

**FOR  
AGENDA**

EBD/10/41

June 16, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Democratic Republic of the Congo—Poverty Reduction Strategy Paper—  
Progress Report—Joint Staff Advisory Note**

Attached for consideration by the Executive Directors is the advisory note, prepared jointly by the staffs of the Fund and the International Development Association, on the poverty reduction strategy paper progress report for the Democratic Republic of the Congo. This paper and the poverty reduction strategy paper progress report (EBD/10/40, 6/16/10), together with the paper on the completion point document for the Democratic Republic of the Congo under the enhanced Initiative for Heavily Indebted Poor Countries and the Multilateral Debt Relief Initiative (EBS/10/121, 6/16/10), are tentatively scheduled for discussion on **Wednesday, June 30, 2010**. Unless an objection from the authorities of the Democratic Republic of the Congo is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Ames (ext. 34076), Mr. Farah (ext. 34526), and Ms. Bovha Padilla (ext. 38917) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, June 24, 2010; and to the African Development Bank, the Common Market for Eastern and Southern Africa, the European Commission, the Food and Agriculture Organization, and the United Nations Development Programme, following its consideration by the Executive Board.

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THE INTERNATIONAL MONETARY FUND AND  
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

DEMOCRATIC REPUBLIC OF THE CONGO

**Joint Staff Advisory Note on the  
Progress Report of the Poverty Reduction and Growth Strategy Paper**

Prepared by the Staffs of the International Monetary Fund (IMF) and  
the International Development Association (IDA)

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June 15, 2010

**I. OVERVIEW**

1. **This Joint Staff Advisory Note (JSAN) reviews the April 2010 Progress Report (PR) of the Poverty Reduction and Growth Strategy (PRGS) of the Democratic Republic of Congo (DRC).** The DRC authorities completed their first full PRGS in July 2006 covering the period 2006–08, which was discussed by the Boards of Executive Directors of the IMF and World Bank, respectively, in May and September 2007. The newly elected government confirmed its commitment to the strategy after taking office in April 2007 and prepared a priority action plan (PAP) for July 2007–December 2008 to guide the implementation of the PRGS. A government review of the PRGS over the period April 2007–December 2008 concluded that implementation needed to be strengthened if its objectives were to be achieved. In particular, budgetary spending needed to be better aligned with government priorities and the efficiency of government interventions needed to be enhanced. The authorities therefore decided to extend the implementation period of the first PRGS to end-2010 in order to assure sufficient time to achieve its objectives and to prepare a second generation PRGS.

2. **DRC's first full PRGS underpinned the authorities' economic policy during a particularly challenging transitional period.** A new constitution was adopted in 2005 and the first democratic elections in 40 years took place in 2006. The policies and reforms under the PRGS have been supported by the international community. However, as noted in the PR, implementation of these policies was complicated by the absence of a formal International Monetary Fund (IMF) program, reflecting the difficulty of implementing macroeconomic policies during a period of instability and rapidly evolving institutional changes.

3. **The PR notes the difficulty of implementing the PRGS in a rapidly evolving institutional environment.** The 2006 Constitution assigns a key role to the provincial authorities in the delivery of health, education and agricultural services (i.e., fiscal decentralization). Over the period of analysis, the devolution of services has been uneven across provinces due to varying degrees of institutional capacity. Resources at the disposal of the provincial authorities are gradually increasing and amounted to some 2 percent of GDP in 2009, excluding the provincial civil servants paid directly by the central government. Staffs suggest that in this context it is increasingly important to focus on strengthening public finance management and the delivery of priority social services at the provincial level.

4. **This JSAN reviews the PR and provides the staffs' advice on implementation and improvements in the period ahead.** Section II reviews available data on the poverty diagnostic, Section III reports on the authorities' strategy and Section IV on the implementation of the strategy. Monitoring and evaluation is discussed in Section V. Section VI provides conclusions and policy recommendations.

## II. POVERTY DIAGNOSTICS

5. **The PRGS 2006–10 presents a sound basis for strengthening and diversifying the economy and reducing poverty.** The strategy derives much of its strength from its broad-based participatory preparation process, which involved a series of consultations with stakeholders in different provinces of the country. Surveys were undertaken countrywide and extensive grassroots consultations were held in order to reflect the reality on the ground and the views of stakeholders in the design and implementation of the strategy.

