

DRC Economic Report

(As of end –February 2010)

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Foreword

This report is part of a series aimed at monitoring economic developments in the Democratic Republic of Congo. The main objective of the reports is to provide regular updates on key economic developments and reform initiatives. They focus on macroeconomic developments and key structural reforms that have both significant short and medium term impacts. This report presents a broad overview of DRC macroeconomic developments in 2009 (and through February 2010) compared with 2008.

It is our hope that these reports will provide a valuable addition to other economic reporting on the country.

Comments on the content of this report series are welcome.

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Highlights

- The security situation in the East improved considerably in 2009 compared to 2008, in response to the Government efforts with support from the international community including the United Nations peace keeping mission (MONUC), and in collaboration with the involved nearby countries, in particular Uganda and Rwanda. However, the peace remains fragile since armed Rwandan rebels living in DRC continue to make up a serious threat for populations.
- On the economic front, in the aftermath of the global financial crisis the GDP growth declined sharply from 6.2 % in 2008 to 2.8 % in 2009 but its impact on the DRC economy during the last quarter of 2008 and deepening in early 2009, abated somewhat in May-June. Economic growth is projected to rise to 5.4 % in 2010 as a result of a recovering mining sector and the development of huge infrastructure projects launched two years ago.
- The monthly consumer inflation fell from 8.3 % in January to -0.7 % in June 2009. However, in July it started rising again due particularly to a money-financed budget deficit during the period, bringing the end-of-period inflation at 53.4 % compared with 27.6 % in 2008 and a 48.7% target set in the economic program of the government. This is the highest inflation rate reached in DRC since 2002.
- Inflationary pressures are expected to decline in 2010 with 15 % of inflation projected, owing to prudent monetary policy and budget discipline observed since the second half of 2009, consisting in budget execution on a cash basis to avoid money creation for financing of Treasury operations.
- Broad money grew by 51 % in 2009 against 56 % in 2008, and its composition remained dominated by deposits in foreign currencies (60 % of the total) in particular the US dollar, reflecting the strong dollarization of the Congolese economy. Net credit to government dropped significantly, and the credit to the private sector decreased as a result of the global financial crisis.
- The Congolese franc depreciated considerably (29 % depreciation) in 2009 where it has been traded at CF 903 for US\$1 in December compared with CF 639/ US\$1 at the end of 2008. In February 2010, the exchange rate reached CF 910/ US\$1.
- The current account deficit before transfers accounted for 24 % of GDP in 2009, almost the same level reached in 2008, compared to 9 % in 2007 due to the decrease of exports revenue and the rising cost of imports.
- Gross international reserves increased from \$US 78 million at the end of 2008 to \$US 1 billion at end-December of 2009 or respectively 1 to 9 weeks of non-aid related imports, following the disbursement of emergency assistance from development partners, the arrival of the first tranche of the Sino-Congolese cooperation agreement signing bonus, and the new SDR allocation from the IMF.
- On December 11, 2009 the Executive Board of the IMF approved a three-year arrangement (July 2009 – June 2012) for the DRC under the Poverty Reduction and Growth Facility (PRGF) program amounted to about US\$ 551 million, as well as additional interim assistance

of about US\$73 million under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative to reduce the DRC's debt service payments to the IMF.

- Satisfactory completion of the first review of this program is a key requirement for the DRC to reach the completion point under the enhanced HIPC Initiative expected in the course of 2010, and to benefit from the Multilateral Debt Relief Initiative (MDRI), which together could result in relief from the vast majority of the country's external debt. Other requirements for the HIPC Completion Point is a year of satisfactory implementation of the government's Poverty Reduction and Growth Strategy and other measures, including on social sectors which were agreed when the country reached its HIPC Decision Point in July 2003. The current status of the HIPC completion point triggers is in the Annex 3.

