inhibiting access to services.*** As with the other social sectors, financial barriers are part of the factors inhibiting the adequate uptake of water and sanitation services. Reducing these barriers by devising appropriate pro-poor (life-line) tariff regimes and subsidizing inputs, for example, latrine slabs, will be an important aspect of any strategy to achieve an increase in coverage of water and sanitation services.

72. ***Over 60 percent of the rural population use springs as their primary source of water.*** Due to this relatively high coverage of springs, other water sources such as wells, boreholes and pumps are not as common in the DRC as in other developing countries. Only 10 percent of the population uses these types of water sources and there are less than 2000 manual hand pumps in all of the DRC. Throughout the country, the burden of collecting household water is experienced disproportionately by women and girls. This adversely affects the ability of girls to remain in school, particularly in rural areas.

73. ***Urban water coverage rates have declined from 68 percent to 37 percent in the last 15 years.*** The urban water system suffers from a lack of maintenance, destruction of infrastructure, and poor management. Approximately 40 percent of connections are inactive and the estimated technical losses amount to 50 percent, markedly higher than in other parts of the region. Approximately eight million urban dwellers, or 37 percent of the urban population, have access to safe drinking water. Only 49 percent of billed amounts are actually collected, the worst rate in the sub-region. Government agencies, which account for approximately 44 percent of REGIDESO’s turnover, do not pay their bills. Accumulated internal arrears are a major constraint on sector development and are being addressed through Government measures aimed at reducing internal leakage/wastage and eliminating illegal connections.

74. ***In spite of REGIDESO’s monopoly of urban water distribution, only 94 urban centers have been covered out of an estimated 300.*** Of these 94 centers, only 64 are actually functioning- 11 lack necessary equipment and 19 were damaged during the war. At present, Kinshasa and Lubumbashi alone account for 76 percent of REGIDESO’s activity. As well as its low coverage rates in urban centers, REGIDESO has been

unable to extend its services to the vast peri-urban areas that have grown around major cities. Where services are functioning, overall network efficiency (the proportion of urban water supplied which is sold) is only 58 percent.

75. *The urban growth rate in DRC for the period 2005-2010 is predicted to be 4.85 percent.* Demand for urban water sources is expected to rise significantly in the next 3–4 years in parallel with urban growth rates. Over 30 percent of the total population is currently living in urban areas and by 2010 the urban population is predicted to be approximately 30 million.

76. *There are no functioning sewage systems in the DRC and most excreta are disposed of in family latrines of various levels of acceptability.* Lubumbashi and Bukavu are the only cities to ever have had a working sewage system, although both have long since ceased to operate. Kinshasa is the largest city in the world without a functioning sewage system.

77. *There are also no functioning garbage collection systems in the DRC.* In some parts of the country, effective informal collection services collect refuse from homes and businesses. However, as there are no public fill-sites in the DRC and no means to transport refuse in bulk out of cities, most refuse is currently dumped into ravines, roads, and rivers.

Growth Potential and Key Constraints

78. *The water and sanitation sector is constrained by a fragmented administrative structure.* There are currently six different Government bodies involved in the sector through six separate ministries. The major agencies include: REGIDESO for urban water (Ministry of Energy); *Société Nationale d'Hydraulique Rurale* (SNHR) for rural water (Ministry of Rural Development); *Programme National Assainissement* (PNA) for sanitation (Ministry of the Environment) and the 9th Direction of the Ministry of Health working in both water and sanitation. The current structure for the water and sanitation sector is too complicated to be managed efficiently. Even with the creation of a coordination body in 1990s, the *Comité National d'Action de l'Eau et de l'Assainissement* (CNAEA) (Ministry of Planning), there has been no significant improvement. Overlapping responsibilities, unclear terms of reference and unproductive infighting continue. There are currently three proposed water codes for the country – each proposed by a different ministry and none accepted by the Government.

79. *Due to the large size of the country, the 17 bases of SNHR and the Kinshasa-based PNA are unable to respond efficiently to the needs of rural Congolese.* In Katanga, for example, there are three SNHR bases covering a geographic area roughly the size of France. Of the three bases, only one is currently functioning, but it has inadequate staffing, no vehicles, office supplies or even the most basic engineering tools.

80. *The sector is heavily constrained by a lack of technical capacity at the rural level.* In the Ministry of Health organizational plan, each Health Zone should have a Water and Sanitation Supervisor (*Superviseur de L'Eau et d'Assainissement*, SEA). However, these supervisors do not exist in all Zones, and those that do exist have not been adequately trained. None of the SEAs have ever received government funding for water and sanitation projects.

81. *Urban sanitation is the least organized sub-sector with the lowest access rate to services.* The access rate to adequate urban sanitation is estimated in the PRSP to be only 10 percent of the population. The principal government service responsible for urban sanitation is the PNA with a mandate that covers both urban and rural sectors. The PNA, however, is currently only operational in Kinshasa and does not have adequate materials or technical capacity to effectively respond to sanitation needs.

82. *The best potential for increasing coverage of rural water services is to scale-up existing Government-designed, water and sanitation programmes.* Some of these programmes, for example the *Village Assaini*,

have existed since the early 1990s but have not been scaled up nationally due to chronic under-funding in the water and sanitation sectors. In rolling out rural water programmes it will be important that activities are coordinated by relevant bodies within Government and are based on appropriate structures – for example existing Health Zones.

83. *In order to maximize efficiency, rural water programmes should attempt to integrate water, sanitation and health promotion activities.* Specifically, programmes should set specific output targets for each community served which could include: having a protected water point, 90 percent coverage of family latrines, an active health committee and numerous other hygiene related activities. Programme activities are likely to include: spring protection, latrine slab fabrication with social marketing, community organization, and hygiene education.

84. *Most rural communities will not require highly specialized technical support.* As the majority of rural populations use springs as their water source and spring protections are normally not technically challenging, most communities will not require significant technical support. However, where a targeted village does not have the potential for a spring or hand dug well, it will be necessary to send the case as a referral to the SNHR who will respond to specific needs with borehole drilling, gravity-based water systems, and possibly complicated multi-head spring catchments.

85. *Community participation will be an important element of successful rural water programmes.* Communities should be actively engaged in choosing their packages of water and sanitation projects and in managing the implementation of projects with relevant Government officials. In order to improve efficiency and increase local ownership, communities should also be encouraged to provide non-skilled manual labor and locally available inputs (sand, stones and gravel).

86. *Several international donors have concentrated their programming on developing growth of urban water services.* The World Bank, the European Union, French Development Agency, German Technical Cooperation Agency and Belgium Development Cooperation have targeted rehabilitation and extension of existing REGIDESO-managed water networks. In addition, there has also been support for community-run water systems in the province of South Kivu and in peri-urban zones of Kinshasa, Kindu, and Mbuji Mayi.

87. *Within the urban sub-sector, efforts will need to concentrate on areas which have a relatively high population density, with a specific focus on peri-urban areas with very low coverage rates.* To maximize the impact of limited financial resources, sector development will need to concentrate on expanding cost-effective services (for example, public stand posts and shared yard taps). It will also be necessary to support the design and implementation of key sectoral reforms through a combination of hands-on technical assistance and financial support, in particular, to strengthen the capacity, performance, accountability, and financial viability of REGIDESO. Furthermore, there will be a need to provide financial support for large-scale investments in selected cities, both to rehabilitate damaged systems and expand coverage to meet the rising demand for urban water services, especially by the poor.

88. *A study is being conducted to improve the functionality of REGIDESO.* This study is being implemented by the *Comité de Pilotage de la Réforme des Entreprises Publiques* (COPIREP), the national institution in charge of public utility reform, to determine the reform path to develop service provision.

89. *Due to the low service levels of REGIDESO in the past 20 years, there have already been significant independent initiatives to provide water to urban centers.* These systems are autonomously managed by community groups on a non-profit basis. A recent study analyzing these systems in six provinces concludes that many continue to run efficiently without external inputs. Building on this experience, donor activities will focus on increasing water supply and sanitation services through community groups in densely populated areas where public health problems are most acute and where the largest number of people can be connected to services for a given level of investment.

90. ***External finance for growth in the urban sanitation sector has so far been limited to Kinshasa.*** The World Bank is currently implementing a pilot programme that involves the local Government in the management of solid waste removal. In addition to this project, a recent study has analyzed the sanitation situation in Kinshasa. Principle recommendations include transforming the mandate of PNA to become an organization body and the creation of a national urban sanitation fund. The study also details plans for latrine standardization and elaborates plans for solid waste collection and sewage collection and treatment.

91. ***Significant institutional reform will be required.*** In developing a coherent and efficient water and sanitation sector, recent studies have confirmed the need for significant institutional reform of REGIDESO, SNHR and PNA. The old, but still valid, *Plan Directeur*, written in 1990, recommends substantial reforms, including the participation of the private sector and the restructuring of key agencies. These reforms have already started in REGIDESO (with COPIREP).

92. ***An SNHR study suggests that the agency should no longer have an implementation role in the sector.*** A recent study proposes reforms that would make SNHR a coordination and supervision body for private sector and NGOs, which would be the main providers of water services. Although there are few private sector water companies at present, it is hoped that within ten years, the private sector will have developed sufficiently to become a major provider, particularly in urban areas.

93. ***There has already been a significant change to the rules governing urban water, including freeing urban water supply for private and community management.*** These changes have allowed peri-urban projects in three cities to be developed that are completely community- managed, efficiently run and self-financing. It is anticipated that efficiency in the urban water sector will be greatly enhanced by similar public-private initiatives. To ensure equitable access to water services, particularly for the poor, it will be necessary to reduce financial barriers by implementing life-line tariff systems.

Priority Activities

94. ***Donor assistance will focus on helping the Government implement four key strategies.*** If implemented, these strategies offer an opportunity to significantly advance towards the achievement of the water and sanitation MDG and the health related MDGs in DRC. Specifically, the following activities would enable DRC to increase the proportion of the population with access to clean water and to adequate sanitation:

- ***Improve strategic and operational management in water and sanitation:*** (i) develop a roadmap of reform for the sector, including agency reorganization; (ii) establish a regulatory body to control water tariffs, quality and service standards for community managed and state managed water systems; (iii) develop a Water and Sanitation Code for the DRC using the proposed codes as a base; (iv) develop national standards for water quality, paying special attention to heavy metal contamination and mapping/database creation; (v) strengthen the capacity of Government ministries in charge of water regulation, management contracts and tariff policy; (vi) strengthen the capacity of REGIDESO in technical, commercial and financial operations; and (vii) evaluate pilot private sector schemes to deliver potable water services and make appropriate policy recommendations.
- ***Expand access to water and sanitation in rural areas:*** (i) launch the national rural water and sanitation programme; (ii) support the national coordination of a rural water and sanitation programme through the appropriate directorates of the Ministry of Health and provincial bureaus; (iii) establish a specific national budget for a national rural water and sanitation programme; (iv) formalize technical referral links between the rural water and sanitation programme and the SNHR; (v) implement a national training programme of Health Zone-based water and sanitation supervisors in all targeted health zones; and (vi) provide training and support to SNHR and the private sector in technical support of the rural water and sanitation programme.

- *Expand the coverage of urban water service:* (i) develop a national standard for the organizational structure of community-run water systems and a standard tariff system that targets access for all (life-line tariffs); (ii) implement community-managed water system pilots in South Kivu and the peri-urban areas of Kinshasa, Mbuji Mayi and Kindu; (iii) implement community-run water systems in 20 urban centers; (iv) continue the existing programme of rehabilitation of REGIDESO-managed water systems in Kinshasa and Lubumbashi; (v) launch a rehabilitation programme for REGIDESO-managed water systems in 11 cities; and (vi) provide REGIDESO with management and technical training.
- *Expand the coverage of urban sanitation services:* (i) implement social marketing programmes in Kinshasa and other cities promoting family latrine construction; (ii) establish a solid waste disposal facility in Kinshasa and three additional urban centers which integrate recycling for revenue generation for the urban poor; (iii) implement key recommendations and the action plan of the Kinshasa sanitation study; and (iv) establish a waste-water treatment plant in Kinshasa.

III. A KEY TRANSVERSAL PRIORITY – SOCIAL PROTECTION

95. ***Social protection: a means to improve access to services and reduce vulnerability.*** The title of the PRSP pillar on the social sectors specifically refers to two objectives: increasing access to services and reducing vulnerability in the population. In effect, these are both key social protection measures that cut across strategies in health, education and water and sanitation.

96. ***Social protection defined:*** “Social protection refers to actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society”. According to the National Strategy for the Social Protection of Vulnerable Groups, such actions seek to support individuals, households and communities in their efforts to manage their risks in order to reduce their vulnerability, regulate their consumption, and achieve greater social equity.

97. ***Achieving the MDGs in DRC will be dependent on having effective social protection mechanisms in place.*** The DRC will not be able achieve the objectives of the Poverty Reduction Strategy if a large segment of the population is unable to access basic services and is excluded from the benefits of growth. The Poverty Reduction Strategy will be judged a failure if large numbers of people remain exposed to levels of vulnerability, risk and deprivation that are socially unacceptable to the Congolese people.

98. ***Social protection is referred to, implicitly and explicitly, throughout the PRSP.*** See Box 1

Box 1 Social Protection in the PRSP

- Under Pillar Three of the PRSP, social protection is explicitly recognized as a 'social sector', along with education and health. According to the Paper, the objectives of this policy are to: (i) improve the social status of vulnerable people; (ii) facilitate universal access to basic social services; (iii) implement wealth creation programmes adapted to the situation of target groups; (iv) promote community development. Target groups include vulnerable women and children, disabled people, older people, displaced people and refugees. The approach adopted in this section of the PRSP draws on the National Strategy for the Protection of Vulnerable Groups, which was developed for the Ministry of Social Affairs with the support of the World Bank.
- Some of the activities planned under Pillar 4 (HIV/AIDS) fall into mainstream social protection concerns. These include: strengthening care for orphans and vulnerable children; support to host families of orphans and vulnerable children; the fight against stigmatization and discrimination; integrating the fight against HIV/AIDS in the school and workplace; and improving the legal framework for the protection of people living with HIV/AIDS.
- Social protection is a transversal theme in other parts of the PRSP. The need for social safety nets is identified to ensure universal access to basic services, particularly for health services.
- The PRSP proposes the creation of a Congolese Observatory of Poverty and Inequality - an independent body linked to the Ministry of Planning. It will be responsible for monitoring poverty, assessing the impact of policies on poverty reduction, and undertaking advocacy.

99. ***Vulnerable people face many barriers to accessing basic social services.*** In addition to the financial barriers that poor people face in accessing services, vulnerable groups face a variety of additional economic and non-economic barriers to accessing services including disability and discrimination.

100. ***In low income countries with high levels of deprivation, such as DRC, social protection measures should have two primary functions:***

- Firstly, they should ensure that sector programming focuses on the most marginalized groups in society, and prioritizes interventions to address the greatest barriers to access. Special measures need to be taken to ensure the voices of those who may be ‘less visible’ are included in planning processes and that groups receive additional, targeted support, beyond the services received by the general population. Social inequities need to be addressed along with material inequities.
- Secondly, social protection measures are required to reduce catastrophic risk. In DRC, where 71 percent of the population lives below the poverty line, the majority of households are at daily risk of becoming completely destitute. To mitigate these risks, social protection measures are needed to reduce household exposure to catastrophic expenditures, for example the costs of expensive medical care. Given the high numbers of people concerned, and the high costs associated with targeting, there is a strong argument that a number of social protection measures should be provided universally. In other areas, for example providing cash transfers, targeting will be necessary.

101. ***Donor assistance will focus on helping the Government implement two key strategies.*** If implemented, these strategies offer an opportunity to significantly reduce risk among the country’s most vulnerable populations as well as move towards a minimum safety-net for the general poor. In implementing these social protection measures it will be extremely important that these activities are harmonized with relevant sector strategies and humanitarian aid activities.

- *Reduce risk among the most vulnerable populations:* (i) transform ad hoc interventions to support vulnerable groups, including children affected by HIV/AIDS, into national strategies, actions plans and policies, such as the National Strategy for the Protection of Vulnerable Groups; (ii) identify and provide support to associations of vulnerable groups; (iii) pass and enforce appropriate legislation to promote and protect the rights of vulnerable groups; (iv) strengthen specialized child protection services in the social welfare, police and justice sectors; (v) address discrimination against disabled children and children from ethnic minorities; and (vi) harmonize the activities of the different Ministries and services intervening in social protection/social services sectors and revive a reformed Inter-ministerial Committee for the protection of vulnerable groups.
- *Provide a minimum safety-net for highly vulnerable populations:* (i) increase access to selected packages of free basic social services, in particular free primary education and free pharmaceuticals for killer diseases; (ii) conduct a feasibility study to make appropriate policy recommendations on providing cash-transfers to poor households in order to stimulate demand for basic services, increase household income, increase household investment and reduce the risk of deprivation; and (iii) establish a social protection unit within an appropriate ministry to ensure that vulnerable groups benefit from the PRSP disproportionately.