6. **Despite efforts to strengthen the capacity of the National Statistical Institute (Institute National de Statistique, (INS)), monitoring poverty remains a challenge.** Statistical information on the causality and distribution of poverty is based on the most recent poverty assessment published in 2006, which drew on the 1–2–3 survey completed in 2005. It shows that over 71 percent of Congolese households live below the poverty line. Given the evolution of the development situation since the launch of the PRGS and PAP in 2006 and 2007, staffs encourage the Government to update and strengthen poverty monitoring by conducting a new household survey. This should be supported by an increased effort to analyze the data that have been collected in smaller surveys. Staffs note that beyond the current focus on economic

growth, the next-generation PRGS could explicitly recognize government strategies to reduce vulnerability and ensure inclusive growth.

### III. IMPLEMENTATION PROGRESS AND REFORM PERSPECTIVES

#### A. Good Governance and Consolidation of Peace through Strengthened Institutions

7. **The DRC government has undertaken structural and administrative reforms to improve governance and implement the decentralization agenda outlined in the 2006 Constitution.** Progress on decentralization includes the adoption of a law on the administration of the provinces (*Loi sur la Libre Administration des Provinces*) and increased involvement of provincial authorities in the central government's decision making processes. Although the roles of the central and provincial governments have been clearly defined, implementation has been slow in the context of weak provincial institutions. Staffs welcome the Government's efforts to undertake a census of civil servants, enforce mandatory retirement, implement payroll system reform and review the legal framework of the public administration.

8. **The PRGS identifies security sector reforms as a fundamental priority for consolidating peace and development.** These reforms in the military, police and justice sectors are particularly relevant in addressing the conflict in the eastern provinces. The staffs note some progress such as the establishment of two committees for police and justice reform (*Comité du Suivi de la Réforme de la Police*, established in 2007 and *Comité Mixte de la Justice*, established in 2004). First steps toward better human resource management in the national army included the carrying out a successful biometric census that identified and eliminated 'ghost workers' and then allowed an increase in salaries. Given the unstable situation, security sector reforms need to continue, including addressing gender-based violence. To this end, staffs encourage the authorities to promptly adopt the organic and general status laws for both police and military that have been under consideration by Parliament since 2007 and 2009 and that are aimed at improving the human right situation.

9. **Despite the authorities' efforts to date, poor accountability and transparency remain fundamental problems.** Staffs note that a perceived or real lack of public accountability undermines support for the government's actions. Government is seen as detached in many parts of the country, and the security services are often mistrusted. Staffs urge the authorities to further enhance the use of social accountability mechanisms in public service delivery so as to give greater voice to recipients and improve the quality of services. The 2010 user survey provides useful information to formulate future actions in this area.

#### B. Macroeconomic Performance

10. **Macroeconomic management improved significantly under very difficult circumstances.** As the PR highlights, the global financial crisis and conflict in the eastern provinces weakened macroeconomic performance and complicated the implementation of macroeconomic policies. Steep declines in export prices and the slowdown in external demand

due to the global financial crisis curbed economic growth from 6.2 percent in 2008 to 2.8 percent in 2009. Meanwhile, inflation, which averaged 14.5 percent in 2003–08, rose to over 100 percent in April 2009 (on annualized basis) following a sharp depreciation of the franc against U.S. dollar in response to the sharp drop in export receipts and an uptick in central bank credit provided to the government in late 2008 to finance security related spending. Inflation has subsequently declined to 15 percent at end April 2010, reflecting prudent monetary and fiscal policies. Official reserves rose to the equivalent of seven weeks of imports by end-2009, up from one week at end 2008, buoyed by official balance of payments support, most notably the general and special SDR allocations.

11. **Macroeconomic policy implementation was broadly satisfactory.** Progress made on fiscal reforms bolstered the resilience of revenue in the wake of the global financial crisis. Central government revenue increased from 7.7 percent of GDP in 2003 to about 16 percent in 2009. Efforts made to contain spending—notably through improved management of commitments and enhanced monitoring—also helped limit the impact of the marked slowdown in economic activity on the fiscal deficit. Although the implementation of monetary policy was complicated by difficulties in liquidity forecasting during 2009, these weaknesses have been subsequently addressed. This, together with increases in the central bank policy rate and the mopping up of excess liquidity, helped to contain excessive monetary growth. Policy implementation during the first half of 2010 was broadly satisfactory and program objectives and targets for end-June are likely to be achieved.