Recent Political and Social Developments

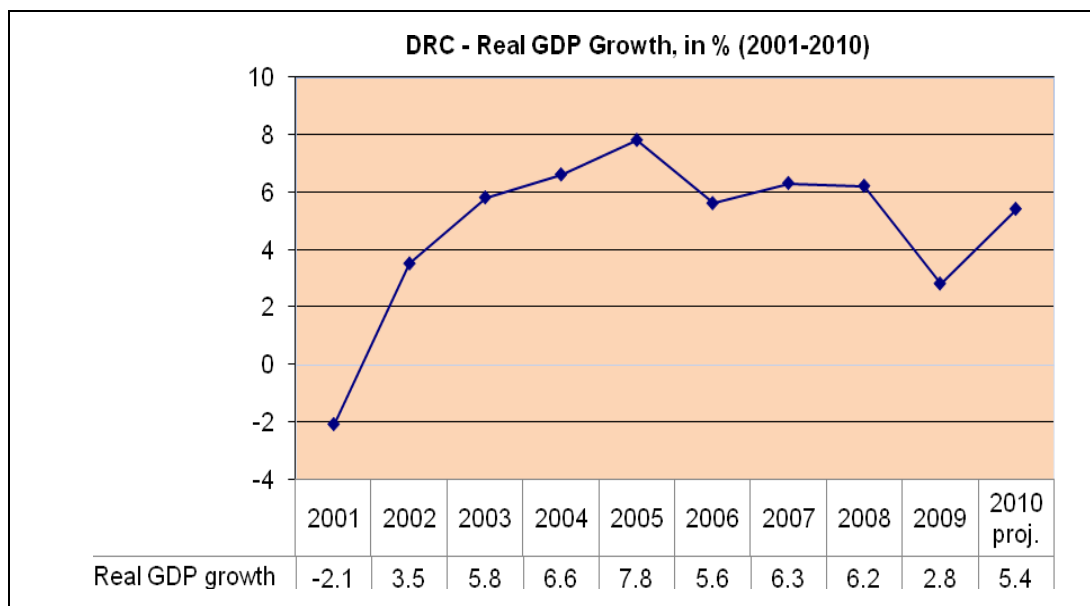
1. The Government made considerable efforts in bringing peace all around the country, particularly in the eastern provinces with support from international community and in collaboration with all involved parties. However, the situation remains fragile and socioeconomic conditions are still very precarious since armed attacks and other various kinds of violence continue to be committed to civil populations mainly by armed rebels living on the Congolese territory. Children and women are the most affected by conflicts in the East, victims of sexual violence and forced enrollment in armed activities.
2. In March 2009, the Government and principal armed groups present in those provinces signed an agreement (*Kimia II*) that should allow the integration of the latter in the national army. The implementation of actions under the donor-supported program initiated a few years ago in the context of the demobilization, disarmament and reintegration is continuing. Some interethnic tensions have been reported recently in the Equateur province, but the Government is working with local authorities to bring peace among involved communities.
3. A cabinet reshuffle took place in February 2010. The new government includes 43 members against 54 in the previous one, and the Prime Minister has been confirmed. The aim was to reduce public expenses related to running costs of ministries, which are an important component of the budget. Local elections are scheduled on late 2010, while legislative and presidential ones are foreseen in 2011. Elections and decentralization process issues are among key points on the agenda of the March parliament ordinary session.

Real Sector Developments

Real GDP Growth

4. The global economic downswing has affected the DRC through a general collapse in the prices of key mineral exports including copper, cobalt and diamond. The copper price on the world market has fallen to approximately \$US 2,700 the ton in October 2008 from around \$US 7,000 the ton before the international crisis.
5. The damaging impact of this crisis on the overall Congolese economy was considerable including on the economic growth which declined sharply from 6.2 % in 2008 to 2.8 % in

2009. However, with the resumption of activities in the mining sector recorded since late 2009 and the continuing performance of the construction and public works sector with direct impact on agriculture, commerce and transportation, economic growth is projected to reach 5.4 % in 2010.



6. The copper production fell by 7.7 % in 2009, which is 309,181 tons produced during the year compared to 335,066 tons in 2008 of which Gécamines amounted to respectively to 13,663 tons and 23,475 tons. This state owned company is confronted with important structural issues, in particular decreasing investments and ageing production facilities over the past several years.
7. However, the cobalt production increased by 32.5% between 2008 and 2009 (of which the Gécamines's share was less than 1 % of the total) and zinc production rose by 27.4 % as a result of a better supply of production materials. As for the diamond production, it decreased by 12.8 % due mainly to shortfalls in the financing of sector activities. Production numbers in other sectors are provided in Annex 2.

Distribution of GDP by sector

8. From preliminary data, real GDP growth in 2009 has been driven by the same sectors as in 2008 but in different proportions owing particularly to the decline in the share of the mining sector affected by the financial crisis. However, the share of the construction and public works sector rose substantially compared to the previous year following the increase of infrastructure investments underway.