ANNEX IV: COMBATING HIV/AIDS

I. OVERVIEW

A. Background

1. ***The HIV/AIDS prevalence rate in DRC is estimated at 4.5 percent of the population but will almost certainly rise, particularly as transport routes open.*** To date, more than 1,179,700 people are estimated to have died from AIDS-related diseases and another 2,600,000 living with the disease. Since the onset of the pandemic, at least 1,000,000 children have been orphaned as a result of HIV/AIDS.

2. ***The spread of the disease is continuing relatively unabated.*** Despite efforts to limit the spread of HIV/AIDS the disease continues to spread and affect more people. During 2003 alone, a further 155,480 people were infected with HIV and over 100,000 succumbed to AIDS-related complications. The situation in 2004-2005 is likely to have been worse. Of those who are living with HIV/AIDS, 780,000 are now estimated to be at an advanced stage of the disease, seriously disabled and requiring a type of care and support very few of them are able to get.

3. ***HIV/AIDS has affected all parts and people in DRC but some areas more than others.*** The distribution of HIV/AIDS in DRC has been biased. Conflict affected areas have higher HIV/AIDS rates than others, young people are becoming more vulnerable than other age groups, and women are more at risk than men. In terms of employment groups, truck drivers and miners, whose work involves them being away from wives and regular partners for long periods of time, are an especially high risk category. The situation among uniformed service personnel is thought to be very serious, although real-time data is not currently available.

4. ***Women are a high risk group particularly because of widespread sexual violence.*** Rape and sexual abuse have become a major problem throughout DRC and are contributing significantly to the spread of HIV/AIDS. Among women who are known to have been victims of rape, the prevalence of HIV/AIDS is conservatively placed at around 20 percent but comprehensive data is unavailable and the situation may be worse than these figures suggest.

5. ***Young people are becoming increasingly vulnerable.*** The age at which people are being exposed to and infected with HIV is decreasing significantly, particularly among women. In the 20-29 year old age group, the prevalence of HIV/AIDS is now 14 percent among women – almost double the figure among men in the same age group. In the 14-19 year old age group, the prevalence of HIV/AIDS is 3.6 percent, over 2 percent higher than what the World Health Organization typically anticipates for people in this age group in high HIV/AIDS prevalence settings. Young people are more likely to have extra partners than miners (55 percent), truck drivers (37 percent), and military personnel (27 percent) all of whom are usually considered to live high-risk lives. Prevention is generally poor in this age group. In a recent survey, only 17 percent of young girls reported having used a condom during their last sexual encounter, and although boys appeared to be more likely to do so (24 percent), the overall figure was still very low.

B. Strategic Objective

6. ***The primary strategic objective is to limit the spread of the HIV virus among high risk groups, particularly young people and women.*** Whereas peace and stability present the DRC with tremendous opportunities for economic development, there is a considerable danger that a rapid growth in economic activity and transport networks will facilitate the spread of HIV. This would act as a brake on the long-term development of the country. It is therefore of paramount importance that as the country becomes reconnected that some of the first services to reach neglected communities relate to effective HIV prevention. Furthermore, it will be important that HIV prevention be targeted at the most vulnerable groups in society which epidemiological data shows to be women and young people.

C. Overall Approach: Improve the performance of HIV/AIDS services by expanding prevention programmes through improved health systems and strengthening the coordination of partners

7. *The proposed overall approach will concentrate on expanding prevention programmes through improved health systems and strengthening coordination amongst stakeholders in order to increase efficiency.* The focus will be on increasing access to the full scope of health-related HIV/AIDS services by ensuring that these services, particularly prevention programmes, are provided through a restructured and improved health system. Given limited Government and donor resources, it will be vital to prioritize and sequence activities. This will require concentrating resources on proven cost-effective interventions and delaying activities which have a lower impact on preventing the spread of the virus or treating HIV/AIDS efficiently. The approach aims to strengthen existing human and institutional resources, while also developing new and innovative approaches to reaching people vulnerable to HIV/AIDS. Reinforcing awareness about HIV/AIDS will lead people to not only reduce high-risk behavior but also it will encourage them to contribute to the care of others already affected by HIV/AIDS.

Growth Potential and Key Constraints

8. *A lack of investment in the health sector has led to a massive deficit in the coverage and quality of HIV/AIDS services.* In recent years, public financing of the health sector has dropped significantly which has adversely affected both preventive and curative services. There are relatively few VCT centers in DRC and this is a major reason why more people are not coming forward to be routinely tested for HIV and being referred for treatment. In addition, access to safe blood is virtually non-existent in most parts of the country. This represents a considerable problem given the high blood transfusion rates due to conflict and the inappropriate use of blood transfusion in deliveries and malaria treatment. Unsafe blood transfusion therefore continues to be one of the principal sources of HIV/AIDS transmission in the country. Furthermore, adults and young people do not have access to information about HIV/AIDS and gender based violence through the health care system. Given the constraints in DRC, prevention of transmission is a priority and involves strengthening prevention and treatment of STIs and the Prevention of Mother to Child Transmission (PMTCT) of HIV.

9. *Knowledge about HIV/AIDS remains poor, particularly amongst young people.* Less than three percent of men and women in the 15-24 year old age group currently have correct information on HIV/AIDS and how to avoid it. Most people in this high-risk group remain excluded from effective health education information, so it must be a top priority to tackle this problem quickly and systematically. There are many reasons for this situation. Insufficient investment has been made in providing HIV/AIDS education/information for young people. In addition, the messages which have been disseminated have clearly been ineffective in changing the behavior of young people. In the future, a much higher priority will have to be given to reaching young people in ways that recognize the special needs of young people, their life situations and what they need to know.

10. *A lack of investment in the education sector has meant that the number of children in school is very low, and even where there are schools, these are not providing information and education on HIV/AIDS.* Although the school system is potentially one of the best vehicles for providing children with the information they need in order to avoid HIV/AIDS, the lack of investment in the education system and the lack of a policy on HIV/AIDS education, has meant that this potential is not being realized. Furthermore the education system's ability to reach children with effective HIV messages is heavily constrained by the fact that in many rural areas the majority of children do not go to school.

11. *Large numbers of young people away from their homes represent a significant high-risk group for contracting HIV.* High mortality among older cohorts and selective migration has produced a very young population of single people or people in non-formal relationships in both urban and rural settings. People under the age of 30, at the peak of their sexual lives, now constitute a large proportion of the population.

This, together with a lack of access to education and information about HIV/AIDS now presents a serious situation in DRC for HIV/AIDS, as well as other sexually transmitted infections. The youthfulness of the population has come to constitute a major challenge for DRC and calls for priority to be given to special HIV/AIDS prevention programmes tailored for youth of different ages and backgrounds.

12. *There are indications that the vulnerability of uniformed service personnel to HIV/AIDS is high and that the risk of their spreading HIV/AIDS to the communities they are deployed in is also high.* In the last two decades, conflict and political instability have resulted in a large increase in the number of men and women in uniform in DRC. Uniformed service personnel, stationed away from their families, often engage in sexually risky behavior and have been directly implicated in much of the sexual violence that has characterized the DRC in recent years and which has been associated with the spread of HIV/AIDS. The vulnerability of military and police personnel to HIV/AIDS has therefore become a major factor in the spread of HIV in the communities where they are deployed. To date, there is little evidence that these problems have been taken up systematically by either the military or the police. However, the military, police and peacekeepers could constitute an untapped resource with respect to the prevention of HIV/AIDS and sexual violence. If properly trained and adequately motivated, they could also play an important role in reaching out to young people and other vulnerable groups.

13. *A number of factors relating to DRC's recent turbulent history create special challenges in tackling HIV/AIDS in the country.* For example, conflict and poverty have contributed to widespread disruption of family and economic life which has contributed to the spread of HIV. Highly dysfunctional life situations have been created for millions of people as a result of conflict, forced displacement and migration within the country. Young people have moved away from families and social networks have broken down that might otherwise have been able to generate responsible social and sexual behavior. The fragility of family and community life has also meant that the capacity of relatives to care for orphans and widows has been far more limited than it would otherwise have been.

14. *DRC is a large country, with a culturally and linguistically diverse population that is difficult to reach with effective HIV/AIDS services.* The size and complexity of the country presents serious logistical challenges in terms of providing HIV/AIDS prevention information and education to people in different parts of the country, and some areas have not yet been reached with consistent programmes. Reaching all parts of the country will constitute a major challenge in the fight against HIV/AIDS but this must be given a high priority as the HIV virus threatens to spread as new transport corridors are opened up.

15. *The lack of a clear national policy on access to anti retroviral therapy makes it difficult for hundreds of thousands of people to benefit from current therapies.* To date, DRC has not developed a national policy on access to ART and it is estimated that fewer than 5 percent of all those people who could benefit from ART have access to it. Of the 195,000 people who currently require ART, only 9000 are receiving the treatment. This low access to ART is a major constraint in attempts to reduce mother to child transmission of HIV. In 2005, there were only 219 locations where this treatment was available and of the estimated 130,000 pregnant HIV positive women, only 1,700 had access to the treatment prior to delivery, and only 1,258 babies received prophylaxis. The ultimate goal for DRC must be to make ART available to all people with HIV/AIDS, including pregnant women, if the cycle of infection is to be broken and premature deaths are to be averted. Given the current constraints in DRC one of the priorities of the CAF will be to take significant steps towards this goal by reducing mother to child transmission of HIV during late pregnancy and birth.

16. *Attitudes to people with HIV/AIDS and women who have been raped are in general negative.* Despite the large numbers of people who have been infected and are living with HIV/AIDS, stigma and discrimination persist. As a result people who have been affected by HIV/AIDS and sexual abuse are reluctant to participate in social and economic life. High priority will need to be given to getting families and other people to not only accept, but also care for people with HIV/AIDS and women who have been sexually

abused. Unless this is done, the number of people who are excluded and abandoned will grow and their health and well being will deteriorate further, ultimately affecting the well being of society at large.

17. *At present, there is weak coordination of HIV/AIDS partners and poor strategic management of the sector.* In terms of coordination, despite their being an agreement amongst partners concerning the need to implement a “three ones approach” there have been few tangible improvements in coordination, strategic planning and monitoring and evaluation. Major HIV/AIDS programmes are neither harmonized nor coordinated and there are poor linkages between the activities of the Multi-Country AIDS Programme and those of the Global Fund. Donors are starting to do joint reviews, but efforts are ad-hoc and there are still not enough coordinated initiatives. Although civil society is engaged in the sector, there are too many organizations involved in HIV/AIDS and there is not enough coordination of their activities. Although a National Strategy was developed in 1999, it is now obsolete and there is no action plan to ensure its implementation.

18. *In improving the effectiveness of HIV prevention, it will be essential that everyone, but especially those who are at highest risk of contracting HIV/AIDS, have access to quality information about how to prevent the disease and what can be done if and when people are infected with it.* In the current context, with transport routes about to open throughout the country, prevention of HIV/AIDS, particularly among high risk groups, is the top priority. More intensive outreach is needed among these groups, in particular, young people between the ages of 10 and 14. Other high-risk groups include sex workers, the military, peacekeepers and police, truck drivers, street children, prisoners, refugees, returnees and pregnant women. Information and education that is evidence-based and specifically tailored to the needs of high-risk groups is required as well as the creative use of existing infrastructure and human resources, some of which have not been traditionally involved in HIV/AIDS prevention. This is particularly the case for youth. In general, young people in DRC remain very poorly informed about HIV/AIDS and ways of preventing it. Schools have been insufficiently motivated to engage in the subject of HIV/AIDS and currently have a limited ability to reach all children due to low school enrolment rates. Young people need to be involved in areas such as peer education and counseling, mobilizing community care and support for people affected by HIV/AIDS and sexual violence. Several peer-based programmes and small NGO initiatives have been launched in recent years aimed at this age-group and should be scaled-up.

19. *With prevention the highest priority, a multi-pronged prevention strategy will need to be launched.* This strategy will need to include social mobilization activities aimed at changing behavior among high-risk groups. Increasing access to VCT services, which can also help to change behavior, as well as generate serological information, will be a key component. Distribution of condoms and ensuring safe blood transfusions are equally important.

20. *Extending the coverage of therapeutic HIV/AIDS services is a high priority for the HIV/AIDS strategy but will need to be managed carefully, taking into account financial and capacity constraints.* The aim will be to improve access to cost effective HIV/AIDS therapy and care services that are provided free or within the real capacity of people to pay for them. The CAF will support the Government in achieving this objective and will ensure that public and private providers expand their supply of services to meet rising demand. Expanding access to treatment raises important issues of equity, sustainability, and health system capacity. In an environment of limited resources, it will be important that treatment programmes are sustainable and take into account the country’s budgetary constraints.

21. *Improving support to People Living with HIV/AIDS will improve the welfare of these people and assist in efforts to prevent the further spread of the virus.* As part of this process HIV/AIDS activities will improve the social and economic integration of women, children and men who have been affected by HIV/AIDS and/or by rape and sexual violence. This will require increasing community awareness about the causes of HIV/AIDS and sexual violence as well as also the impact that social exclusion has on the health and welfare of the people concerned and on that of the community as a whole.

22. ***To improve efficiency and therefore maximize the impact of HIV/AIDS activities, coordination between partners must be improved.*** Improving the performance of HIV/AIDS services will require defining and implementing a common strategic vision with improved coordination and funding mechanisms. The rational development, effectiveness and sustainability of HIV/AIDS-related activities will depend on the capacity of national institutions and their partners. To strengthen existing capacity resources will need to be channeled into these institutions so that they can fulfill their roles effectively. To increase efficiency it will be important that coordination of Government and donor HIV/AIDS activities is improved. This will mean adhering to the internationally agreed “three ones” structure for HIV/AIDS management: one national aids strategy, one national coordinating body and one monitoring and evaluation framework.

Priority Activities

23. ***Donor assistance will focus on helping the Government implement four key strategies.*** If implemented, these strategies would go far to create a culture of HIV/AIDS prevention, while at the same time improving the lives of those who have already been affected by the disease:

- *Accelerate and scale up HIV/AIDS prevention, focusing particularly on women and young people:* (i) make prevention the highest priority in the national response to HIV/AIDS, using all forms of the media including television, radio, papers, etc.; (ii) improve services at health facilities for the diagnosis and timely treatment of all sexually transmitted diseases and prevention of mother-to-child transmission; (iii) make condoms universally accessible by increasing supplies and reducing and possibly eliminating charges for these commodities, particularly for high-risk groups; (iv) provide accessible counseling and testing services for HIV/AIDS, concentrating on underserved areas; (v) develop a national policy and programme for comprehensive safe blood transfusion; and (vi) reach children over ten years with properly designed sensitization materials on HIV/AIDS, reproductive health and gender issues and train teachers to use life-skills approaches.
- *Move progressively towards providing universal access to free HIV/AIDS treatment and care, including access to life-saving ART:* (i) improve access to ART by increasing the coverage of treatment services and by reducing the barriers, particularly financial, which inhibit the uptake of treatment; (ii) develop a sustainable financing strategy to reduce the costs of ART treatment with a view to moving towards the universal provision of free ART; and (iii) develop a strategy to ensure the uninterrupted supply of ART to all those under treatment by strengthening and streamlining procurement and distribution logistics.
- *Mitigate the negative impact of HIV/AIDS on PLWHAs and their families:* (i) make mitigation and protection of PLWHAs, victims of rape and their families a central part of the national response to HIV/AIDS; (ii) produce an evidence-based multi-sector action plan to minimize stigmatization and discrimination, including support to orphans and children; and (iii) develop partnerships with the private sector, including large parastatal companies in mining and transport, focused on prevention, protection and job opportunities.
- *Define and implement a common strategic vision with improved coordination and funding mechanisms:* (i) ensure that the strategic management of HIV/AIDS activities complies with the “three ones” principle of one coordination body, one strategic plan and one monitoring and evaluation framework; (ii) ensure that all policies and actions are coordinated with other sectors and mainstreamed into other on-going health activities; (iii) create a national mechanism for coordinating all HIV/AIDS planning, research, and monitoring and evaluation; and (iv) promote greater national financing of HIV/AIDS actions and establish new mechanisms for mobilizing HIV/AIDS resources.