12. **Staffs consider the medium-term macroeconomic framework outlined in the PR, which is consistent with that of the Extended Credit Facility (ECF)-supported program, appropriate, but emphasize that consistent implementation of prudent macroeconomic policies are needed in order to enhance macroeconomic stability.** The over-riding objective of fiscal policy is to avoid the recourse to borrowing from the central bank. This is to be supported by measures to mobilize fiscal revenues—notably through ambitious reforms in tax and customs administration—along with prudent expenditure management. Additional reforms are needed to further improve fiscal discipline. In particular, a key objective is to strengthen the budget planning and execution process, by ensuring consistency between budget plans, spending commitments, and payments. Expediting ongoing reforms to recapitalize the central bank and enhance its independence will be critical for improving the overall effectiveness of monetary policy.

13. **The DRC made significant progress in strengthening public finance, but more actions are needed.** The authorities established and strengthened the Large Taxpayers Unit at the income tax department, through computerization and improved collection procedures. Revenues could be further strengthened by rationalizing nuisance taxes, and strengthening revenue collection from the mining sector. On customs administration, a one-stop window was established at two key border posts and import valuation was strengthened. Unfortunately, the impact of these measures was tempered by continued parallel processing of paperwork. Staffs encourage the authorities to improve trade facilitation to reduce both the transit period at border

and the cost involved. On Public Financial Management (PFM), the government established transparent procedures for payments of urgent spending requests and advanced the modernization of the legal and regulatory framework of the PFM system. They also designed and adopted a medium term PFM reform strategy plan. Recently, the authorities adopted a modern procurement law and began to establish the relevant institutions. Staffs note that further efforts will be needed to improve the consistency between the commitment, treasury, and foreign exchange budget plans and to effectively implement decentralization. More generally, a medium-term expenditure framework in combination with regular budget execution reports could help empower line ministries.

14. **Although not covered in the PR, reforms in the financial sector are advancing albeit at a slow pace.** On central bank reforms, the Central Bank (Banque Centrale du Congo (BCC)) was restructured and reorganized as the first step toward recapitalization and financial independence. Banking supervision is also being reinforced, as is the central bank's capacity to conduct monetary policy. Nevertheless, several weaknesses in terms of supervisory practice need to be addressed, including: (i) regulation on the classification and provisioning of non-performing loans; (ii) off-site supervision in terms of introducing and implementing early warning system models; and (iii) on-site examination, in particular with regard to an in-depth analysis of loan files. Staffs encourage the authorities to strengthen the central bank's banking supervision capacity in order to allow it to respond in a timely manner to deal with financial sector stability issues in close coordination with the Ministry of Finance.

15. **Debt sustainability will require adherence to prudent debt management policies.** In this regard, Congolese authorities carefully managed the negotiation of a Sino-Congolese Cooperation agreement (SCCA) that was amended to ensure long-term debt sustainability after debt relief. Given the important opportunity provided by the exchange of natural resources for infrastructure investment and the need for the DRC to reap the full benefit of such an exchange, there is a need for strengthening government planning in selecting investments with high growth impact and ensuring long-term funding for maintenance out of the recurrent budget.

16. **Debt management has improved substantially, particularly with respect to recording and reporting of debt data.** The government has taken measures to centralize all debt data in a single center, under the purview of its Debt Management Agency (Direction Générale de la Dette Publique (DGDP)). The agency has activated a computerized debt-recording system, which is capable of recording loan disbursements and service payments made, as well as generating monthly debt service projections. While there has been substantial progress, further measures are needed to strengthen debt management practices including: (i) building technical capacity and acquiring the equipment required to address the significant operational risk that may affect DRC capacity to meet its obligations on a timely basis; (ii) ensuring the maintenance of a debt database that is accurate and up to date by improving processes and inter-agency coordination of debt data flows; and (iii) the approval of an official debt management manual.

### C. Economic Diversification and Private Sector Development

17. **The PR assesses the progress towards alleviating the key constraints to growth in the priority sectors.** Staffs welcome the authorities' emphasis on a better business climate, including by joining the Organization for the Harmonization of Business Law in Africa (l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)), and their efforts to improve the DRC's ranking on the "Doing Business" indicators. To be far-reaching, these reforms would also need to involve the reform of state-owned enterprises and agencies, including addressing the entities' large social liabilities, such as wage arrears and payment of indemnities upon retirement. The implementation of these reforms is critical for alleviating growth bottlenecks.

18. **The PR identifies the key obstacles to agricultural growth—infrastructure, inputs, technology, and access to capital.** Staffs agree with this diagnosis and commend the authorities' recent progress in expanding infrastructure, notably integrated transport networks. In this regard, it is particularly welcome that the authorities were able to construct/rehabilitate almost twice the length of rural roads as planned (see PR Table 1: page 35). To facilitate moving up the agricultural value chain, market failures in rural finance need to be addressed, especially with regard to access to capital. The authorities should also consider facilitating trade by allowing cross-border supply of key inputs and services and improving access to markets.