Table 1a : DRC - Distribution of GDP by Sector, 2008 - 2009 (% of GDP)

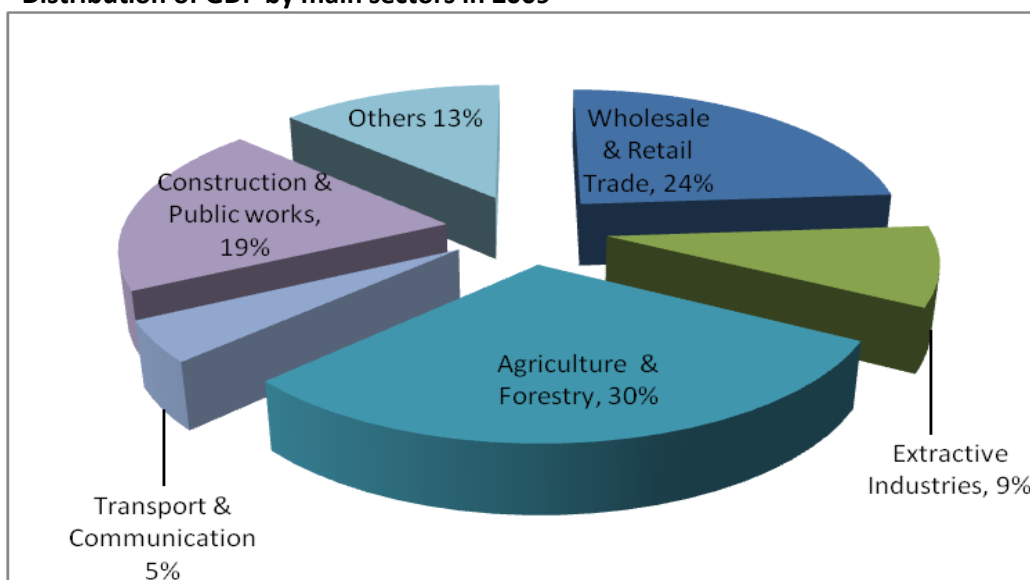
	2008*	2009*
Primary sector	38.8	38.8
Agriculture, forestry, livestock, hunting and fishing	17.2	29.9
Extractive industries (incl. Mining)	21.6	8.9
Secondary sector	6.3	20.8
Manufacturing	1.7	1.5
Construction and public works	4.6	19.3

Electricity and water	0.0	0.0
Tertiary sector	48.9	33.9
Wholesale and retail trade	36.1	23.7
Transport and communications	7.3	4.6
Marketable services	4.3	5.6
Non marketables services (incl. Public administration)	1.2	0.0
GDP at factor cost	94.0	93.5
Import duties and taxes	6.0	6.5
GDP	100.0	100.0

Source : DRC authorities -----(*) Estimates

9. The *agriculture and forestry* sector accounted for 30 % of GDP in 2009, followed by the *wholesale and retail trade* sector (24%), the *construction and public works* sector (19%), and the *extractives industries* sector of which the mining (9%) which was in the second position in 2008. It should be noted that the contribution of *marketable services* sector to GDP rose to 6 % in 2009 compared with 4 % in 2008 due particularly to growing and more improved services from the financial system including banks.
10. The contribution of the domestic commerce sector (wholesale and retail trade) to GDP during both the two years has been supported by growing small business activity all around the country, although with a critical share of informal sector. It could also be explained, as well as the one for the agriculture, by the improving traffic of goods and services as the result of the implementation of infrastructure works including feeder roads.
11. However, the performance described above has been contrasted with a very weak or zero contribution of some sectors to the GDP growth like *manufacturing industries, electricity and water* as well as *non marketable services* including the public administration sector whose service delivery is not efficient.
12. Energy problems, in particular shortages in electricity have been identified by the private sector as one of the most important barrier for the development of their activities and consequently, to economic growth.

Distribution of GDP by main sectors in 2009



GDP growth by sector

13. Although the *agriculture & forestry* and the *wholesale & retail trade* branches were among the ones which have supported the economic growth, they did not accelerate as indicated in the table 1b below. The agriculture growth rate (3.0 %) remained the same as in 2008 while the domestic commerce growth fell back to 4.3 % compared to 12.3 % reached previously. This results from the absence of structured activities as well less development and modernization of these two sectors.
14. It is expected that the development of the *agriculture* sector will accelerate in the coming years following not only the rehabilitation and construction of transport infrastructures, but also the implementation of agricultural and rural development projects supported by a number of donors including the World Bank with a \$US 120 million financing to be approved by its executive board in March 2010. The *construction and public works* sector is also receiving important financing from development partners, which explains the improved rate of public consumption.
15. The *extractive industries* sector growth rate fell considerably from 11.4 % in 2008 to 2.5 % in 2009, mostly in the mining following the withdrawal of investment linked with the global financial crisis. However, with the recovery of the sector a few months ago and the development of new investments, this rate should improve in 2010.