ANNEX V: REINFORCING COMMUNITY DYNAMICS AND STABILISING HIGHLY VOLATILE COMMUNITIES

I. OVERVIEW

A. Background

1. ***Any serious effort to reduce poverty and vulnerability in the DRC must focus on rebuilding communities, particularly in rural areas.*** Home to more than seven-tenths of DRC's total population, rural communities have come under enormous pressure during the past decade as a result of conflict, mass displacement and the almost total collapse of state services. Many of the country's most vulnerable populations live in highly volatile rural communities, including at least 1.1 million destitute Internally Displaced Persons (IDP) and their host families. Pastoralists who have lost access to their land are another group in extreme distress suffering from a much higher incidence of malnutrition than farmers or fishermen.

2. ***Urban centers also contain pockets of extreme deprivation.*** Rural to urban immigration rates are estimated to have increased at least three-fold during the years of conflict. Families and individuals have fled violence in the countryside and sought safety and better opportunities in urban centers. Lacking state services and with only limited administrative capacity, urban communities have struggled to absorb new arrivals. Conditions are difficult, particularly in the overcrowded slums around city centers – many people are without jobs and the housing stock has deteriorated sharply. Basic services including health, education, water, sanitation and transport, are insufficient and prohibitively expensive for the majority of families. Social tensions have increased and sporadic outbreaks of urban violence are becoming more common.

3. ***People have relied on short-term survival strategies and solidarity networks to mitigate the worst impact of the conflict.*** People living in neglected communities, whether in rural or urban areas, have responded to the constant disruptions, displacements and collapse of state-services by drawing on whatever resources they have to secure their own livelihoods and well-being, adopting short-term survival mechanisms and relying on existing social structures. In rural areas, people have depended on subsistence agriculture, in many cases, returning to forms of production long out-of-use. In urban areas, people have taken up street peddling or other forms of petty-trade. Throughout the country, people have reduced their savings, sold their assets, substituted wild foods for nutritious alternatives, relied on traditional medicines, cut-back or eliminated expenditures on vital social services and sometimes developed illegal and exploitative links with regional actors and militia. Based on existing kinship and clientalist obligations within communities which distribute and share resources, these strategies have helped people cope with continuing instability and sharp declines in their living conditions. New solidarity networks have also emerged, many of which provide rudimentary safety-nets for their members. Collaboration between local interest groups and communities has contributed in many areas to the broader public good. Communities may be under stress, but people have responded to their problems in dynamic ways.

4. ***Harnessing community dynamism will be critical for stabilizing many volatile communities, particularly those where Internally Displaced Peoples and refugees will be returning.*** Although large areas of eastern and southern DRC are now secure, renewed conflict is possible in many locations. New types of military and civilian strongmen, local elites, army commanders and militias have almost unlimited access to small arms and other weapons, which continue to be smuggled into DRC from neighboring countries despite an arms embargo. Unpaid soldiers are major perpetrators of human rights abuses and delays in the reintegration of former combatants threaten to destabilize communities. Disputes over property rights also threaten to ignite localized tensions, particularly in communities where homes and land have been confiscated or occupied during the conflict. The granting of land concessions by different authorities has complicated restitution since ownership cannot easily be determined. The shift during the conflict to mineral extraction has further reduced the amount of land available for agricultural and livestock production in many of the areas where IDPs, refugees and ex-combatants are returning. Urban unrest is also a threat, particularly in the capital

where large groups can be easily mobilized. A key challenge now is to move away from mechanisms that risk the viability and prosperity of communities towards community-based strategies that build on and strengthen the resources of communities themselves, re-linking them into sustainable national processes.

B. Strategic Objective

5. *The primary strategic objective is to stabilize highly volatile communities by harnessing local dynamism.* In rural and urban areas where the potential for renewed conflict is high, community-based programmes which reinforce existing solidarity networks will be supported as the quickest way to improve conditions and promote reconciliation. Initiatives aimed at creating jobs, supporting local government, reducing violence, re-constructing market and feeder roads and reducing communal tensions will be implemented through partnerships with local and non-governmental organizations. To reduce administrative costs, partners already providing emergency and humanitarian assistance will be used.

C. Overall Approach: Stabilize highly volatile communities, contribute to human security and increase the effectiveness of poverty-reduction programmes by involving and building the capacity of community groups

6. *Although early attention needs to be given to stabilizing high-risk areas through community-based programmes, local participation is also important for improving human security and ensuring equitable poverty reduction in the medium-term.* Stabilizing volatile communities will be one of the highest priorities in the post-election period. Outbreaks of localized conflict could easily ignite widespread violence and jeopardize efforts by the new Government to build an inclusive political, social and economic culture. In the absence of state services and effective public administration, communities themselves will need to play a leading role in their own stabilization and recovery, particularly in the early stages, when large-scale national development programmes are not yet in place. In the medium-term, as conditions improve and state authority is extended, communities will continue to play a decisive role in poverty-reduction programmes, participating in their planning, monitoring and implementation. Their involvement will promote decentralized decision-making in the delivery of public goods and can be used to develop national policies and legal and institutional frameworks for local governance. Community involvement will be crucial for ensuring that poverty-reduction programmes take into account differences at the local level related to age, ethnicity, civil status and above all, gender.

7. *Community organizations have long been providing local services in the absence of state-run public services and are able to contribute effectively to stabilization and poverty-reduction in the years ahead.* Whether implementing their own initiatives or contributing to national programmes, community-based organizations are vehicles for ensuring local participation in development programmes. Studies have shown that community organizations are particularly effective in areas with high levels of instability and vulnerability. In addition to identifying and addressing needs, these organizations, which empower local populations, can have a positive spillover effect on national political life by fostering trust and promoting practices of good governance at the community level. Involving communities:

- **Generates economies of scale:** Community organizations constitute a grassroots "receiving system" that allow national partners to reduce the transaction costs of services and broaden the impact of specific interventions, for example, public-private partnerships for the provision of basic services.
- **Compensates for insufficient public service provision:** It will be some time before public structures are rebuilt to a degree that the state will be able to deliver or monitor services at local levels. A participatory approach that helps communities provide services can help to prevent deterioration in social indicators and living conditions.
- **Reduces costs and increases efficiency:** Communities have the best knowledge of existing social, political and economic constraints that can derail policies or project implementation. Their assistance in designing successful projects that work around these constraints can lead to significant cost savings.

- **Builds social capital:** During the conflict, trust and social cohesion broke down. Stabilization programmes that require community members to interact with each other and local institutions to agree on design or implementation can become the vehicle through which previously divided groups rebuild their relationships. Project meetings can become the forum where opposing views are peacefully expressed and reconciled.
- **Empowers the poor and vulnerable, particularly women:** Community organizations can be effective in helping the poor increase their access to resources and share more fully in the benefits resulting from their efforts. Community programmes often result in higher levels of production and income and tend to accelerate rural capital formation.
- **Strengthens good governance and democratic practices:** The limited size and informality of community organizations tend to encourage democratic practices and develop collective decision-making and leadership skills. As individuals exercise these skills and begin to expect transparency and accountability from their community leaders, the demand for better governance beyond their localities is often generated.
- **Promotes sustainability:** Participatory approaches encourage self-reliance by empowering people to use their own initiative. Communities learn how to use resources effectively and to organize themselves to achieve results, resulting in more sustainable programmes.

Growth Potential and Key Constraints

8. ***Highly volatile rural areas in Province Orientale, North and South Kivu, Katanga, Equateur and Bas Congo as well as two pivotal urban areas—Kinshasa and Mbuji Mayi—may erupt into open conflict unless steps are taken to reduce tensions.*** Living conditions are difficult in all of these areas, many of which are isolated and marginalized and have particularly high concentrations of vulnerable populations. North Kivu, for example has the largest concentration of IDPs in the country, including 500,000 long-term displaced. Almost half a million IDPs have returned this past year to their villages in Ituri, North Kivu, South Kivu and Katanga, putting intensive pressure on existing infrastructure, and more are expected in coming months. In addition, over 22,000 refugees have been formally assisted to return to their homes in Equateur, South Kivu, Katanga and Province Orientale. An additional 73,000 refugees are estimated to have spontaneously returned without formal assistance, creating greater demand for land, homes, employment and other services.

9. ***Violence is rampant in parts of the DRC and needs to be brought under control.*** Violence linked to ethnic and social divisions continues and may worsen in areas where local groups are politically mobilized. Criminality is on the rise due to corruption, the ready availability of weapons, permissive attitudes towards violence and the presence of impoverished soldiers and unemployed ex-combatants. The lack of a unified command structure in the army, coupled with nonpayment of salaries, insufficient training and logistics, gives rise to frequent breakdowns in discipline and violations of human rights. In some regions, attempts to reintegrate ex-combatants into communities have met with only partial success due to delays in the disbursement of funds. Community insecurity is also fueled by the combination of a weak judiciary and police force and a defunct penal system.

10. ***Many communities are food insecure.*** A recent Joint Food Security Assessment has identified North and South Kivu, Equateur, Ituri District, Maniema, and Katanga as the most food insecure areas in the DRC. Acute malnutrition is becoming more common, with threats of famine in South Kivu and Katanga reported by humanitarian partners.

11. ***Jobs and income-generating opportunities are scarce.*** The collapse of the economy, and particularly the agricultural sector, has pushed millions of Congolese into destitution. Manufacturing enterprises have closed down and widespread rape, murder and looting have made farmers afraid to go their fields. Transport on the Congo River is intermittent, making access to all but the most proximate markets impossible. Civil servants have stopped receiving their salaries and local unemployment has grown due to the collapse of government services. Two of the most active economic sectors are associated with natural resource extraction and the

growing illegal economy focused on arms dealing, money laundering and diamond smuggling. Many unemployed youths have joined the military and militia groups who subsist through looting and forcibly extracting taxes on any goods being brought to market.

12. District and local authorities have limited institutional competence to implement recovery and development programmes. Competencies in basic administrative functions, including planning, budgeting, management, regulation and evaluation need urgent strengthening. These skills will be particularly important under new decentralization arrangements where 40 percent of national taxes collected in the provinces and all local taxes will be managed by regional and local authorities.

13. Social and economic infrastructures need rehabilitation. Local infrastructures including roads, bridges, public buildings, communication systems and water supply systems have been severely damaged. As a result, the country is physically divided – there is not a single road linking either the north to the south or the east to the west. Markets have been disrupted, communication is limited to cell phones (and may remain so), and the number of people with access to safe drinking water and basic social services remains unacceptably low.

14. Reconciliation is needed to build bridges between groups affected differently by the conflict. The breakdown of trust and the erosion of social capital are major factors impeding local development. Many communities remain divided and there is resentment between those who stayed and those who fled or went abroad. Tensions are also high between ethnic groups, particularly those who are associated with different militia or military groups. Abrupt changes in economic status, frequently linked to illegal activities, have created new centers of power. New elites, many of whom are beholden to interests outside their communities, have challenged and undermined the role of elders and other local leaders.

15. Short-term stabilization programmes, based on clear criteria and implemented through trusted partners, will be launched in highly volatile areas. To be effective, the stabilization programmes will need to focus on a limited number of key objectives that can be achieved quickly in the areas of livelihoods, local governance, community security, infrastructure and reconciliation. Trusted implementing partners will be chosen, with preference given to organizations that already have administrative structures in place and are therefore cost-efficient, including church groups and non-governmental organisations. To avoid spreading limited resources too thinly, conflict assessments and other analytical tools will need to be used to identify potential flashpoints where tensions could erupt. Specific criteria used to identify these flashpoints will include: high levels of armed violence; high levels of political mobilization or intimidation; high concentrations of returnees; concentrations of ex-combatants and/or FARDC without visible means of support; high levels of ethnic tensions; lack of government-supplied water and electricity; high levels of food insecurity; non-payment of civil servants; high concentrations of street children; and risk of land conflicts. Of these criteria, levels of violence and food insecurity will be determinate. Efforts will also be made to launch programmes in areas where on-going humanitarian assistance programmes have been necessary to ensure the survival of the poorest and most vulnerable populations.

16. Implementation of short-term stabilization programmes is likely to be difficult. Efforts to generate livelihoods, particularly in rural areas, will be constrained by the lack of basic agriculture implements, quality seeds, essential fishing materials and extension services as well as crop diseases and pest infestation. The destruction of processing plants, insufficient storage and conservation facilities, loss of cattle and poultry and the destruction of veterinary institutions will also impede progress. Improvements in local governance will be adversely affected by corruption, discriminatory practices, weakness in civil society, delays in payments to civil servants, lack of experience with democratic practices and lack of basic administrative materials. Efforts to improve community security will be affected by the proliferation of small arms, the illegal trade in natural resources, presence of criminal gangs, lack of access to legal assistance, poorly maintained prisons and de-motivated and poorly trained enforcement personnel. Infrastructure rehabilitation will be affected by the lack of skilled labor, reconstruction materials and investment capital.

17. ***Despite these difficulties, the effectiveness of short-term stabilization programmes can be maximized through participatory approaches.*** In order to mitigate the risk of operating in unstable environments, many stabilization programmes will start off as small-scale, flexible interventions. As the community's capacity to design, implement, monitor and even fund activities increases, programmes will be scaled-up. Every effort will be made to use community-based approaches that maximize employment opportunities for unskilled workers, including public works schemes for construction and rehabilitation activities. Approaches based on the principles of social inclusion, equity and human rights will also be used to reinforce democratic processes and contribute to sustainable peace-building.

18. ***The impact of short-term stabilization programmes will be strengthened by harmonizing them with other poverty reduction and humanitarian activities.*** Establishing linkages at the community level between short-term stabilization programmes and other interventions will be essential for creating synergies, avoiding duplication and filling gaps. Particular efforts will be made to build on the self-sufficiency programmes being implemented under the auspices of the DRC's Humanitarian Action Plan. Efforts will also be made to link stabilization programmes with other development projects, including those that provide community grants to finance small-scale projects aimed at improving local services.

19. ***In an effort to find the most effective approach for rebuilding communities, area-based recovery programmes will be piloted in selected communities.*** Area-based Recovery (ABR) refers to a type of programme that maximizes community participation by giving local groups control over decisions and resources related to post-conflict recovery. Community groups partner with elected local governments and central government agencies, the private sector and NGOs to secure resources, provide services and establish appropriate regulatory environments for promoting local recovery. Locations for ABR will be chosen on the basis of social indicators – areas with high levels of vulnerability and poor social indicators will be given priority. By focusing on neglected areas that are unlikely to benefit from national development initiatives in the short-term, ABR can help to improve conditions in some of the country's most impoverished areas. ABR requires certain conditions to be in place. In areas where basic security does not yet exist or where there are no local institutions, ABR will not be viable. Another restricting factor is the absence of leaders who can represent the interests of the local population. ABR is also not appropriate in areas where the provision of public services requires large and complex systems or where these services can be supplied more effectively by private enterprises. Like the short-term stabilization programmes, ABR will be implemented through trusted partners. At the end of the CAF period, the results of the ABR pilots will be reviewed. If found to be effective, efficient and equitable, the ABR approach may be scaled-up.

20. ***Linkages between local administrations and community organizations will be reinforced through pilot Local Development Funds (LDF).*** Strengthening relationships between community organizations and local administrations is necessary for rebuilding public life. Experiences in other countries suggest that Local Development Funds, if carefully managed, can contribute to improved collaboration between local administrations and community groups. In DRC, pilots of LDFs have a mixed record, in part because oversight mechanisms have been inadequate and the capacity of local governments is weak. During the CAF period, LDFs with stronger control procedures will be launched in a few carefully selected communities. Block grants will be allocated through local government structures to the LDFs, which will be managed by the community. LDFs will be used to support priority interventions chosen by the community. All projects implemented through LDFs will be subject to compliance with agreed measures including financial accountability and pro-poor orientation. Communities managing LDFs will either undertake their own procurement, with appropriate support from local administrations, or jointly procure with public institutions. At the end of the CAF period, the results of the LDF pilots will be reviewed. If found to be effective, efficient and equitable, LDFs may be introduced in other communities.

21. ***Community involvement can also help to make poverty reduction programmes more effective at the local level.*** Community participation can be incorporated into the design of virtually any poverty reduction programme. Effective participation involves giving beneficiaries the opportunity to help define and

implement activities and organize themselves around these according to their own needs and possibilities. To do this, executing authorities and agencies will need to establish mechanisms for involving communities in setting targets, fine-tuning implementation strategies, drafting work plans, and developing baselines and indicators.