19. **Staffs welcome the Government's adoption of an agriculture sector strategy since it is a key sector for growth and poverty alleviation.** This new strategy provides a clear vision, namely by (i) improving marketing efficiency; (ii) enhancing productivity of traditional, smallholder-based agriculture; (iii) re-capitalizing agricultural and livestock production sector through farm investments; and (iv) providing decentralized and de-concentrated support services to a broad range of community-led initiatives. Despite enormous potential, the agricultural sector's contribution to GDP declined dramatically between 1990 and 2001 and, as a result, the sector is in drastic need of additional resources and investment as outlined in the strategy.

20. **Closer coordination between the different ministries involved in rural development, and the central and decentralized levels would improve the effectiveness of government interventions for growth and poverty reduction in rural areas.** Staffs encourage the authorities to work on a harmonized strategy for agriculture and rural development at the lower levels of the public administration, in addition to the ministerial level strategies for agriculture and rural development. This strategy would provide a strong basis for improved donor coordination. Furthermore, to allow for better targeting of priorities and better orientation of public services to poor communities, the decentralization of decision making processes needs to be pursued, including budget execution in the agriculture and rural development sector.

21. **Staffs agree with the role for forests and forest products in economic growth, but encourage the authorities to improve the appropriation and fair division of fiscal revenues from these activities with provinces and territories, as mandated by law.** The policy and legal framework for sustainable forest management improved significantly over the period under



review. The rights of local communities and indigenous people living in or close to the forest concessions were also strengthened. Staffs advise that it is important that the rural poor benefit from improved forest management, such as through tax receipts from forest concessions and the establishment of social infrastructure (schools, health care, and farm-to-market roads) by concessionaires. Staffs appreciate the progress in tax reporting by forest companies, but emphasize the need for better control of illegal exports of “informal” sawnwood. DRC is at the forefront of climate change mitigation and has a formally approved “Readiness Plan” for Reducing Emissions from Deforestation and Forest Degradation in Developing Countries “REDD”. An implementation program is expected to be endorsed by the next Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change.

22. **Staffs agree with the PR’s assessment that governance in the mining sector is crucial to attract foreign investors, but are concerned about the application of this principle.** The PR reference to the government’s commitment to obtain validation in the Extractive Industry Transparency Initiative (EITI) and its efforts to develop a strategy using the EITI++ framework to improve the management of the sector is welcome. More broadly, staffs note that DRC is severely constrained in attracting investors due to poor governance. To broaden the pool of investors beyond those willing to take high risks against high returns, government would need to strengthen governance and ensure contract stability in this sector.

23. **The PR is optimistic about the role for industrial development in economic growth and poverty alleviation.** Staffs agree that such development would over time contribute to growth and employment. However, in the immediate future other sectors, such as agriculture, mining, construction and trade, are more likely to make a significant contribution to growth.

24. **The PR stresses the potential benefit of electricity, transport, telecom and other infrastructure sectors for economic growth and poverty alleviation.** The lack of infrastructure is a major constraint to growth and the key principles identified in the PR for strengthening economic growth in this sector are reasonable. However, severe institutional and governance capacity constraints complicate the application of these principles. The report correctly notes the need for significant investments in this sector, but could also have mentioned the need for greater focus on maintenance to avoid neutralizing the positive impact of investment. The macroeconomic analysis above underscored the lack of government resources for such investment, and hence the need to attract private capital. The authorities may want to explore more actively alternative institutional arrangements, including public private partnerships, that will allow the private sector the security to contribute to building and maintaining the required infrastructure.

#### **D. Provision of Social Services and Reduction in Vulnerability**

25. **The PR highlights progress in the delivery of social services, giving due credit to the role of development partners.** The coordination with development partners has improved following the adoption of the Kinshasa Agenda with an improvement in the thematic groups used

to organize dialogue and policy harmonization in various sectors. Staffs note that the authorities may want to make active use of the medium-term expenditure framework that was developed in close cooperation with the Ministries of Health, Education and Agriculture to further improve the effectiveness of the various sources of financing (budget, households and development partners). More broadly, staffs would like to encourage the government to take greater leadership in the implementation of the Kinshasa Agenda, with greater involvement of the line ministries.