Table 1b. DRC - GDP growth by Sector, 2007 - 2009 (in %)

	2007	2008*	2009*
Primary sector			
Agriculture, forestry, livestock, hunting and fishing	3.3	3.0	3.0
Extractive industries (incl. Mining)	2.5	11.4	2.5
Secondary sector			
Manufacturing	5.1	2.7	1.4
Construction and public works	5.4	3.8	9.1
Electricity and water	1.8	-4.9	-1.6
Tertiary sector			
Wholesale and retail trade	13.1	12.3	4.3
Transport and communications	10.9	8.4	2.9
Marketable services	6.9	4.8	3.5
Non marketable services (incl. Public administration)	6.2	4.2	-23.0
Import duties and taxes	18.9	15.4	8.5
GDP growth	6.3	6.2	2.8

Source : DRC authorities ----- (*) Revised / Estimates

16. The decreasing growth rate recorded in the *manufacturing* sector is explained, besides the energy problems (due to ageing production network and facilities, and the lack of their

maintenance) by the very weak competitiveness of domestic production compared to similar imported products. The negative growth rate of non marketable services (-23 %) translates mainly the deterioration of the purchasing power of public sector remuneration caused by the high inflation rate recorded during 2009.

17. Developments of some selected real sector indicators during the three past years, including the GDP per capita as well as the population and the unemployment grow are presented in the following table.

Table 2. GDP growth, Population, Employment

	2007*	2008*	2009*
GDP at current prices			
(in CDF billion)	5,175.00	6,530.00	9,073.00
(in \$US billion)	10.04	11.85	11.19
GDP per capita (in \$US, at current prices)	158.58	181.67	166.48
GDP at 2000 prices			
(in CDF billion)	410.57	435.84	448.18
(in \$US billion)	5.95	6.31	6.49
GDP per capita (in \$US, at 2000 prices)	93.90	96.80	96.60
Real GDP growth (in %)	6.3	6.2	2.8
Population (in million)	63	65	67
Population growth (in %)	3	3	3
Unemployment growth (in %)	47	53	58

Source : DRC authorities

(*) Revised estimates, based on May 2009 data

Inflation

Inflation rose to 53.4 % in 2009, compared to 27.6 % in 2008 and an objective of 48.7 % set in economic program of the government. Money expansion resulting from the monetary financing of the budget deficit was at the origin of this important level of inflation recorded in 2009.

18. In monthly terms, inflation was curbed around the end of the first semester before it jumped again from July onward, as shown in the table below. Declines in the monthly variation of consumer prices are explained by a slowdown in money expansion supported by a budget surplus (cash flows) recorded during some periods.

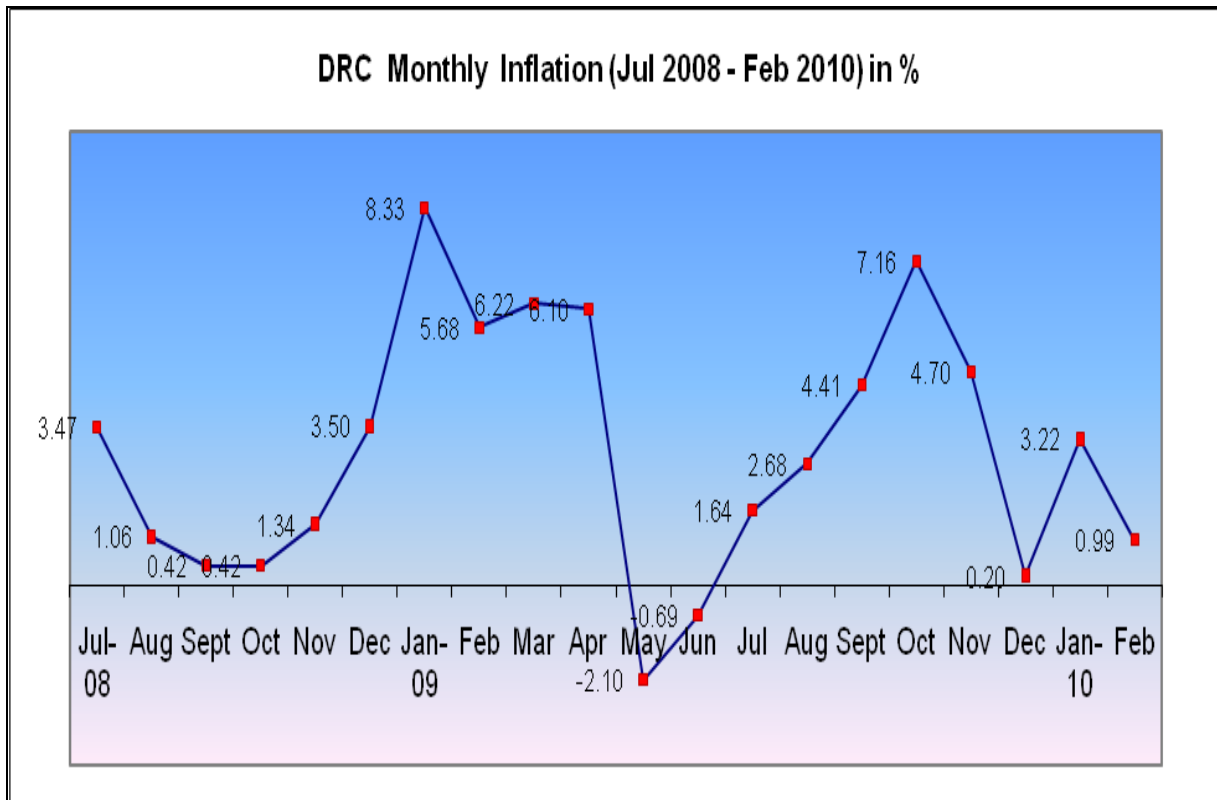
Table 3. Monthly Inflation, in % (2008 - 2009)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2008	1.42	1.14	0.98	2.12	4.22	4.62	3.47	1.06	0.42	0.42	1.34	3.50
2009	8.33	5.68	6.05	6.10	-2.10	-0.69	1.64	2.68	4.41	7.16	4.70	0.20