Priority Activities

22. Donor assistance will focus on helping to rebuild highly volatile rural and urban areas through community-based programmes as well as on involving communities in poverty-reduction and recovery programmes. Activities in each location will vary but will generally aim to:

- *Improve delivery capacity of state institutions and community-based groups and pilot ABR in selected communities:* (i) strengthen the capacity of local authorities to manage, budget and regulate provision of basic social services; (ii) promote strategic partnerships between civil society and local authorities; (iii) establish appropriate legal frameworks for Local Development Funds including measures for ensuring financial accountability; (iv) set-up Local Development Funds in pilot communities; (v) strengthen the capacity of local organizations including NGOs, youth groups, faith-based organizations, women's associations, media, educational groups, and peace and human rights networks on priority-setting, project design, procurement, implementation and monitoring and evaluation; and (vi) strengthen the capacity of civil society in protection, early warning, advocacy, public information, social cohesion, facilitation and service delivery.
- *Increase job and livelihood opportunities:* (i) map existing livelihood opportunities and resources; (ii) establish revolving micro-credit and grant schemes for women, youth and other highly vulnerable groups; (iii) support cooperatives and producers associations; and (vi) provide vocational, technical and professional training to women and youth.
- *Rehabilitate public infrastructure:* (i) encourage the use of labor-based methods; (ii) rehabilitate secondary and feeder roads; (iii) rehabilitate welfare and recreational infrastructures (iv) rehabilitate market centers and traditional supply sources; and (v) provide training to local officials on oversight and procurement procedures.
- *Improve security conditions and promote reconciliation:* (i) develop mechanisms for dialogue, mediation and conflict resolution between civilian communities, police and military authorities; (ii) reduce small arms through community development initiatives; (iii) support the establishment of a national mine action management body (iv) establish women's networks and provide training to selected individuals on rape-victim counseling; (v) establish a network of safe-houses throughout the community for victims of family and sexual violence; (vi) establish local peace-building groups and reconciliation and mediation mechanisms including *Initiatives Locaux de Paix* and *Comités Locaux de Paix*; and (vii) strengthen the land registration authority and support local conflict arbitration mechanisms
- *Facilitate the effective participation of communities in poverty reduction programmes:* (i) clarify the status and rights of community organizations; and (ii) eliminate bureaucratic procedures that impede genuine community participation.

CAF RESULTS MATRIX GOOD GOVERNANCE

The strategic objective of this pillar is to remove the governance obstacles that inhibit the country from reaching the MDGs

| CAF Outcomes | CAF Outputs ⁴ | Short Term Activities July 2007-December 2008 (Programme d' Actions Prioritaires) ⁵ | Medium Term Activities 2009-2012 ⁶ (to be finalized after the November 2007 Consultative Group) | Selected Indicators |
|---|--|---|--|---|
| SECURITY SECTOR | | | | |
| POLICE | | | | |
| <p>1. The PNC is reformed and transformed into a professional and unified structure, supported by a coherent legal framework</p> | <ul style="list-style-type: none"> Reform priorities are identified by the <i>Comité de Suivi</i> and the police census is completed A payroll management system for the PNC is established Systems for effectively and transparently managing the PNC budget are established and operational The capacity of PNC officers to effectively interact with the justice system is strengthened The capacity of Parliament to oversee developments in the police sector is strengthened A system for community policing is introduced Advisory services for police decentralization are established Priorities agreed by the <i>Groupe de Réflexion</i> and <i>Comité de Suivi</i> including unified police curricula and pay structures and the adoption of an organic law are implemented PNC organizational and management systems are reformed The capacity of the PNC in strategic planning is strengthened The capacity PNC officers to discharge core functions is strengthened | <ul style="list-style-type: none"> The police census is completed by 2008 The police training programme, including modules on justice, is launched by 2008 An organic police law including provisions for local police is adopted by 2008 The <i>Comité de Suivi</i> and sub-groups fulfill designated tasks and operate on the basis of a defined workplan by 2007 A transparent system for managing the police budget is established by 2008 Police training schools are operating at 50 per cent of their capacity by 2008 Trained and equipped police are deployed to their units by 2008 Police units in large urban centers are operational by 2008 | <ul style="list-style-type: none"> The recommendations of the <i>Comité de Suivi</i> are implemented by 2009 A payroll system is established and implemented by 2009 Anti-crime units are established, particularly in sensitive areas, by 2010 Structural arrangements regarding the governance of the police sector as stipulated in the organic law are operational by 2009 Selection criteria and vetting mechanisms for police candidates are applied by 2010 A system for the procurement of material and equipment is established by 2009 Special Anti-Corruption Units are established by 2010 Six commissariats de groupement and 15 new principal and provincial inspectorates are established by 2010 | <ul style="list-style-type: none"> Percentage of PNC staff receiving adequate and regular salaries through a reformed payroll <i>60% by 2008/95% by 2010</i> Percentage of senior police officers trained <i>60% by 2008/95% by 2010</i> Percentage of junior police officers trained <i>50% by 2008/75% by 2010</i> Percentage of new police officers recruited in accordance with community policing law <i>10% by 2009/20% by 2010</i> Number of reports by the <i>Comité de Suivi</i> published and disseminated Number of reports by Parliamentary police oversight committee published and disseminated |

⁴ The scope of some outputs and activities in the five CAF matrixes is still to be agreed. Where this is the case, quantities are indicated as xxx.

⁵ Adjustments to the Programme d' Actions Prioritaires may occur.

⁶ During preparations for the Consultative Group, the Government and donors will be finalizing medium-term activities. Donors will also make final decisions regarding the amount of resources they intend to commit for each major outcome. This information will then be added to the CAF matrixes.

MILITARY

| | | | | |
|---|--|--|--|---|
| <p>2. The FARDC is reformed and transformed into a professional and unified structure, supported by a coherent legal framework</p> | <ul style="list-style-type: none"> • A white paper on defense reform is developed and key recommendations are implemented • The census of the FARDC is completed • A review of defense expenditures is undertaken and possibilities for increasing salary payments are explored • A payroll management system for the FARDC is established • Systems for effectively and transparently managing the FARDC budget are established and operational • The DDR process is finalized and ex-combatants are reintegrated into local communities • Mechanisms for ensuring that Integrated Brigades receive regular supplies and equipment are established • Community-based SALW programmes to reduce the number of arms at the local level are developed • The capacity of the officer corps to lead and ensure discipline among troops is strengthened • The capacity of Parliament to oversee developments in the defense sector is strengthened • The capacity of military magistrates and lawyers to discharge their functions in accordance with Congolese and international law is strengthened • The organization and management of the Ministry of Defense including the <i>Etat Major</i> and SMI is strengthened • Key laws regulating the FARDC including laws on the supreme defense council, military expenditures and military organization and function are adopted • Military courts are regulated in accordance with international standards | <ul style="list-style-type: none"> • Survey and audits of the sector are completed and recommendations in priority areas are implemented by 2007 • The <i>brassage</i> process is completed by 2008 • <i>Mixed</i> elements are “brassed” by 2007 • Professional training is launched by 2007 • The payment system is restructured by 2008 • The payroll system is developed and operational by 2008 • A transparent system for managing the budget allocated to the FARDC is established by 2008 • A <i>Comité de Suivi</i> for the reform of the FARDC is established by 2007 • Reintegration of ex-combatants is completed by the end of 2008 • Integrated Brigades are equipped by 2008 • All military units are placed under a single command by 2007 • The cantonment of the FARDC is started by 2007 • Unusable SALW are destroyed in 2007 and 2008 • A law on the use of SALW is adopted by 2008 • Military magistrates and lawyers are trained in Congolese and international by 2007 and 2008 | <ul style="list-style-type: none"> • The capacities of the Parliamentary Commission on Defense and Security are reinforced by 2009 • The reorganization of the Ministry of Defense is launched by 2009 • Military courts are restructured in accordance with international norms by 2009 • The recommendations of the white paper on defense reform are adopted by 2009 • Selection criteria and vetting mechanisms for military candidates are applied by 2010 • A system for the procurement of material and equipment is established by 2010 • Additional magistrates are assigned to military tribunals and placed under military command by 2009 | <ul style="list-style-type: none"> • Percentage of military regions with functioning military auditor offices <i>50% by 2008/80% by 2010</i> • Percentage of senior army officers trained <i>20% by 2007/50% by 2008/80% by 2010</i> • Percentage of junior officers trained <i>10% by 2007/30% by 2008/70% by 2010</i> • Percentage of Integrated Brigades trained in human rights <i>50% by 2007/85% by 2008</i> • Percentage of ex-combatants fully reintegrated <i>20% by 2007/60% by 2008/95% by 2010</i> • Number of reports by the Parliamentary military oversight committee published and disseminated |
|---|--|--|--|---|

| | | | | |
|---|---|--|--|--|
| <p>3. The intelligence services are reformed and transformed into professional structures, supported by a coherent legal framework</p> | <ul style="list-style-type: none"> • The roles of intelligence agencies, including their powers of arrest, questioning and detention, are re-defined • A strategy for the financing of the intelligence services is developed • Legislation governing the functioning of the intelligence services is adopted • The organization and management of the intelligence services is restructured allowing them to operate in conformity with international standards • The oversight powers of Parliament vis a vis the intelligence services are defined • The capacity of Parliament to oversee the intelligence services is strengthened | | | |
|---|---|--|--|--|

JUSTICE

| | | | | |
|---|--|---|---|---|
| <p>4. The justice system is reformed and reorganised in line with the new Constitution</p> | <ul style="list-style-type: none"> • Efforts to fight impunity and apply international human rights standards become key priorities • The judiciary institutions foreseen in the 2005 Constitution are established • A National Commission on Human Rights is established • Systems for effectively and transparently managing the justice sector budget are established and operational • A payroll management system for the justice sector is established • The capacity of judicial authorities to discharge their core functions is strengthened • Prison conditions are improved • Access to legal services and advice is increased • The organization and management of judicial institutions is restructured and strengthened • The capacity of judicial officials to investigate and prosecute trafficking in natural resources is strengthened • A template for case management procedure is established • A legal information system for collecting and distributing law-related materials is established • The CPRDC is strengthened and reporting lines to the Parliamentary committee on justice reform are clarified | <ul style="list-style-type: none"> • The <i>Council Superior de Magistrature</i>, including disciplinary procedures and a code of ethics, is established by 2007 • Procedures for the recruitment of magistrates are clarified and adopted by 2007 • The training programme for justice sector personnel, including magistrates of first instance, is developed and implemented by 2008 • A census of prisons and detention centers is launched and procedures for managing prisons are established by 2007 • A census of personnel in the justice sector is completed by 2007 • A National Human Rights Commission is established by 2008 • An institutional evaluation of the CPRDC is undertaken by 2007 • High courts, including the <i>Cour Constitutionnelle</i>, are operational from 2008 • The organic law on the justice sector and relevant texts are adopted by 2008 • Mobile courts are deployed in under-served areas by 2007 | <ul style="list-style-type: none"> • The reorganization of legal institutions in accordance with the Constitution (<i>Cour Constitutionnelle</i>, la <i>Cour de Cassation</i> and the <i>Conseil d'Etat</i>), is completed by 2010 • The capacities of CPRDC are reinforced by 2009 • A template for case management procedures is established by 2009 • A legal information system to collect and distribute law related data is established by 2009 • The budget allocated to the justice sector is managed in a transparent manner by 2009 • Selection criteria and vetting mechanisms for magistrate candidates are applied by 2010 • Free legal assistance for the poor is available by 2009 • The rehabilitation of prisons is underway by 2009 • Infrastructure belonging to the judicial sector is rehabilitated by 2010 • The capacities of the <i>Conseil Supérieur de la Magistrature</i> are reinforced by 2010 • The capacity of judicial officers to investigate trafficking of natural resources and border incidents is strengthened by 2010 • A training programme for <i>agents de contrôle des frontières</i> and magistrates is implemented by 2009 | <ul style="list-style-type: none"> • Percentage of judicial institutions foreseen in the Constitution functional <i>50% by 2008/100% by 2010</i> • Percentage of documented cases of serious violations of human rights closed by sentence <i>15% by 2008/20% by 2010</i> • Percentage of <i>Tribunaux de Paix</i> rehabilitated or established <i>40% by 2009/60% by 2010</i> • Percentage of first instance magistrates trained <i>50% by 2008/80% by 2010</i> • Percentage of prisons at territorial and provincial levels rehabilitated <i>20% by 2008/50% by 2010</i> • Percentage of people receiving legal assistance <i>20% by 2008/40% by 2010</i> |
|---|--|---|---|---|

TRANSPARENCY

| | | | | |
|--|---|--|---|--|
| <p>1. Access to information on all non-classified government documents, both electronically and at government information offices, is increased</p> | <ul style="list-style-type: none"> • Extensive information regarding public revenues and expenditures are published bi-annually and the quality of such reporting is gradually improved • Reports assessing budget execution, including revenue and expenditure data, are submitted to Parliament on a quarterly basis • All future mining and forestry contracts to which the Government or public enterprises are a party are published • A series of audits, including on the Central Bank, budget execution by the <i>Cour des Comptes</i>, use of HIPC savings, expenditures in key social sectors, financial management in large public enterprises, and mining and petroleum revenues are prepared and published • The list of all contracts and key procurement data financed under the national budget and by donors are regularly published on the internet • The bi-annual analysis of Government-published information by the <i>Cour des Comptes</i> is prepared and published | <ul style="list-style-type: none"> • Various publications are published and disseminated by 2008 including: <ul style="list-style-type: none"> ○ the audit of the Central Bank; ○ biannual reports of the budget by the <i>Cour des Comptes</i>; ○ quarterly reports to Parliament on budget execution | | <ul style="list-style-type: none"> • Percentage of public enterprises publishing their revenues <i>25% by 2008/75% by 2010</i> • Percentage of mining and forestry contracts published <i>50% by 2008/75% by 2010</i> • Percentage of members of the Parliamentary finance committee trained on transparency <i>20% by 2008</i> • Number of reports published by the <i>Cour des Comptes</i> and the <i>Inspection Générale des Finances</i> <i>Annual reports by 2008/semi-annual reports by 2010</i> • Number of reports published by Parliamentary finance committee |
| <p>2. Key oversight institutions and mechanisms are strengthened contributing to improved accountability and transparency</p> | <ul style="list-style-type: none"> • A three-year action plan to strengthen the capacity of key control institutions, with an initial focus on the <i>Cour des Comptes</i> and the <i>Inspection Générale des Finances</i>, and to strengthen the capacity of Parliament to oversee the executive is developed and adopted • A three year-action plan to strengthen the capacity of external watchdogs including Parliament, the private sector and civil society is developed and adopted • An anti-money laundering commission is established • A system for overseeing corruption investigations and ensuring the publication of their conclusions and recommendations is developed • Medium-term plans to enhance transparency including strengthening formal and non-governmental oversight institutions and monitoring of corruption cases are developed and implemented • The capacity of journalists, NGOs and local assemblies to discharge oversight functions is strengthened | <ul style="list-style-type: none"> • A plan to strengthen the capacity of external oversight entities including Parliament, the private sector and civil society is developed by 2008 • A system for monitoring corruption cases and publishing their findings and recommendations is operational by 2008 • An anti-money laundering commission is established by 2008 • The capacity of provincial services involved in the elaboration, execution and monitoring of the budget is strengthened by 2008 | <ul style="list-style-type: none"> • Journalists, NGOs, national and local assemblies are trained on oversight functions by 2009 • The capacity of government and non-government institutions to monitor and fight corruption is strengthened by 2009 | <ul style="list-style-type: none"> • Percentage of members of Parliament trained on oversight functions • Number of journalists trained on investigations • Number of civil society organizations and members of local assemblies trained on oversight functions |