**26. The PR notes the persistence of wide disparities in the quality of service delivery between provinces.** This is an issue which may be accentuated by decentralization of government services which is moving ahead in health, education and agricultural services. Staffs recommend that this issue should be addressed explicitly in the second generation PRGS.

### **E. Education**

**27. The PR rightly notes the successful increase in access to basic education.** While data issues prevent a precise assessment, various factors indicate that schooling opportunities for Congolese youth increased during recent years. Data suggest that total enrollment (primary-higher education) increased from 12 million in 2006/07 to 13 million in 2007/08. This increase is corroborated by field visits. Medium-term expenditure estimates for 2006–09 show an increase in public resources for education and important financial contributions by local communities and parents. The rising demand for education led to the establishment of schools by communities (under sponsorship of religious organizations) and the recruitment of community teachers, about 40,000 of which the government agreed to migrate to the civil service payroll to reduce the burden on communities. Staffs support this policy in principle but encourage the authorities to implement it in a transparent manner based on a civil service survey and objective criteria.

**28. The PR refers to the critical inputs that have been provided to students and are expected to improve their learning experience.** More than 21 million textbooks (Mathematics and French) and teaching guides were distributed to all primary schools (public and private). Similarly, greater attention was paid to the provision of in-service training and teacher supervision activities, although these remained broadly insufficient and of low quality. While results of a recent beneficiary survey carried out by the Government showed that the majority of people expressed generally a positive view on the education quality, student achievement assessments underscored that acquired competencies were relatively low and that the pertinence of qualification remained an issue.

**29. The PR could have discussed in more detail the expansion of primary and secondary education.** The Government has made strong efforts to progressively develop an integrated strategy for these activities, aiming to ensure a balanced and sustainable expansion of the sector in the long run. As a first step, a basic Education Strategy, along with the priority action plan, was adopted by the Government in March 2010. This strategy focuses on three objectives: (i) improving access and retention in basic education; (ii) improving the quality and the pertinence of basic education; and (iii) strengthening the management and governance of the

system. Staffs endorse the objectives of this strategy but—in view of the limited financial resources and the organizational and logistical challenges—caution against a hasty implementation of a free primary school policy.

## F. Health

30. **The PR surveys the significant progress that has been made with regard to some key health indicators such as infant and under-five mortality.** Maternal mortality is difficult to assess, but the trends suggest improvements in maternal health. This progress may be attributed to significant gains in coverage with long-lasting impregnated bed nets, better performance of the national immunization program and improvements in access to essential drugs in public facilities.

31. **The PR highlights that access to medical supplies and qualified medical personnel remains problematic.** Provincial and district staffs with managerial responsibilities are now better equipped to steer the provision of health services, and tools to assist with decentralized planning have been developed and disseminated. However, vaccination coverage remains incomplete and is sometimes affected by recurrent shortages. Significant progress has been achieved with regard to the procurement and distribution of pharmaceuticals, although the sector remains very fragmented. The number of health staffs has steadily increased, but remains poorly distributed and imbalances persist between Kinshasa and other urban centers and the rest of the country. Staffs welcome that the authorities aim to address these challenges through the implementation of a revised national health strategy that could build on the positive experience with the mass distribution of bed nets in Kinshasa and other provinces.

32. **The authorities have revised their national health strategy based on analytical work and a consultative process.** The consultative process involved representatives of civil society, donors as well as provincial, districts and health zones staff. Staffs welcome the new strategy but note that important questions remain about the management of the health work force, the needs to continue building up capacities at the peripheral level, and the lack of investments in primary care facilities. Staffs also note that the financing of the sector is strongly regressive and largely funded by household out of pocket expenditures and donor support.

## G. Combat HIV/AIDS

33. **The PR reports that the implementation of the national strategy on HIV/AIDS is making real, but slow, progress.** Blood transfusion is gradually becoming safer and there has been significant progress with regard to dissemination of messages and community mobilization. However, capacity on the ground to expand voluntary testing and counseling remains limited and less than 10 percent of eligible patients receive anti-retroviral drugs. Staffs welcome the ongoing efforts to build up the required capacity to provide HIV services at the community level. This requires extensive staff training, development of functioning supply chains for ARVs, and provision of adequate laboratory services.

## H. Promote Community Dynamics

34. **The scarce mention of promotion of Community Dynamics in the PR demonstrates the limited progress in this area.** Community dynamics must be taken into account as a cross-cutting issue in the development of the full spectrum of activities. Staffs encourage the DRC authorities to promote local and community driven activities and develop tools to engage communities in their development endeavors. Staffs welcome the DRC government's initiative to set up a committee for civil society capacity building, and congratulates the government on the organization of national and provincial consultations over 2008–09. Staffs recommend further efforts to strengthen the empowerment of civil society, particularly in governance, economic activities (such as agriculture) and in social sectors (particularly health, HIV/AIDS and education).