Source: DRC authorities

19. At end-February 2010, the year-on-year inflation reached 41 % against a 15 % target as in the PRGF-supported program. However, the monthly inflation rhythm in 2010 has been

moderated (3.22 % in January and 0.99 % in February) compared with the corresponding period of 2009 (respectively 8.33 % and 5.68 %), owing to prudent monetary policy and fiscal discipline observed since the second half of 2009 consisting in budget execution on a cash basis to avoid money creation for financing of Treasury operations.



Public Finance Developments

20. Public finance deteriorated significantly between the last quarter of 2008 and the first half of 2009, due to the collapse of budget revenue following the global financial crisis and the rapid increase of spending to deal with the security and humanitarian crisis in the East during the same period. The government resorted to money creation from the central bank to finance its budget deficit.
21. The situation improved from the second semester of 2009, and allowed recording a surplus at the end of the year, amounting to CF 93.4 billion following budget discipline consisting mainly in the execution of spending on a cash basis. Revenue reached CF 1,678 billion and expenditure CF 1,585 billion. However, compared with the budget forecasts, actual revenue were below the allocations and expenses slightly beyond allocations.
22. During January and February 2010, the government continued to implement its *treasury plan* on a cash basis and did not resort to any credit from the banking system. Indeed, preliminary data show a budget surplus during the period. However this surplus may mask some payment obligations for salaries and tax refunds..

Revenue and Expenditure

23. Budget revenue, including grants, reached CF 1,678 billion in 2010 against CF 1,785 billion forecasts or 94 % revenue collection rate. According to preliminary numbers in the table 4 below, only the administration of non fiscal revenue (*DGRAD*) did not reach its objectives. The surplus recorded in oil revenue resulted from the increase in production and the relative stability of the barrel price on the world market.

Table 4. Budget Revenue and Grants in 2009 (in CF billion)*

	Projections	Actual*	Gap
Total Revenue & Grants	1,785	1,678	-107
Total Revenue	1,554	1,531	-23
Customs & Excise (DGDA)	542	559	17
Direct & Indirect Taxes (DGI)	557	565	8
Non Fiscal Revenue (DGRAD), incl.	329	277	-52
Chinese Threshold	133	179	46
Oil Revenue	120	123	3
Other	6	7	1
Total Grants	231	146	-85

Source : DRC authorities ----- (*) Preliminary

DGDA : Direction générale des douanes et accises

DGI : Direction générale des impôts

DGRAD : Direction générale des recettes administratives et domaniales

24. The 2008 year also ended with poor performance in revenue mobilization on account of the contraction of the tax base due to the decline of economic activity following the financial crisis, as well as to repeated strikes in the tax administrations.
25. The execution rate of public expenditure in 2009 reached 101 % with actual expenses amounting to CF 1,585 billion against CF 1,571 billion forecast. Overspending has been recorded in the *operating expenses* for ministries and institutions, as well in *exceptional spending* which include mainly security and humanitarian expenses.