| | | | | |
|--|--|---|---|---|
| | <ul style="list-style-type: none"> The capacity of government and non-governmental institutions to monitor anti-corruption efforts is strengthened | | | |
| PUBLIC FINANCE MANAGEMENT | | | | |
| 1. Government revenues are increased and the budgetary process is reformed in line with international standards | <ul style="list-style-type: none"> Revenue measures agreed under the programme supported by the Bretton Woods Institutions to broaden the tax base, strengthen the capacity of customs officials at key locations including Matadi, Kasumbalesa, Goma, and Bukavu and reinforce internal taxation administration including for small and medium-size enterprises are implemented A public expenditure review, particularly in key sector including education and health is conducted Fiscal revenues from the mining sector are increased Quantified targets for increased pro-poor and essential expenditures in the 2007 and subsequent budgets are set and met A three-year action plan to improve budget preparation, execution, and monitoring based on the recent World Bank-supported fiduciary assessment (Country Financial Accountability Assessment, CFAA), including complete unification of the budget, is developed, adopted and implemented The payroll system is consolidated leading to regular payments of salaries in a transparent and effective manner in Kinshasa and the provinces The new procurement code, accompanying decrees and a two year action plan for capacity building to ensure its effective implementation are adopted and implemented The reform agenda supported by the Bretton Woods Institutions including improved budget management, new expenditure tracking systems, and capacity building, in particular on procurement reform is agreed and supported over the medium term | <ul style="list-style-type: none"> A three year action plan to improve budget preparation, execution and monitoring is adopted by 2008 A global payroll is functioning by 2008 The budget cycle is respected by 2008 A customs code is adopted by 2008 A review of public expenditure in key sectors, in addition to the review of the health and education sectors, is undertaken by 2007 Mechanisms for improving working relationships between sectoral ministries and the Ministries of Budget, Finance and Planning are proposed in a three-year action plan to reform public finance by 2008 The following are included by 2008 in a three-year action plan to reform public finance: <ul style="list-style-type: none"> capacity building requirements of key oversight institutions; capacity building requirements for Parliamentary oversight The public expenditure chain is improved and functioning by 2008 Expenditure tracking and reporting systems are revised by 2008 A law on procurement procedures is adopted by 2008 | <ul style="list-style-type: none"> Public expenditure tracking surveys of sectors are conducted by 2009 Quarterly reports on budget execution are submitted to Parliament by 2009 Harmonized Public Financial Management (PFM) systems are adopted by the Government in accordance with the three-year reform plan by 2009 Four budgeted provincial PRSPs are adopted by 2009 | <ul style="list-style-type: none"> Percentage increase in fiscal revenues <i>50% by 2008/100% by 2010</i> Percentage increase in fiscal revenues from mining sector <i>70% by 2008/140% by 2010</i> Percentage increase of public expenditures used for public investment <i>50% increase by 2010</i> Percentage increase in HIPC expenditures <i>Regular increase of HIPC expenditures from 2007</i> Number of sectors with comprehensive national strategies and priority expenditure plans <i>2 sectors (health and education) by 2008/6 sectors by 2010</i> Percentage of high-end contracts awarded on the basis of new procurement procedures <i>50% by 2008/90% by 2010</i> Percentage of sectors with annual procurement plans <i>2 sectors (health and education) by 2009/6 sectors by 2010</i> Number of provinces aligned with the standard PFM system |
| NATURAL RESOURCES MANAGEMENT | | | | |
| 1. Natural resources are managed in a sustainable manner on the basis of legal codes | <ul style="list-style-type: none"> An EITI action plan as required under the initiative is developed, adopted and implemented over the medium term The moratorium on new forestry | <ul style="list-style-type: none"> An EITI action plan and functioning secretariat is established by 2007 A list of unfavorable mining agreements is compiled by 2007 | <ul style="list-style-type: none"> Specialized firms to manage the mining cadastre and ensure mine inspections are deployed by 2009 Key implementation decrees of the | <ul style="list-style-type: none"> Percentage of new contracts and concessions on forest exploitation based on international standards <i>50% by 2008/90% by 2010</i> |

| | | | | |
|--|--|---|---|--|
| | <p>concessions is maintained until agreed conditions for lifting it are met including completion of the legal review of forestry concessions and adoption of a participatory, three-year zoning plan for new concessions</p> <ul style="list-style-type: none"> • The legal review of forestry concessions is completed and published and the review's recommendations, including cancellation of invalid concessions, are implemented • A third-party observer to assist the forestry administration with controls on the ground is recruited and deployed • The 2004 fiscal reforms are implemented and 40 percent of forest revenues are transferred to local entities • Key implementation decrees for the Forest Code and the new law on nature conservation are adopted • Participatory forest zoning with a focus on protection traditional user rights and the environment is launched • Key parks and World Heritage Sites, particularly those with endangered or endemic species, are rehabilitated • Sustainable forest management plans in all remaining concessions are implemented • New contract and financing models for promoting carbon, biodiversity and other environmental services are piloted • Key elements and analysis of existing partnership agreements in the mining sector are published and relevant agreements are revised in line with international standards • A business and reform plan for GECAMINES is adopted • Adequate and transparent procedures for the award of new mining rights for exploration and production are developed and adopted • The capacity of personnel responsible for controlling the mining sector to discharge their functions is strengthened • Specialized firms to manage the mining cadastre and ensure mine inspections for a three-year period are recruited and deployed • Decrees for implementing the Mining Code are adopted | <ul style="list-style-type: none"> • Certification mechanisms for natural resources are established by 2007 • Adequate and transparent procedures for the award of new mining contracts for exploration or production is adopted by 2008 • A three year zonal plan for new concessions is adopted and operational by 2007 • The ongoing review of forestry concessions is completed and published by 2008 • New concessions in forestry and mining sectors are issued in accordance with Forest and Mining Codes by 2008 • A third party observer to assist the forestry administration is deployed by 2008 • Key implementation decrees for the Forest Code and nature conservation law are drafted via participatory process and adopted by 2008 • The capacity of services responsible for overseeing the mining sector are strengthened by 2008 | <p>Mining Code are operational by 2009</p> <ul style="list-style-type: none"> • Key implementation decrees of the Forest Code and the law on nature conservation are operational by 2009 | <ul style="list-style-type: none"> • Percentage of mining agreements revised to reflect market reality <i>50% by 2008/80% by 2010</i> • Percentage of new contracts and concessions on natural resource exploitation with environment protection clauses <i>50% by 2008/90% by 2010</i> • Number of invalid concessions cancelled • Number of new mining contracts and concessions based on new procedures |
|--|--|---|---|--|

| | | | | |
|---|--|---|--|---|
| | <ul style="list-style-type: none"> • A reform plan for plan for all other public enterprises in the mining sector is adopted • A certification mechanism for natural resources is developed | | | |
| PUBLIC ADMINISTRATION AND CIVIL SERVICE REFORM | | | | |
| <p>1. The civil service is reformed and transformed into a professional structure, supported by a coherent legal framework</p> | <ul style="list-style-type: none"> • The civil service census is completed and its results are reflected in the payroll and any potential wage bill savings are passed to the public service through higher wages • The current compensation package including benefits and bonuses for high-level civil service is reviewed • An operational strategy for new recruitments in the civil service including clear criteria and rules for filling vacant positions is designed and adopted • The organic law for civil servants is revised and adopted • The human resource section of the Central Bank is strengthen • The status of the customs service is revised and the capacity of customs officials to discharge their functions is strengthened • The rationalization agenda is implemented and the roles and responsibilities of the key institutions and entities with the highest potential impact on economic recovery and governance are clarified including relationships between the central and decentralized levels of Government, as well as between the Government and non-government service providers • The reform plan for public service wages, which is currently being designed, is implemented and merit-based provincial and local public service systems are established • The retirement programme for all eligible civil servants is completed • An operational strategy for building a core high-level civil service including recruitment and evaluation rules, as well as compensation arrangements is designed and adopted • New recruitments and pay increases are closely monitored taking into account both the needs of a functioning public service and budget constraints | <ul style="list-style-type: none"> • The review of payroll structure is completed by 2007 • The census of civil servants is finalized by 2008 • The revision of the law on Public Administration is finalized and adopted by 2008 • A new payroll management system for some civil servants is in place by 2008 | <ul style="list-style-type: none"> • New recruitment procedures are adopted by 2009 • The retirement programme for civil servants is finalized by 2009 • An operational management system for payments is established by 2009 • Decrees for the implementation of the organic law are implemented by 2009 • A population database is developed by 2009 • A national strategy for statistics is elaborated and implemented by 2009 in accordance with the monitoring of the PRSP • An operational strategy for building a core high-level civil service including recruitment and evaluation rules as well as compensation arrangements is implemented by 2010 | <ul style="list-style-type: none"> • Percentage increase in portion of base salary in take-home pay <i>10% by 2008/80% by 2010</i> • Increase in compression ratios in the core civil service <i>1:8 take home pay by 2010</i> • Reduction in the number of public servants for whom a decision on their status is pending <i>Below 15,000 by 2010</i> • Percentage of civil servants paid through a reformed payroll system <i>50% by 2008/90% by 2010</i> |

LOCAL GOVERNANCE AND DECENTRALIZATION

| | | | | |
|---|--|---|--|---|
| <p>1. Fiduciary systems at provincial and local levels are established and capacities to deliver social services are strengthened, supported by a coherent legal framework</p> | <ul style="list-style-type: none"> • Key legal and regulatory texts foreseen in the Constitution on: (i) composition, organization, responsibilities, and functioning of decentralized entities; (ii) organization and functioning of provincial public services; (iii) nomenclature of local taxes, their distribution modalities between the various levels of Government, and implementation of the provision that 40 percent of national taxes are retained at provincial level; (iv) organization and functioning of the inter-province redistribution mechanism (<i>Caisse Nationale de Péréquation</i>) are discussed with relevant stakeholders and a programme for ensuring their effective implementation is completed over the medium term • Legislation on the composition, organization, responsibilities and function of decentralized entities is adopted • A three-year action plan to strengthen fiduciary capacity in provinces, particularly the potentially richest provinces with the cities of Matadi, Goma, Bukavu, and Lubumbashi, is developed and adopted • Adequate rules to limit large transfers or retention of fiscal resource until fiduciary systems in the provinces are at a minimum acceptable level are adopted and enforced • The capacity of citizens at the provincial level to participate in local decision-making is strengthened • Provincial governments mainstream human rights legislation into their policies and practice • New administrations in the provinces are established | <ul style="list-style-type: none"> • A legal and regulatory code is adopted by 2007 • The law on the composition, organization, responsibilities and functioning of decentralized entities is adopted by 2007 • The law on the organization and functioning of provincial public services is adopted by 2008 • A three-year action plan to strengthen public finances in the provinces is developed and implemented by 2008 • <i>La Commission Electorale Nationale Indépendante</i> (CENI) is established and operational by 2007 | | <ul style="list-style-type: none"> • Percentage of decentralized entities established <i>50% by 2008/90% by 2010</i> • Percentage of revenues retained by provincial and local authorities <i>25% by 2008/40% by 2010</i> • Percentage of resources disbursed through the revenue equalization system <i>10% by 2010</i> • Percentage of expenditures allocated and effectively disbursed for the improvement of social services at provincial level <i>50% by 2010</i> • Number of consultations between local government and civil society |
|---|--|---|--|---|

INVESTMENT CLIMATE AND PUBLIC ENTERPRISE REFORM

| | | | | |
|--|---|---|--|---|
| <p>1. Pro-investment legislation and frameworks are established and public enterprises are restructured and reformed in line with international standards</p> | <ul style="list-style-type: none"> • DRC joins the <i>OHADA</i> and all key implementation decrees are adopted • The annual reports of the <i>FEC</i> on regulatory and administrative obstacles to private sector activity and associated recommendations are published • The restructuring plans for approved banks are implemented • An action plan for the reform of public | <ul style="list-style-type: none"> • The first report on the reform of the banking <i>sector</i> is published by 2007 • The presidential decree for joining <i>OHADA</i> is signed and the implementation decrees are adopted by 2008 • A strategy and an action plan for removing obstacles hindering private <i>sector</i> development based | <ul style="list-style-type: none"> • An action plan for the repayment of debts held by public enterprises is adopted by 2009 • Qualified boards, management teams and audit committees are established in all key public enterprises by 2009 • Key laws and related decrees on state divestiture of public enterprises are elaborated by 2009 | <ul style="list-style-type: none"> • Percentage of enterprises with qualified boards and management teams <i>20% by 2008/80% by 2010</i> • Percentage increase in the investment rate of banks • Percentage increase in the savings mobilized through banks • Percentage reduction in the losses in |
|--|---|---|--|---|

| | | | | |
|--|---|--|--|--|
| | <p>enterprises is adopted</p> <ul style="list-style-type: none"> • Strict limits on financial transfers from and to public enterprises are adopted and enforced • A strategy for transferring social services currently provided by public enterprises to relevant entities and managing retrenchments is designed and adopted • Urgent reforms are implemented in key enterprises, including SNCC (signing a management contract or lease for the railway part of the company to effectively restore service in Katanga, towards Kasai and Maniema), ONATRA (signing a management contract or lease for the port of Matadi to remove one of the key obstacles to international trade); SNEL (improving corporate governance and internal controls) and REGIDESO • New laws and related decrees on state divestiture, and corporate governance and transformation of public enterprises are implemented • A comprehensive action plan for reform of state owned enterprises, based on a case-by-case assessment is prepared and implemented in consultation with stakeholders • Qualified boards, management and audit committees in all key public enterprise are established • Laws and decrees on the divestment of the state in public enterprises are adopted • A commercial judiciary is established • An action plan to overcome obstacles to private sector development is implemented in close coordination with business organizations | <p>on an evaluation of the business climate and the “2007 Doing Business” report are implemented by 2008</p> <ul style="list-style-type: none"> • The first annual FEC report on legislative and administrative obstacles in the private sector is published by 2008 • A strategic action plan for the reform of public enterprises is adopted by 2008 • A management contract for the port of Matadi is signed between ONATRA and a private company by 2008 • A management contract for the railway is signed between SNCC and a private company by 2008 • The first report on the reform of public utilities (power and water) is published by 2008 | <ul style="list-style-type: none"> • An action plan for the privatization of public enterprises is implemented in consultation with relevant stakeholders by 2010 • The Commercial Tribunal is rehabilitated by 2010 • An action plan to remove obstacles and other constraints to private sector development is launched by 2009 | <p>public enterprises</p> <ul style="list-style-type: none"> • Percentage increase in foreign investments in DRC businesses • Percentage increase in the number of foreign investors annually • Percentage increase of FDI in GDP • Percentage increase in private investment in GDP • Percentage increase of formal sector in GDP • Percentage increase of private credit in GDP • Number of cases heard by commercial judiciary |
|--|---|--|--|--|

CAF RESULTS MATRIX PRO POOR GROWTH

The strategic objective of this pillar is to achieve both a high rate and a strong quality of economic growth in line with PRSP objectives

Strategic Targets:

Percentage increase in average growth rate from X% (2006) to X% (2010)

