

**FOR
AGENDA**

EBD/10/41
Correction 1

June 30, 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**

The attached corrections to EBD/10/41 (6/16/10) have been provided by the staff:

Typographical Errors

Page 2, paragraph 4, lines 3 to 5:

for “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”

read “Section II reviews available data on the poverty diagnostic, and Section III reports on the authorities’ implementation of their strategy and reform perspectives. Monitoring and evaluation is discussed in Section IV. Section V provides conclusions and policy recommendations.”

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

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

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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and
Obiageli K. Ezekwesili (IDA)

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, and Section III reports on the authorities' implementation of their strategy and reform perspectives. Monitoring and evaluation is discussed in Section IV. Section V 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