The 2010 Budget

26. The 2010 total budget for the 2010 Exercise amounts to CF 5,607.51 billion (equivalent to \$US 5.90 billion) in revenue and in expenditure, among which the share of central government is 94.5 % and the provinces 5.5 %. This budget, voted by the Parliament in late January 2010, is higher than the initial budget project prepared by the Government in on the last quarter of 2009 and which amounted to CF 5,000.78 billion. The difference between the two versions comes from *additional revenue* identified by the Parliament during the budget review process. The breakdown of budgeted revenue en expenditure are provided in tables on Annex 4
27. External resources (including budget support, HIPC resources and funds for investment projects) represent 46.3 % of the total budget; current revenue 41.4 % and exceptional revenue 6.9 %. On expenditure, budget lines with important shares of the total budget are

the following, in ascending order: investments (49.2 %), remunerations (13.9 %), transfers and subsidies (9.1 %), operating expenses for institutions (8.5 %), public debt and financial interest (7.7 %), and exceptional spending (6.1 %).

28. The reform plan for public finance management has been finalized with support from development partners and should be adopted by the Government in the course of March 2010. The draft public finance act has also been prepared and will be sent to the Parliament for adoption.
29. The fiscal decentralization process is ongoing, but with some delays in the adoption of related laws and the effective implementation of key activities on the provincial levels. This process is supported by the World Bank, in particular through an enhancing capacity in governance project with \$US 50 million.
A summary note on the ongoing decentralization process is provided on the Annex 5.

External Sector Developments

30. Until June 2009, the external sector has been marked by the deterioration of the commercial balance consecutively to the demand contraction of key DRC exports on the international market, in particular mining, following the financial crisis. However, since the recovery of economic activity on the second quarter of 2009 in the affected sectors the rise of world prices, exports have improved.

Table 6. Commercial balance in 2009* (in \$US million)

	Q1	Q2	Q3	Q4
Balance	-491.6	-301.1	43.1	951.0

(*) Preliminary ---Source : DRC authorities

31. The current account deficit (transfers excluded) accounted for 24 % of GDP in 2009, almost the same level it reached in 2008, compared to 9 % in 2007 owing essentially to the increase of imports in connection with the implementation of important investment in particular in the construction and public works sector, and the same trend is expected during 2010. The deficit should be financed by foreign direct investment as well as by donor assistance, including the debt relief.

Table 7. Balance of payments (2007 - 2009)

	2007	2008*	2009*
Exports of goods and services (in % of GDP)	65.5	61.3	41.8
Imports of goods and services (in % of GDP)	68.9	76.4	66.4
Current account balance, incl. transfers (in % of GDP)	-1.5	-15.9	-12.9
Current account balance, excl. transfers (in % of GDP)	-9.0	-24.6	-24.4
Gross official reserves (end-of-period, US\$ million)	180.6	77.8	1,000.0
Gross official reserves (weeks of nonaid - related imports)	1.5	0.9	8.7

Sources : DRC authorities & IMF staff estimates and projections

(*) Revised/ Estimates

International reserves

32. Gross international reserves have improved significantly since the first quarter of 2009. They rose from an historic low of \$US 30 million in February (less than 1 week of non-aid import cover) to \$US 1 billion at end-December (almost 9 weeks of imports) following the disbursement of emergency assistance from development partners to help the country mitigate the impact of the financial crisis, as well as the disbursement of the first tranche of the signature bonus under the cooperation agreement between the DRC and China, and the IMF's SDR allocation. It is expected that international reserves reach \$US 1,2 billion.

Table 8. DRC – Gross official reserves, 2007 - 2010

	Dec. 2007	Dec. 2008	Jun. 2009	Dec. 2009	Proj. 2010*
\$US million	181	78	268	1,000	1,241
Weeks of imports	1.5	0.9	2.1	8.7	8.8