Percentage improvement in ranking on human poverty indexes from 40.9 (2006) to 25 (2010)

| CAF Outcomes | CAF Outputs | Short Term Activities July 2007-December 2008 (Programme d' Actions Prioritaires) | Medium Term Activities 2009-2012 (to be finalized after the November 2007 Consultative Group) | Selected Indicators |
|---|--|---|---|---|
| TRANSPORT | | | | |
| <p>1. The transport structure is rehabilitated, state and non-state owned transport enterprises are reformed and investments in the sector are prioritized</p> | <ul style="list-style-type: none"> • A road maintenance system for main and rural roads is adopted, financed and operationalized • The private sector is involved in managing parts of the transport network • State-owned enterprises in the transport sector are restructured • Key sections of the road network are rehabilitated including (a) international trade corridors (b) connections of provincial centers to the core transport network and (c) connections of provincial centers to their immediate hinterland • Rural areas are re-connected by rehabilitating rural roads near large consumption centers • River navigation and railway operations are restored where appropriate to provide more sustainable and less expensive transport services • A reliable and safe domestic air transport is developed | <ul style="list-style-type: none"> • A maintenance system for trunk and rural roads is adopted, financed and operational by 2008 • A first section of the Likasi-Kolwezi route (187 km) is rehabilitated by 2008 • xxx kilometers of the road system are constructed before June 2008 • xxx kilometers of the road system are maintained before June 2008 • Feasibility studies are undertaken for Xxx kilometers of road before June 2008 • xxx kilometers of rural roads are rehabilitated before 2008 • xxx kilometers of rural roads are maintained before June 2008 • xxx priority kilometers of national roads are regularly maintained before 2008 • xxx kilometers of national roads are rehabilitated by 2008 • At least 18 cities including provincial capitals are re-connected to their hinterlands in a radius of 40 kilometers before June 2008 | <ul style="list-style-type: none"> • xxx kilometers of river navigation network is restored by 2009 • National civil aviation compliance with International Civil Aviation Authority safety standards increases to 25 percent by June 2009 • The international airports at Ndjili, Lubumbashi and Kisangani are rehabilitated by 2009 • Railroads between Kolwezi and the Zambian boarder are repaired by 2010 • xxx kilometers of SNCC and <i>Chemin de Fer du Katanga</i> (CMFK) railway networks are rehabilitated by 2010 • Ndjili is concessioned by 2010 • Rail and river traffic linking main cities is doubled by 2010 • The rail and road transport system is improved on major border exit points (Bukavu, Goma and Lubumbashi) by 2010 • An autonomous Port Administration is established for DRC's main ports (including Boma, Banana and Matadi) by 2010 • The Matadi Port is privatized by 2010 | <ul style="list-style-type: none"> • Number of provincial capitals linked to major transport networks <i>5 by 2010</i> • Number of provincial capitals linked to their hinterland at a radius of 40 miles <i>4 by 2010</i> • Percentage increase in budget allocations for transport maintenance system • Percentage of rehabilitated roads maintained through cost recovery system <i>100% by 2010</i> • Number of private operators investing in ONATRA and SNCC • Percentage decrease in transport costs in price of agriculture in two major cities <i>50% by 2010</i> • Percentage of services at DRC's main ports, airports, and railways provided by the private sector <i>100% by 2010</i> |
| AGRICULTURE | | | | |
| <p>1. The agriculture sector is recapitalized and inputs are provided</p> | <ul style="list-style-type: none"> • Seeds, small animals and tools are distributed based on area-specific requirements, particularly to destitute farmers in re-connected areas | <ul style="list-style-type: none"> • A sectoral strategy is adopted by 2008 • A law on seeds is adopted by 2008 • Six agricultural research centers for | <ul style="list-style-type: none"> • At least one <i>Institut de l'Environnement et de Recherches Agricoles</i> (INERA) station per province are rehabilitated and operational by 2010 | <ul style="list-style-type: none"> • Percentage of rural workforce provided with seeds, small animals and tools <i>35% by 2010</i> |

| | | | | |
|---|--|---|---|--|
| | <ul style="list-style-type: none"> • Farmers associations and the private sector receive assistance to rehabilitate and modernize storage and processing facilities and equipment | <p>seed production and new technologies are rehabilitated by 2008</p> <ul style="list-style-type: none"> • Ten official agricultural multiplication centers are endorsed in each province by 2008 • Quality inputs are distributed to at least 500.000 households (out of an estimated total of 7 million) by 2008 • A study on agricultural taxation finalized by 2008 • Legal structures for professional agricultural associations are established by 2008 • Associations are grouped to implement projects by the service de vulgarization in the Ministry of Agriculture by 2008 • Contacts and contracts with the private transport and agro-industry sector are promoted by 2008 • A regulatory framework for rural finance, including microfinance is established by 2008 • Eleven provincial agricultural councils are established and fully operational in line with the restructuring and decentralization of the Ministry of Agriculture by 2008 • The sectoral consultative group under the coordination of the Ministry of Agriculture is operational by 2007 • Public agricultural lands are managed transparently by 2008 • The statistical service of the Ministry of Agriculture is rehabilitated and operational at the central level by 2008 | <ul style="list-style-type: none"> • 20 new agricultural multiplication centers per province, meeting 40 per cent of seed requirements, are rehabilitated by 2010 • <i>Service National des Semences</i> (SENASEM) is reinforced by 2009 • Quality inputs are distributed to at least xxx producers in the most remote areas by 2009 • The action plan to support producer associations is implemented by 2009 • Credit and micro-credit frameworks for rural finance are established providing access to credit for xxx rural producers by 2010 • The agricultural census is completed and published by 2009 • Provincial agricultural training centers are strengthened by 2010 • The Ministry of Agriculture is decentralized by 2009 • The Food Security Information System (SISA) is operational by 2009 • The statistical services of the Ministry of Agriculture are rehabilitated and operational at the provincial level by 2010 | <ul style="list-style-type: none"> • Percentage increase in the number of agricultural input businesses <i>100% by 2010</i> • Percentage increase in the yield of primary crops <i>10% by 2010</i> • Percentage increase in investment in current and new seed multiplication centers <i>10% by 2008</i> • Percentage decrease in post-harvest losses nationwide <i>30% by 2010</i> • Percentage of small-holders associations benefiting from private sector financing • Percentage of medium-large scale agro-industrial units receiving private sector funding • Percentage of farmers and associations using agricultural statistics including market information |
| <p>2. The ground is laid for medium-term growth in the agricultural sector</p> | <ul style="list-style-type: none"> • Producer and community organizations are functional • A regulatory framework for rural finance, including micro-finance for rural areas, is developed • Public-private arrangements for the provision of key services including extension, veterinary and pest management are supported • Statistical information on agriculture is collected | | <ul style="list-style-type: none"> • The pilot phase of identifying exploitable forest land is completed in a participatory manner by 2008 and the results are incorporated into national legislation by 2010 • Management plans for all concessions are approved by 2011 | <ul style="list-style-type: none"> • Percentage of small-holders associations benefiting from private sector financing • Percentage of medium-large scale agro-industrial units receiving private sector funding • Percentage of farming households receiving technical advice • Percentage of entities using agricultural statistics including market information • Number of farmer field schools established in each province |

| | | | | |
|---|--|---|--|--|
| <p>3. Management of the forestry sector improves</p> | <ul style="list-style-type: none"> • Simple, enforceable regulations to ensure basic transparency, accountability and monitoring systems in the forestry sector are designed • Innovative approaches are adopted including devolution of management responsibility to local communities, monitoring of environmental and social compliance by specialized NGOs and independent certification | <ul style="list-style-type: none"> • The process of identifying forest land for exploitation is completed in a participatory manner by 2008 • The tax on forest exploitation is increased by 0.5 dollars per hectare, all non justified taxes are eliminated and 40 per cent of forest revenues are transferred to relevant provinces and territories by 2007 | | <ul style="list-style-type: none"> • Percentage of forest concessions granted on the basis of the new Forest Code • Percentage of logging companies complying with commitments to local communities • Percentage of parks with management scores above 20 • Amount of revenues raised from contracts linked to carbon and biodiversity |
|---|--|---|--|--|

MINING

| | | | | |
|--|---|---|--|---|
| <p>1. The business environment improves and the existing regulatory framework is enforced</p> | <ul style="list-style-type: none"> • The capacity and functioning of key entities in the sector including the Ministry of Mines, mining cadastre, customs, arbitration entities, Parliamentary commissions and local authorities, commercial courts is further strengthened • Efforts to review partnerships already entered into by GECAMINES and MIBA (in terms of quality of partners and terms of the contracts) are supported • The restructuring of GECAMINES is completed • Existing mining rights are rapidly clarified | <ul style="list-style-type: none"> • A review of existing agreements between the Government and mining companies, and other tax agreements, is finalized in 2007 in accordance with international norms • The restructuring of GECAMINES is continued in 2008 with the aim of completing the process by 2009 • The inconsistencies between the constitution and the mining code regarding retrocession of payments are resolved by 2008 • EITI is implemented and revenues of mining companies whose contracts are valid are published by 2008 • The participation of DRC in the Kimberly process is strengthened through <i>Centre d’Evaluation, d’Expertise et de Certification</i> (CEEC) and civil society by 2008 • An action plan to reinforce the capacities of <i>Office des Douanes et Accises</i> (OFIDA), <i>Direction Générale des Recettes Administratives et Domaniales</i> (DGRAD) and <i>Direction Générale des Impôts</i> (DGI) is developed by 2008 | <ul style="list-style-type: none"> • Public Private Partnership (PPP) laws are adopted and published by 2009 • The GECAMINES /MIBA partnership is reviewed by 2009 • The mining law is revised by 2009 • Customs reform, based on consultations between relevant services and responsible ministries, is implemented by 2009 • The roles of the entities currently present on the border, including OFIDA and <i>Office Congolais de Control</i> (OCC), are clarified and these institutions begin to operate within the framework of customs reform by 2009 • A plan to strengthen the entities responsible for revenue collection is implemented by 2009 | <ul style="list-style-type: none"> • Percentage increase in investment in mining sector • Percentage increase in mining revenues as part of state budget • Percentage of large mining contracts with provisions for local communities |
| <p>2. Small scale and artisanal mining are regularized</p> | <ul style="list-style-type: none"> • Government oversight institutions are strengthened • Information services are provided to miners • Miners’ organizations are supported and existing structures are rationalized and “legitimized” • Relationships between artisanal miners and neighboring industrial exploitations are formalized | <ul style="list-style-type: none"> • Mechanisms for supporting artisanal mining organizations are developed by 2007 • Mechanisms for resolving conflicts between the artisanal and industrial sectors are established and operational by 2008 • Corporate social responsibility is promoted through conferences and other collaborative forums by 2008 | <ul style="list-style-type: none"> • Service centers for artisanal mining organizations are established by 2009 • Artisanal miners organizations are officialized by 2009 • Income-generating projects are underway in mining areas by 2009 • At least one pilot collaborative programme between large-scale miners and artisanal miners is underway by 2010 | <ul style="list-style-type: none"> • Percentage of artisanal miners linked to large-scale mining associations and cooperatives • Percentage increase in artisanal miners’ income • Percentage increase in artisanal miners’ income from alternative sources or livelihoods |

| | | | | |
|---|---|---|---|---|
| | <ul style="list-style-type: none"> • Access to artisanal mining areas is improved • Control cross border trading activities are improved • Alternative livelihoods are promoted | <ul style="list-style-type: none"> • Cases are litigated through the Congolese judiciary and judgments are rendered and applied by 2008 | | |
| INDUSTRY AND SERVICES | | | | |
| 1. Access to credit is restored | <ul style="list-style-type: none"> • Further reform of the financial sector is supported including strengthening of the Central Bank for improved sector regulation and supervision • The regulatory framework for microfinance is reformed • Viable banks are recapitalized • The growth and professionalization of microfinance is supported, with a focus on areas which are easily accessible • Short-term mechanisms are developed, including credit lines, to bridge the gap until the revival of the financial sector in cities which with external links including Kinshasa, Lubumbashi, Goma, Bukavu and Matadi | <ul style="list-style-type: none"> • The regulatory framework for microfinance is revised and operational by 2008 • A national strategy for microfinance is adopted by 2008 • The study on commercial banks is finalized by 2008 | <ul style="list-style-type: none"> • The reform of the Central Bank is completed by 2009 • At least five banks meet new minimum capital requirements by 2009 • A legal framework for ensuring that micro-finance institutions are autonomous and operational is adopted by 2010 • New finance sector legislation in line with best practices is presented to Parliament by 2009 | <ul style="list-style-type: none"> • Percentage of banks respecting the Central Bank's prudential ratios • Number of new bank accounts established • Number of clients served by licensed microfinance institutions • Percentage of credit in GDP • Number of new financial products offered to the population |
| 2. The availability of electric power is increased | <ul style="list-style-type: none"> • A base capacity of 1,300 MW in Inga is achieved • Key parts of the transmission network are rehabilitated and expanded including the Inga-Kinshasa line • Distribution networks, with an initial focus in Kinshasa, are improved • SNEL is reformed with a focus on accountability and transparency • Exports of electricity and power are gradually boosted, including to Southern Africa, as a source of foreign exchange | <ul style="list-style-type: none"> • The financial audit of SNEL is completed by the end of 2008 | <ul style="list-style-type: none"> • SNEL is restructured by 2010 • SNEL billing and collection is increased by at least 10 per cent by 2009 • The Kinshasa distribution system is rehabilitated by 2009 • Turbines (100 – 300 MW) at Inga I and II are refurbished and equipped by 2009 | <ul style="list-style-type: none"> • Percentage increase in power generation capacity at Inga I and II • Percentage increase in delivery of power to Kinshasa • Percentage increase in revenues from power sector <i>20% by 2010</i> |

CAF RESULTS MATRIX BASIC SOCIAL SERVICES

The strategic objective of this pillar is to improve social indicators in line with PRSP objectives by increasing access to effective, efficient and equitable social services

Strategic Targets:

Increase the Gross Enrolment Rate for primary school: to 64.1% by 2007; to X % by 2008 and to 85% by 2009

Increase utilization rates in health centres per person per year to 1.0 by 2010

Increase the percentage of the population with access to potable water to 70 percent by 2010

| CAF Outcomes | CAF Outputs | Short Term Activities July 2007-December 2008 (Programme d' Actions Prioritaires) | Medium Term Activities 2009-2012 (to be finalized after the November 2007 Consultative Group) | Selected Indicators |
|---|---|---|---|--|
| EDUCATION | | | | |
| <p>1. Strategic and operational management in the education sector is improved</p> | <ul style="list-style-type: none"> • A new law on education is adopted • The national policy on education is revised and updated • Public finance mechanisms including validation of the teachers payroll are improved, and a simplified, more equitable and more transparent pay system to ensure that teachers are better and more regularly paid in line with public sector reforms and norms is introduced • An education SWAp led by the Government and involving all stakeholders is established • A long-term strategic plan for the education sector which allocates resources to agreed priorities and takes into account decentralization processes is developed • The capacity of Government staff in the education sector to implement SWAps is strengthened • Basic statistics are collected and analyzed and used to inform policy decisions • A school mapping exercise is undertaken • The capacity of stakeholders in programme design, data collection and system management at central, provincial and local levels is strengthened | <ul style="list-style-type: none"> • An education SWAp is established by 2008 • The on-going elaboration of a new legal framework for education is finalized by 2007 • Effective local management of schools is established by 2007 • The census of teachers is finalized by 2008 • The budget and payroll are based on a nominative list of teachers by 2008 • xxx teachers at primary school level are included in the payroll by 2007 • The salary scale for teachers is improved and the expense chain is clarified by 2007 • A staff management system is established by 2008 • School mapping is completed by 2008 • Basic education statistics are published annually from 2008 onwards • Pedagogical materials for teachers at the primary level are available by 2007 | <ul style="list-style-type: none"> • Functional EMIS units are established at national, provincial and sub provincial levels by 2009 • Quality assurance mechanisms for schools are established and implemented by 2009 • Audit procedures and institutional mechanisms are implemented by 2009 • A retirement programme for teachers who have reached the age limit is ready by 2009 | <ul style="list-style-type: none"> • Percentage of teachers receiving adequate and regular salaries through a reformed payroll <i>80% by 2010</i> • Statistics on the number of teachers published on a regular basis • Percentage of schools subject to annual inspections • Percentage of all EPSP staff trained on education management at central and provincial levels <i>20% by 2008</i> |

| | | | | |
|---|---|---|--|---|
| | <ul style="list-style-type: none"> • The inspectorate wing of the EPSP is strengthened and quality assurance mechanisms are established • The capacity of EMIS is strengthened • Accountability mechanisms, including school management committees and parent-teacher associations are strengthened | | | |
| <p>2. The levels of public financing for the education sector are increased and the financial management of the sector is improved</p> | <ul style="list-style-type: none"> • Financial contributions from stakeholders are aligned with education strategy • A strategy for long-term financing of the education sector is developed • A medium-term expenditure framework for the sector is formulated • Mapping of donor contributions to education is undertaken regularly • The share of the state budget allocated to education is increased to 10 percent immediately and at least 20 percent by 2010 • Budget monitoring systems to ensure public funds reach beneficiaries are developed | <ul style="list-style-type: none"> • Parent contributions to school fees are reduced by 2007 • State budget allocations for the education sector are increased by 10 per cent by 2007 • A medium-term expenditure framework for the education sector is launched by 2008 • A public expenditure tracking system for education is established by 2008 • Reports on education are launched and published by 2008 • Annual mapping of donor contributions and other sources of financing are established by 2008 | <ul style="list-style-type: none"> • A review of public expenditure in the education sector in undertaken in 2009-2010 • The portion of the state budget allocated to the education sector is increased by at least 20 percent by 2010 | <ul style="list-style-type: none"> • Percentage increase in allocations for education sector by the central Government • Percentage of funds from the Ministry reaching intended beneficiaries 70% by 2010 • Percentage increase in education expenditures by the central Government • Number of audits in the education sector conducted |
| <p>3. Universal access to free primary education is progressively reached</p> | <ul style="list-style-type: none"> • Primary school fees are sequentially removed, starting with the <i>frais de fonctionnement</i> • Targeted communication and social mobilization campaigns aimed at increasing the demand for education for girls and other marginalized and vulnerable children are conducted | <ul style="list-style-type: none"> • Mechanisms for replacing parent contributions to the <i>frais de fonctionnement</i> are developed and implemented by 2008 • The progressive elimination of school fees is underway by 2007 | <ul style="list-style-type: none"> • The strategy for financing the elimination of all primary school fees is implemented and fees are successfully eliminated by 2010 | <ul style="list-style-type: none"> • Percentage increase in GER primary education 85% by 2010 (baseline 64.1%) • Percentage increase in GER primary education for boys xxx% by 2010 (baseline 72.3%) • Percentage increase in GER primary education for girls xxx% by 2010 (baseline 56.2%) |
| <p>4. The coverage and quality of basic primary and secondary education services is improved</p> | <ul style="list-style-type: none"> • xxx new teachers and 1,000 new inspectors and administrators are retrained and, if necessary, recruited for deployment in under-served areas • At least one teacher training centre in each province is established • Functional literacy centers in each province are established • Catch-up classes and non-formal education and vocation centers are established • 4,000 classrooms are rehabilitated and equipped annually • Textbooks for all subjects are provided to each student at the primary level • Basic stationery is supplied to pupils and guides/manuals and pedagogic | <ul style="list-style-type: none"> • 4,000 classrooms are rehabilitated and equipped annually by 2008 and school latrines are built in targeted schools • New procedures for training teachers are established by 2008 • Double sessions are expanded in urban and peri-urban areas by 2007 • At least one-third of primary students receive textbooks on the basis of one textbook per student by 2008 • At least xxx teachers and 1,000 new inspectors are re-trained by 2008 • Teachers manuals based on the national programme are delivered by 2007 • Distance learning via radio for primary schools is launched by 2007 | <ul style="list-style-type: none"> • A national policy on production of school textbooks is adopted by 2009 • At least one provincial teacher training center per province is established by 2009 • The training programme for primary school teachers is revised and implemented by 2009 • Instruction in local languages at the primary level is underway by 2009 • The number of students per class is progressively reduced by 2009 | <ul style="list-style-type: none"> • Percentage increase in GER secondary education 28% by 2010 (baseline 23%) • Percentage increase in GER secondary education for boys xxx% by 2010 (baseline 28%) • Percentage increase in GER secondary education for girls xxx% by 2010 (baseline 16%) • Number of classrooms rehabilitated per year 4,000 by 2008 • Percentage of schools where book ratio of 1:2 is respected • Number of new teachers hired in each province on the basis of new training standards |