## IV. MONITORING AND EVALUATION

35. **The PR highlights the continued lack of data to assess the impact of economic policies.** Staffs concur that it is a challenge to obtain accurate information on economic developments, in general, and poverty indicators in particular. In the absence of a framework for data sharing among agencies, ministries and donors, publication and effective dissemination of information remains elusive. Given the apparent weakness in the statistical foundation for policy analysis, the staffs encourage the authorities and donors to request the INS to coordinate the formulation and implementation of a data collection and dissemination strategy to underpin the monitoring and evaluation of the PRGS.

36. **Implementation and monitoring mechanisms for the PRGS exist, but need to be reviewed and interventions should be budgeted as advised in the 2007 JSAN.** Staffs welcome the rationalization of the thematic groups and sub-groups from 45 to 19 but note that the authorities could further reduce the heaviness of the mechanisms themselves and clarify tasks and responsibilities. Staffs encourage the Government to push for a more pro-active role of sector ministries and inter-ministerial monitoring by the Committee to Monitor Pro-poor Spending (*Comité de Suivi des Dépenses Pro-pauvres*). Also, despite the existence of inter-ministerial monitoring mechanisms such as Monitoring Unit for Implementation of the PRGS (Unité de Pilotage du Processus du Document de la Stratégie pour la Réduction de la Pauvreté (DSRP), (UPPE)) and the Technical Committee for Reform Progress (le Comité Technique de suivi des Réformes (CTR)), staffs note the general lack of a structured evaluation system within the Government, which hampered an appropriate evaluation of PAP 2008. Staffs recommend that the Government, and in particular the Ministry of Planning, reinforce evaluation capacities and budgeting of poverty alleviation initiatives.

## V. CONCLUSIONS AND ISSUES FOR DISCUSSION

37. **Developments during recent years, and in particular the last year, demonstrate the DRC's capacity for growth and poverty alleviation if the right incentives are provided.** Such incentives involve security and a manageable business environment that allows investors to

enjoy the fruits of their investments. This applies not only to physical investment in all sectors but also to investment in human capital. The DRC population at every income level has demonstrated their willingness to make large financial sacrifices to ensure that their needs for health and education are addressed. This capacity to take a long-term view on investment provides confidence that the DRC will move towards sustainable growth with poverty alleviation once security and governance issues are adequately addressed.

38. **Developments during the last year also indicate the authorities' commitment to address the key issues, even in the face of significant political challenges.** The establishment of peace with Rwanda provides the prospect for reinvigorated regional integration in the Great Lakes Region as an engine for growth for all partners. The renegotiation of the SCCA is another example where the DRC authorities took a difficult decision that will contribute to moving towards a sustainable external debt situation. Staffs note that cooperation with all international partners will help the authorities mobilize the massive development financing needs. Such cooperation may also help to spread the benefits of natural resources across the country and address the spatial distribution of poverty and exclusion.

39. **The authorities' response to short-term concerns builds on a compelling vision of long-term development.** The authorities remain committed to a long-term vision of decentralization of public services, especially in education, health and agriculture, as demonstrated by the recent efforts taken towards the use a medium-term expenditure framework (MTEF) for the preparation of the next generation PRGS. Staffs note the impressive progress realized since the 2002 peace agreements and applaud the authorities' continued commitment to economic reforms, democratic elections, decentralization and vigorous implementation of the Kinshasa Agenda that sets the stage for continued coordination with all donors. Going forward the authorities will have to (i) find the right pace to pursue the decentralization agenda, (ii) selectively engage in structural reforms to boost economic development, including modernizing public administration, restoring competitiveness of essential utility and transport services, improving the business environment and (iii) implement an incremental infrastructure plan in order to get out the vicious circle of conflict and enter into a virtuous cycle of development with a view moving of toward inclusive growth. This vision is not without risk, but it offers the best hope to address over time the underlying grievances of the conflict that has allowed a lack of security—in particular for women—to foster.

40. **In considering the PR, staffs would like to consult Executive Directors' views on whether they agree with this JSAN, in particular as regards:** (i) their views of PRGS implementation during the past 12-months July 2009–June 2010, and (ii) suggestions on priority measures for further refining the PRGS and strengthening its implementation.