Source : DRC authorities

Exchange rate

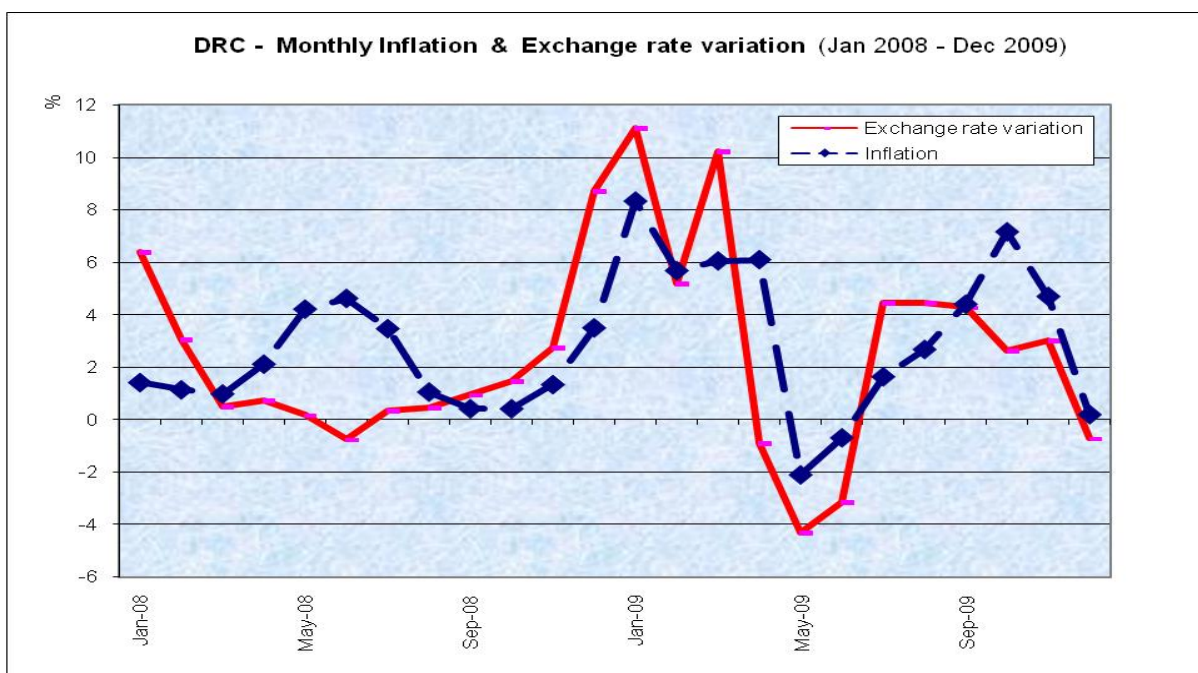
33. In 2009, the Congo franc depreciated significantly, plunging by 29 % in a year. It reached CF 903/ \$US1 at end-December 2009 compared with CF 639/ \$US1 at the end of 2008; and moved to CF 910/ \$US in February 2010. In monthly terms, the foreign exchange market was relatively stable between April and June (see table 9 below) due mainly to a supply of about \$US 50 million from the central bank. Pressure on the exchange rate began in July.

Table 9. End of month Exchange rate, in CF/ 1USD (Dec 2008 - Dec 2009)

Dec-08	Jan-09	Febr	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec-09
639	710	747	823	816	775	756	790	825	860	882	909	903

Source: DRC authorities

34. The depreciation of the Congolese franc is mainly explained by important Congolese franc liquidities on the foreign exchange market against a limited supply of foreign currencies. However, in the context of an economy strongly dollarized as in DRC, the policy consisting of injecting important number of foreign currency (to absorb excess liquidities in Congolese franc) into the foreign market when it is disrupted does not usually produce the expected result.
35. It is also worth mentioning in the same vein that the DRC economy (dollarized) is characterized by a close link between the variation in consumer price (inflation) and the exchange rate variation, as shown in the following graph.



Budget in foreign currency

36. The execution of the public sector budget in foreign currency (Treasury and central bank), in 2009 recorded a surplus amounting to \$US 922 million compared with \$US 406 million projected. It resulted from \$US 1,759 million in revenue and \$US 837 million in spending.
37. Revenue included, among others, the exogenous shocks facility from the IMF; the bonus relating to the Chinese contract; repurchases of oil and mining revenue as well as repurchases of external financing. On the expenditure side, 61 % of the total were for the Treasury (including operating expenses, various loan payment and external debt service), and 39 % for the central bank (among which loan reimbursement, interbank selling and operating costs).

External debt

38. The total external debt stock in 2009 was estimated to \$US 11,278 billion USD in 2009, almost the same number as in 2008. The scheduled debt service in 2009 amounted to \$US 815.5 million compared with \$US 208 million paid, which is a low execution rate explained mainly by recent debt relief from Paris Club, according to authorities. In 2010 it is expected that the debt stock will be reduced significantly on the account of the HIPC completion point.

Monetary Sector Developments

39. At end-December 2009, money supply increased by 51 % reaching about CF 1,600 billion. The share of foreign currency deposits in its structure remains dominant reaching 60 % compared to 58 % in 2008 translating the increased dollarization of the economy.