| | | | | |
|---|--|--|--|--|
| | <ul style="list-style-type: none"> materials are supplied to teachers The secondary school system is expanded to absorb xxx percent of primary school completers The proportion of vocational education within the secondary school curriculum is increased A strategy for including children with special needs in schools is developed | | | <ul style="list-style-type: none"> Percentage increase in completion rates <i>75% by 2010 (baseline 50%)</i> Percentage increase in completion rates for girls Percentage increase in completion rates for boys |
| 5. Tertiary and vocational education are rationalized and revamped | <ul style="list-style-type: none"> xxx new teachers and 1,000 new inspectors and administrators are retrained and, if necessary, recruited for deployment in under-served areas At least one teacher training centre in each province is established Functional literacy centers in each province are established Catch-up classes and non-formal education and vocation centers are established 4,000 classrooms are rehabilitated and equipped annually Textbooks for all subjects are provided to each student at the primary level Basic stationery is supplied to pupils and guides/manuals and pedagogic materials are supplied to teachers The secondary school system is expanded to absorb xxx percent of primary school completers The proportion of vocational education within the secondary school curriculum is increased A strategy for including children with special needs in schools is developed | | <ul style="list-style-type: none"> A partnership framework between the industrial sector and training centers is established by 2009 A strategy for tertiary technical and professional training is developed by 2009 Reforms in higher and university education sectors are underway by 2010 | <ul style="list-style-type: none"> Number of industry-university partnerships established Number of industry and vocational training centre partnerships established |

HEALTH

| | | | | |
|--|---|---|---|--|
| 1. The legislative and normative framework for the health sector is revised | <ul style="list-style-type: none"> A new health law is adopted by Parliament Governance within the Ministry of Health is improved through development and compliance with new directives The national health policy and guidelines are updated and distributed at all levels Systematic communications and collaboration are established between Ministry of Health directors at the central level and policy is communicated to the provincial level | <ul style="list-style-type: none"> The legislative framework for the sector is adopted by Parliament and promulgated by the President by 2008 The law on the establishment accreditation and authorization of private health care providers is elaborated by 2008 A communication strategy is developed and implemented by 2008 The health policy is updated in accordance with the HSSS by 2008 A new health plan is elaborated by 2008 | <ul style="list-style-type: none"> The rules, directives and criteria for the establishment and registration of NGOs in the health sector are developed and NGO contracts are signed with provincial health authorities by 2009 Directives for the selection and provision of medical equipment are developed by 2009 | <ul style="list-style-type: none"> Number of private health providers licensed under new legislation Percentage of NGOs which have signed agreements with Provincial Health Inspection units Percentage of health contracts procured through new guidelines Percentage of provinces with a health plan in conformity with the new health sector strategy |
|--|---|---|---|--|

| | | | | |
|--|--|---|--|--|
| | <ul style="list-style-type: none"> • Technical programmes within the various departments in the Ministry of Health are regrouped and strengthened and the establishment of new units is temporarily suspended • Guidelines regarding management functions, communications and reporting between central, provincial and Health Zone authorities are developed and applied • Legislation on the establishment, accreditation and licensing of private for-profit health providers is drafted • Regulations, guidelines and criteria for establishment and registration of health NGOs are developed • Contracts for partnerships with health NGOs and provincial health authorities are developed • Guidelines on selection and procurement of medical equipment are developed • Health sector reforms are managed efficiently in accordance with decentralization processes • Monitoring and evaluation systems, including for private sector providers, are established • The national policy, <i>Système du Réseau de Soins de Santé</i> (SRSS), and plans for the development of the health system development are updated and distributed | <ul style="list-style-type: none"> • The technical programmes of the Ministry of Health are rationalized by 2008 • A communication and cooperation strategy between central directorates of the Ministry of Health is developed and implemented by 2008 • A law on the establishment and accreditation of private health care providers is developed and implemented by 2008 | | |
| <p>2. Access to health care, as well as equity, is improved</p> | <ul style="list-style-type: none"> • A basic package of curative and preventive health services, including family planning services, is provided in all Health Zones • The organizational structure of the health sector is revised • User fees and drug prices are reduced and studies are conducted on the impact of fee removal on utilization levels, particularly among the poor • Health Zones with high potential for new investment are prioritized • High impact interventions are implemented in Health Zones with weak capacity • The MAP in primary care units and the CAP in hospitals are rolled out • Protocols on management of common | <ul style="list-style-type: none"> • An institutional audit of the central level of the Ministry of Health is undertaken by 2008 • The recommendations from the audit on organizational structure are implemented by 2008 • The CAP for Referral Hospitals is implemented by 2008 • The MAP is progressively provided in health centers by 2008 • Health Zones with high investment potential are identified in each province in accordance with SRSS criteria and all other zones are provided with a package of basic services by 2008 • Direct payments are reduced by 2008 • The price of medicines is fixed and | <ul style="list-style-type: none"> • The rules regarding the reduction of user fees and cost of medicines are established and communicated to all government health facilities by 2009 • Protocols for managing common diseases including linkages with vertical illness programmes are published and analyzed regularly from the end of 2009 onwards • xxx new health facilities are constructed by 2009 | <ul style="list-style-type: none"> • Percentage of health centers implementing the MAP • DPT3 coverage <i>83% in 2009</i> • Percentage of deliveries assisted by trained personnel <i>75% in 2009</i> • Average number of outpatient visits per person per year <i>0.5 by 2009/1.0 by 2010 (baseline 0.2)</i> • Percentage of Referral Hospitals implementing the CAP |

| | | | | |
|---|---|---|---|---|
| | <p>diseases and the methods of referrals and coordination with vertical disease programmes are continually updated and disseminated</p> <ul style="list-style-type: none"> • A strategy and policy framework for public private partnerships including contracting mechanisms, social marketing and delivery of high-impact services to households, are developed • The construction of new health facilities is done in accordance with the plans laid out in the HSSS and a moratorium is enforced on all capital developments outside of this strategy | publicized to all SRSS-recognized health facilities by 2008 | | |
| 3. A balanced supply of human resources for health is achieved | <ul style="list-style-type: none"> • A joint Committee with the Ministry of Education and Institute for Professional Preparation aimed at reforming the training of health professionals is established • Criteria for the accreditation and licensing of training institutes, as well as for the closure of institutes that do not meet standards are agreed • A moratorium on the establishment of new secondary level training institutions is enforced • Training plans for all levels of the health system are elaborated and implemented • Examinations for graduates of unaccredited training institutes are established • Optimal levels of supply of nurses at A2 level are agreed and the appropriate number of accredited training institutions per province are established • Salary supplements for staff in the Ministry of Health are applied in accordance with SMIG • Incentive payment mechanisms for posts in selected areas and occupations are applied • Appropriate retirement packages are offered • A health labor market study on current incentive schemes and public perceptions | <ul style="list-style-type: none"> • A joint Ministry of Health and Ministry of Higher Education committee is established by 2008 • A strategy for revising professional health training is elaborated by 2008 • A moratorium on the establishment of new ITMs is established and enforced by 2008 • An evaluation of all existing ITMs is undertaken and recommendations are implemented by 2008 • An agreement on salary supplements for targeted positions is concluded between the Ministry of Health and the GIBS by 2008 | <ul style="list-style-type: none"> • An operational observatory on human resources in the health sector is established by 2009 • Training plans for all levels of the health system are elaborated and implemented by the end of 2009 | <ul style="list-style-type: none"> • Percentage of Health Zones with personnel trained on the management of primary health care <i>50% in 2009 (baseline 20%)</i> • Percentage of ITMs operating according to the norms of the Ministry of Health |
| 4. A continuous and regular supply of drugs and other resources is ensured | <ul style="list-style-type: none"> • Appropriate office and storage facilities for FEDECAME are provided • Import taxes on certain essential | <ul style="list-style-type: none"> • Taxes and administrative royalties are abolished by 2008 • A strategy and action plan for rationalizing the local production and | <ul style="list-style-type: none"> • Office and storage facilities for FEDECAME are provided by 2009 • A feasibility study on local production of drugs as well as drug pricing and | <ul style="list-style-type: none"> • Percentage of Health Zones served by a regional CDR <i>70% in 2009 (baseline 30%)</i> |

| | | | | |
|--|--|--|---|---|
| | <ul style="list-style-type: none"> pharmaceuticals are removed The ordering of drugs through FEDECAME-CDR is rationalized The capacity of CDRs is strengthened and certain CDRs are relocated Mechanisms for controlling the quality of pharmaceuticals are reinforced Mechanisms for inspecting pharmacies are reinforced and rationalized Drug acquisition by public health units in the private sector is regulated A feasibility study on the local production of drugs as well as drug pricing and subsidies is conducted | <ul style="list-style-type: none"> procurement of <i>Médicaments Essentiels Génériques</i> (MEG) and for controlling quality is elaborated and implemented from 2008 onwards Inspection mechanisms for private pharmacies are developed and applied by 2008 | subsidies is conducted by 2009 | <ul style="list-style-type: none"> Percentage of Referral Hospitals with stocks of five required essential drugs during the last trimester Percentage of private drugstores operating according to Ministry of Health norms Percentage of Health Zones with a stock-out of measles vaccines during the last trimester |
| 5. Stable and sustainable financing mechanisms for the health sector are established and financial barriers to health care are sequentially removed | <ul style="list-style-type: none"> Financial contributions from stakeholders are aligned with the health strategy A health SWAp led by the Government and involving all stakeholders is established A strategy for long-term financing of the health sector is developed Financial barriers for selected health services and/or population groups are sequentially reduced and possibly eliminated A medium-term expenditure framework for the sector is developed The share of the state budget allocated to health increases to 7 percent immediately and 15 percent by the end of the CAF period Mapping of donor contributions to the health sector is undertaken regularly | <ul style="list-style-type: none"> An annual mapping of donor contributions for the HSSS is undertaken by 2008 A step-by-step study of salaries and other inputs is conducted and specific recommendations are implemented by 2008 Consultation mechanisms between the Ministry of Health and its partners including joint meetings and National and Provincial Steering Committees are operational by 2008 | | <ul style="list-style-type: none"> Percentage of state budget allocated to the health sector <i>10% in 2009 (baseline 4% 2006)</i> Percentage increase in allocations for health sector by the central government Percentage of funds from the Ministry of Health reaching intended beneficiaries <i>70% by 2010</i> |
| 6. Multi-sectoral coordination mechanisms are established | <ul style="list-style-type: none"> Linkages and collaborative networks are established with institutions in education, agriculture, water and sanitation, roads, communications, transport, community participation, gender, environment and nutrition | | | |
| WATER AND SANITATION | | | | |
| 1. Strategic and operational management in water and sanitation sector is improved | <ul style="list-style-type: none"> A sector reform roadmap, including agency reorganization, is implemented A regulatory body to control water tariffs, quality, and service standards for community-managed and state-managed water systems is operational A Water and Sanitation Code using the proposed code as a base is implemented | <ul style="list-style-type: none"> An action plan for sector reform, including reorganization of management institutions, is approved by the Government by 2008 A national water and sanitation code, in conformity with international standards with special attention for heavy metal contamination is adopted by 2008 | <ul style="list-style-type: none"> A database and an information system for sectoral monitoring is established by 2009 Quality control mechanisms are developed by 2009 | <ul style="list-style-type: none"> Percentage increase in the national budget allocated to the water and sanitation sector <i>13% by 2010 (baseline 11%)</i> Percentage increase in expenditures at the central level |

| | | | | |
|---|--|--|--|---|
| | <ul style="list-style-type: none"> National standards for water quality, paying special attention to heavy metal contamination and mapping/database creation, are applied The capacity of government agencies in charge of water regulation, management contracts and tariff policy is strengthened The capacity of REGIDESO in technical, commercial and financial operations is strengthened Pilot private sector schemes to deliver potable water services are evaluated and appropriate policy recommendations are made | | | |
| 2. Access to water and sanitation in rural areas is expanded | <ul style="list-style-type: none"> The rural water and sanitation programme is expanded to cover 200 Health Zones National coordination of the rural water and sanitation programme through appropriate directorates of the Ministry of Health and provincial bureaus is supported A specific national budget for a national rural water and sanitation programme is established Technical referral links between the rural water and sanitation programme and the SNHR are formalized A national training program of Health Zone-based water and sanitation supervisors in all targeted Health Zones is implemented Training and support to SNHR and the private sector in technical support of the rural water and sanitation programme are provided | <ul style="list-style-type: none"> The national water and sanitation programme is implemented in 100 Health Zones in rural areas by 2008 Directorates responsible for water and sanitation in the central Ministry of Health and in the Provinces are functional by 2008 The percentage of the budget allocated to rural water is progressively increased from 2008 onwards | <ul style="list-style-type: none"> Four different training modules for water and sanitation supervisors are developed by 2009 The national water and sanitation programme is implemented in rural areas by 185 health agents by 2010 | <ul style="list-style-type: none"> Percentage of Health Zones with functioning national rural water and sanitation program <i>46% by 2010</i> Number of rural Congolese with access to improved water and sanitation facilities <i>4.7. million by 2010</i> Percentage of Health Zones where rural water and sanitation program is functional <i>23% by 2008 (100/435)</i> Percentage of targeted households practicing good hygiene <i>70% by 2010</i> |
| 3. Coverage of urban water services is expanded | <ul style="list-style-type: none"> A national standard for community-run water systems and a standard tariff system that targets access for all (life-line tariffs) are implemented Community-managed water system pilots in South Kivu and the peri-urban areas of Kinshasa, Mbuji-Mayi and Kindu are implemented Community-managed water systems in 20 secondary cities are implemented The existing programme of rehabilitation of REGIDESO-managed water systems in Kinshasa and Lubumbashi is continued | <ul style="list-style-type: none"> Government norms for the management of water infrastructures are defined by 2008 Water projects in 20 urban areas are launched by 2008 Temporary measures to ensure the provision of potable water in three urban centers are established by 2007 | <ul style="list-style-type: none"> 150,000 poor households in the vicinity of Kinshasa have access to potable water by 2009 Three million urban households have access to potable water in three cities by 2009 REGIDESO-managed systems in five cities are rehabilitated by 2009 | <ul style="list-style-type: none"> Percentage of urban households with access to improved water services <i>50% by 2010 (baseline 37%)</i> |

| | | | | |
|---|---|--|--|--|
| | <ul style="list-style-type: none"> • A rehabilitation programme for REGIDESO-managed water systems in 11 cities is completed • Management and technical training is provided to REGIDESO | | | |
| 4. Coverage of urban sanitation services is expanded | <ul style="list-style-type: none"> • Social marketing programmes in Kinshasa and other cities that promote family latrine construction are implemented • A solid waste disposal facility in Kinshasa and three additional urban centers which integrate recycling for revenue generation for urban poor are established • Key recommendations and the action plan of the Kinshasa sanitation study are implemented • A waste-water treatment plant in Kinshasa is established | <ul style="list-style-type: none"> • A social awareness programme is launched in three large cities by 2008 | <ul style="list-style-type: none"> • The central Government and Kinshasa municipality adopt a strategic sanitation plan which includes the collection and treatment of solid waste in the city by 2009 • Equipment for the treatment of solid waste is provided in selected cities by 2009 | <ul style="list-style-type: none"> • Percentage of urban beneficiaries with access to improved sanitation services <i>35% by 2010 (baseline 8%)</i> |

SOCIAL PROTECTION

| | | | | |
|---|---|---|---|---|
| 1. Risk among the most vulnerable populations is reduced | <ul style="list-style-type: none"> • Ad hoc initiatives to support vulnerable groups, including HIV/AIDS orphans, are transformed into national strategies, action plans and policies including the National Strategy for the Protection of Vulnerable Groups • Associations of vulnerable groups are identified and provided with support • The rights of vulnerable groups are promoted and protected by passing and enforcing appropriate legislation • Specialized child protection services in social welfare, police and justice sectors are strengthened • Discrimination against disabled and ethnic minority children is addressed • The activities of ministries and services intervening in social protection are harmonized and a reformed Inter-ministerial Committee for the protection of vulnerable groups is revived | <ul style="list-style-type: none"> • The national social protection strategy is updated and ad-hoc activities aimed at supporting vulnerable groups are identified and implemented by 2008 • A study of mechanisms for identifying and supporting associations of vulnerable groups is conducted by 2007 • Policies for the protection of orphans and other vulnerable children, including the disabled and minorities, are elaborated by 2008 • A national action plan for orphans and vulnerable children is adopted before June 2008 | <ul style="list-style-type: none"> • The strategy for social protection is implemented by 2009 | <ul style="list-style-type: none"> • Percentage of orphans and vulnerable children receiving support from state or donor community <i>15% by 2010 (baseline 3.4%)</i> • Number of at-risk children benefiting from reintegration into a protective family or community <i>10,000 by 2008 (baseline 6,000)</i> • Number of professional social workers per 100,000 population working with police, judiciary and social services • Percentage of primary enrolment for children who are disabled and from indigenous minorities <i>85% by 2010</i> • Percentage of registered sexual violence victims benefiting from appropriate care <i>90% by 2010 (baseline 75%)</i> • Number of children released from armed groups receiving community-based support <i>30,000 by 2010 (baseline 15,000)</i> |
|---|---|---|---|---|

| | | | | |
|--|---|---|--|--|
| <p>2. Highly vulnerable populations benefit from a minimum safety-net</p> | <ul style="list-style-type: none"> • Access to selected packages of free basic social services, including primary school and pharmaceuticals for killer diseases, is increased • A feasibility study on providing cash-transfers to poor households in order to stimulate demand for basic services, increase household income, increase household investment and reduce the risk of deprivation is conducted and appropriate policy recommendations are made • A social protection unit within an appropriate ministry is established to ensure that vulnerable groups benefit more than other groups from the PRSP | <ul style="list-style-type: none"> • A social protection unit is established in an appropriate ministry before June 2008 | <ul style="list-style-type: none"> • An evaluation of socially insecure households is undertaken and recommendations for their support are proposed by 2009 • A social protection index is established by 2009 • The principal indicators for infantile poverty are defined and monitored by 2009 | <ul style="list-style-type: none"> • Percentage of poorest quintile of the population enrolled in primary school <i>85% by 2010</i> • Number of annual per capita visits to outpatient facilities for poorest population quintile • Proportion of assessed number of households experiencing acute livelihood insecurity benefiting from special social protection measures <i>25% by 2010</i> • Percentage increase in the national budget allocated to the social protection sector <i>25% by 2010</i> |
|--|---|---|--|--|

CAF RESULTS MATRIX HIV/AIDS

The strategic objective of this pillar is to prevent the spread of the HIV virus, particularly among high-risk groups

| CAF Outcomes | CAF Outputs | Short Term Activities July 2007-December 2008 (Programme d' Actions Prioritaires) | Medium Term Activities 2009-2012 (to be finalized after the November 2007 Consultative Group) | Selected Indicators |
|---|--|---|--|---|
| 1. HIV/AIDS prevention, particularly for women and youth, is accelerated and scaled up | <ul style="list-style-type: none"> Prevention becomes the highest priority in the national response HIV/AIDS-related services at health facilities are improved including diagnosis, treatment of sexually transmitted diseases and mother-to-child transmission Condoms are universally accessible VCT services are more accessible, particularly in under-served areas A national comprehensive policy for blood transfusion is developed and implemented HIV/AIDS, reproductive health are incorporated into curricula for schools, vocational centers and universities | <ul style="list-style-type: none"> A prevention policy is elaborated and implemented by 2008 A communication policy is formulated and implemented by 2008 A national policy for the distribution of condoms is formulated and implemented by 2007 A national strategy for blood transfusion is finalized and implemented by 2007 The quality of PMTCT services is evaluated and a national protocol is established by 2008 A strategy for incorporating HIV/AIDS and reproductive health in school curricula, training centers and universities is implemented in 50 establishments by 2007 An evaluation of VCT services is undertaken in 2008 A national policy on VCT is elaborated and piloted by 2008 Institutions for providing HIV/AIDS care are identified and operational by 2008 | <ul style="list-style-type: none"> 280 million condoms are distributed by 2010 At least 500 health centers are able to provide PMTCT services, counseling testing and STI care by 2010 At least 100 General Reference Hospitals in Health Zones offer blood transfusion services in accordance with existing protocols by 2010 At least one information and awareness raising campaign on HIV/AIDS, STI and reproductive health is organized by 2009 | <ul style="list-style-type: none"> Percentage of young women and men aged 15-24 who identify ways of preventing the sexual transmission of HIV and reject misconceptions about HIV transmission Percentage of HIV positive pregnant women enrolled in PMTCT activities Percentage of adults aged 15-49 with more than one sexual partner in the past year reporting the use of a condom during their last intercourse Percentage of hospitals providing safe blood transfusion services Percentage increase in the number cases of STI treated among persons aged 15-49 Percentage change in HIV/AIDS prevalence rate among women Percentage change in HIV/AIDS prevalence rate among young people Percentage increase in the number of people accessing counseling and testing in a VCT center |
| 2. Progressive steps are taken towards the provision of universal access to free HIV/AIDS treatment and care | <ul style="list-style-type: none"> Coverage of HIV/AIDS treatment services is expanded A sustainable financing strategy for providing free ART is developed Procurement and distribution mechanisms for ART are streamlined and strengthened | <ul style="list-style-type: none"> A sustainable financing strategy for providing ART is elaborated and implemented by 2007 A policy for the treatment of PLWHA is elaborated and implemented in accordance with international norms in 2007 At least 20,000 PLWHA including those already under treatment receive care by 2008 | <ul style="list-style-type: none"> 2,512 health professionals are trained on treatment and care by 2010 At least 100 laboratories are equipped with HIV testing equipment by 2010 At least 500 health centers are able to provide quality treatment for an additional 20,000 PLWHA by 2010 | <ul style="list-style-type: none"> Percentage increase in the number of PLWHA receiving ARTs Percentage of opportunistic infections treated in line with national standards Percentage of eligible people seen at clinics or enrolled in HIV/AIDS programmes Percentage increase in the number of health centers providing diagnosis and treatment of HIV/AIDS Percentage increase in the number of referral centers responding to HIV/AIDS-related complications |

| | | | | |
|--|---|---|---|--|
| | | | | <ul style="list-style-type: none"> Percentage increase in the number of Tuberculosis clinics providing HIV/AIDS services including care and treatment services |
| 3. The negative impact of HIV/AIDS on PLWHAs and their families is mitigated | <ul style="list-style-type: none"> Protection of PLWHAs and their families, as well as victims of sexual violence, become key priorities in the national response to HIV/AIDS Actions to minimize stigmatization and discrimination against PLWHAs, including orphans and children, are intensified Partnerships with the private sector, including mining and parastatal companies are launched | <ul style="list-style-type: none"> Anti-discrimination legislation protecting PLWHA is promulgated by 2007 A strategy to support orphans and vulnerable children is elaborated and applied by 2007 An strategy to provide psychosocial care for PLWHA is elaborated and implemented by 2007 A network of legal clinics for PLWHA and victims of sexual violence is established by 2008 A national network of associations for PLWHA is operational in 2008 A multi-sectoral plan against stigmatization and discrimination of PLWHAs is finalized and implemented by 2008 | <ul style="list-style-type: none"> 1,100 community initiatives for PLWHA are supported by 2010 Partnerships with the private sector focused on prevention, protection and job opportunities are developed by 2009 At least 100 legal clinics are established and operational by 2010 At least 75 per cent of the <i>Association Nationale des Entreprises du Congo</i> (ANEP) and FEC members have adopted policies and programmes on HIV/AIDS in the workplace by 2010 | <ul style="list-style-type: none"> Percentage of population aged 10–70 with positive attitudes towards PLWHAs Number of PLWHAs and affected people supported through community based organizations Number of HIV/AIDS orphans and vulnerable children attending primary and secondary school Percentage increase in the number of PLWHAs and their families receiving nutritional support Percentage increase in the number of PLWHAs engaged in income-generating activities Percentage increase in the number of HIV/AIDS orphans and vulnerable children receiving economic support |
| 4. A common strategic vision, with improved coordination and funding mechanisms, is defined and implemented | <ul style="list-style-type: none"> The strategic management of HIV/AIDS activities complies with the “3 ones” principles of one coordination body, one strategic national framework and one monitoring and evaluation framework A national mechanism for coordinating HIV/AIDS response, planning, research, monitoring and evaluation is established HIV/AIDS policies and actions are coordinated with other sectors and mainstreamed into on-going health activities HIV/AIDS actions receive additional resources | <ul style="list-style-type: none"> A national roadmap for combating HIV/AIDS is elaborated by 2007 A strategic sectoral policy for combating HIV/AIDS is elaborated by 2008 Strategic sectoral policies are elaborated and implemented by 2008 An institutional framework for the management and coordination of the fight against HIV/AIDS compliant with the “3 ones” is adopted and applied by 2008 A national report on the current status of the epidemic is elaborated and published in 2008 Alignment and harmonization are reviewed in all provinces by 2008 A resource mobilization plan is elaborated by 2008 A database for tracking financing and expenses related to HIV/AIDS is established by 2008 | <ul style="list-style-type: none"> A survey of the national composite policy index is undertaken by 2010 A joint review of the national response is undertaken each year from 2009 | <ul style="list-style-type: none"> Percentage increase in the amount of state funding for HIV/AIDS activities Percentage increase in the number of donors and NGOs aligned with the national framework Percentage of financial needs to fight HIV/AIDS met Percentage increase in the number of minimal ART stocks in public health facilities |

CAF RESULTS MATRIX COMMUNITY DYNAMICS

The strategic objectives of this pillar are to stabilise highly volatile communities and increase the effectiveness of poverty-reduction programmes

| CAF Outcomes | CAF Outputs | Short Term Activities July 2007-December 2008 (Programme d' Actions Prioritaires) | Medium Term Activities 2009-2012 (to be finalized after the November 2007 Consultative Group) | Selected Indicators |
|--|--|--|--|--|
| <p>1. The capacity of state institutions and community-based organizations to deliver basic services at the local level is increased and Area-Based Recovery programmes are piloted in selected communities</p> | <ul style="list-style-type: none"> The capacity of local authorities to manage budgets and regulate the provision of basic social services is strengthened Strategic partnerships between civil society and local authorities are promoted Legal frameworks for Local Development Funds including measures for ensuring financial accountability are established Local Development Funds are established in pilot communities The capacity of local organizations, including NGOs, youth groups, faith-based organizations, women's associations, media, educational groups, peace and human rights networks, in priority-setting, project design, procurement, implementation and monitoring and evaluation is strengthened The capacity of civil society organizations in protection, early warning, advocacy, information, social cohesion, facilitation and service delivery is strengthened | <ul style="list-style-type: none"> Local Development Committees are established in high-risk areas by 2007 Local Development Plans are elaborated in high-risk areas by 2007 Local Development Funds are established in high-risk areas by 2007 | <ul style="list-style-type: none"> Local Development Committees are operational in high risk areas by 2008 Local Development Plans are implemented in high risk areas by 2008 Local Development Funds are operational in high risk areas by 2008 Members of community networks and organizations in high risk areas are trained on participatory local planning and project management by 2008 | <ul style="list-style-type: none"> Number of Local Development Committees established in high-risk areas <i>80 by 2009</i> Number of Local Development Plans elaborated in high-risk areas Number of Local Development Funds established in high-risk areas |
| <p>2. Job and livelihood opportunities are increased</p> | <ul style="list-style-type: none"> Existing livelihood opportunities and resources are mapped Revolving micro-credit and grant schemes for women, youth and other vulnerable groups are established The capacity and financial status of cooperatives and producers associations is strengthened The technical and vocational skills of women and youth are strengthened | <ul style="list-style-type: none"> Income generation projects for women, youth and other vulnerable groups are launched in high-risk areas by 2007 Training on management of income-generating projects is provided to women, youth and other vulnerable groups in high-risk areas by 2008 A law on cooperatives and producer associations is revised in 2008 | <ul style="list-style-type: none"> Decrees for implementing the law on cooperatives are disseminated by 2009 Cooperatives and producer associations are established by 2009 Professional and technical training programmes for women, youth and other vulnerable groups are implemented by 2009 | <ul style="list-style-type: none"> Number of socio-economic surveys carried out in xxx number of provinces Number of digital maps produced in xxx number of provinces Number of women trained in management techniques for income-generating projects Number of youth trained in management techniques for income-generating projects Number of cooperatives and associations established |

| | | | | |
|--|--|---|---|--|
| <p>3. Public infrastructures are rehabilitated in selected communities</p> | <ul style="list-style-type: none"> Local authorities use labor-based methods for local reconstruction initiatives Secondary and feeder roads are rehabilitated using labor-based methods Welfare and recreational infrastructure is rehabilitated using labor-based methods Market centers and traditional supply sources are rehabilitated using labor-based methods The capacity of local authorities to oversee programme and use transparent procurement procedures is strengthened | <ul style="list-style-type: none"> A <i>Cellule Haute Intensité de Main-d'Oeuvre</i> (HIMO) is established to support high-risk areas by 2007 Rural roads in high-risk areas are rehabilitated through HIMO programmes by 2007 Social protection centers are rehabilitated through HIMO programmes by 2007 Training is provided to local authorities on HIMO, oversight and procurement by 2007 | | <ul style="list-style-type: none"> Number of km of secondary and feeder roads rehabilitated through HIMO Number of welfare infrastructures rehabilitated through HIMO Number of local officials trained on oversight and procurement procedures |
| <p>4. Local security is improved and reconciliation is promoted</p> | <ul style="list-style-type: none"> Mechanisms for dialogue and conflict resolution between civilians, police and military authorities are utilized Small arms are reduced through community development initiatives A national mine action management body is established Women's protection networks are established and selected individuals receive training on rape-victim counseling A network of safe-houses for the victims of family and sexual violence is developed Local peace-building groups and reconciliation and mediation mechanisms including <i>Initiatives Locaux de Paix</i> and <i>Comites Locaux de Paix</i> are established The land registration authority and land conflict arbitration mechanisms are strengthened | <ul style="list-style-type: none"> Community dispute resolution systems are established by 2007 Safe houses for women are established by 2007 Women's networks in high-risk areas are trained to counsel rape victims by 2007 Training on land conflict resolution is provided to authorities in high-risk areas by 2008 Programmes for reducing small arms are elaborated by 2007 | <ul style="list-style-type: none"> A national structure for the management of mine action is established by 2009 Training is provided to local authorities and community leaders on mine action by 2009 Programmes for reducing small arms are implemented by 2009 | <ul style="list-style-type: none"> Percentage decrease in the number of victims of mine explosions Percentage decrease in the number of violent incidents at the community level |
| <p>5. Communities participate effectively in poverty reduction programmes</p> | <ul style="list-style-type: none"> The legal status and rights of community based organizations are clarified Bureaucratic procedures that impede genuine community participation are eliminated | <ul style="list-style-type: none"> A law on community based organizations is elaborated by 2007 The bureaucratic procedures that impede community participation are identified by 2007 | <ul style="list-style-type: none"> The law on community organizations is promulgated and applied by 2009 | <ul style="list-style-type: none"> Percentage increase in the number of communities benefiting from national programmes Number of community based organizations registered, recognized and receiving support from the Government |