Table 10. Money supply variation in 2009 (in %)

	Q1	Q2	Q3	Q4
Quarterly variation	10.9	-2.8	18.0	10.8
Cumulative variation	10.9	7,7	27.2	50.6

Source : DRC authorities

40. The overall volume of bank deposits and credits demand decreased at the beginning of 2009 as a result of the financial crisis which affected mostly the mining sector; but began to improve again few months later owing to the recovery of economic activity.
41. The development of the net credit to government in 2009 was without any particular trend. During the first half it increased to finance the public deficit, but dropped afterwards as the Treasury recorded some fiscal surplus. In January and February 2010, there was zero net credit to the government from the banking system
42. The central bank monetary policy consisted of raising the base interest rate (four times) from 28 % to 70 % between December 2008 and September 2009 in order to absorb the excess Congolese franc liquidities, which are at the origin of inflationary pressures and disruption on the foreign exchange market.
43. The efficiency of the monetary policy in 2008 and 2009 has been very limited in the context of a recession period following the international financial crisis, as well as the money-financing of the fiscal deficit and the dollarization of the economy.

Outlook

44. For the rest of 2010, the government's top priority is to preserve the macroeconomic stability and to continue the implementation of measures, particularly during the three coming months, that should allow the country to fulfill the requirements for reaching the HIPC completion point.
45. Real GDP growth is projected to reach 5.4% in 2010 after it had declined to 2.8 % in 2009 consecutively to the global financial crisis. It will be driven by the mining sector following the improvement of world market prices and the other sectors which have boosted the recent past years including the construction & public works sector.
46. Inflation pressures are likely to abate during the next months. It is expected that the central bank will use a prudent monetary policy to manage the rise in prices, and the budget discipline will continue on the government side with the aim to avoiding money creation to finance budget operations.
47. On the external front, developments are expected to improve with the rise of foreign direct investment and donor assistance, including the debt relief. Gross international reserves will continue to increase. increase
48. The implementation of the reform agenda agreed in the framework of the PRGF/ EFC-supported program will continue as well, namely in the following sectors : fiscal policy,

customs and tax administrations, mining revenue mobilization, public finance management, central bank reform, monetary policy, banking system supervision, public administration, business environment, public enterprise reform, decentralization, debt management, transparency and anti corruption, and statistic.

49. The main quantitative objectives of the economic program of the government are provided in the table on Annex 1.

Annexes

ANNEX 1:

Democratic Republic of the Congo: Selected Economic and Financial Indicators, 2007–12

	2007	2008	2009	2010	2011	2012
		Prel.	Est.	Proj.	Projections	
(Annual percentage change; unless otherwise indicated)						
GDP and prices						
Real GDP	6.3	6.2	2.8	5.4	7.0	6.8
GDP deflator	17.9	18.9	35.1	27.1	12.8	8.9
Consumer prices, period average	16.7	18.0	46.2	26.2	13.5	10.5
Consumer prices, end-of-period	10.0	27.6	53.4	15.0	12.0	9.0
External sector						
Exports, f.o.b. (U.S.dollars)	161.2	7.2	-33.6	48.3	18.7	5.6
Imports, f.o.b. (U.S.\$ dollars)	81.8	27.6	-22.5	33.0	16.9	2.7
Export volume	55.5	6.3	0.6	8.0	14.4	11.9
Import volume	69.0	15.8	-13.8	25.5	15.5	1.4
Terms of trade	56.1	-8.5	-26.6	29.6	2.6	-6.9
Nominal effective exchange rate ¹	-15.5	-11.7	...	...	...	...
Real effective exchange rate ¹	-3.1	-0.7	...	...	...	...
(Annual change in percent of beginning-of-period broad money; unless otherwise indicated)						
Money and credit						
Broad money	49.5	55.7	50.6	34.0	...	...
Net foreign assets	30.8	-6.0	17.0	51.8	...	...
Net domestic assets	20.2	65.6	33.4	-17.4	...	...
Domestic credit	29.5	54.7	14.6	-1.6	...	...
<i>Of which:</i>						
Net credit to government	10.3	11.3	-6.6	-10.7	...	...
Credit to the private sector (annual percent change)	73.6	141.9	41.2	24.7	...	...
(Percent of GDP; unless otherwise indicated)						
Central government finance						
Total government revenue	14.7	18.5	16.8	18.8	19.1	19.9
Excluding signing bonus from the Sino-Congolese Cooperation Agreement						
Grants	1.6	4.9	4.5	8.8	6.8	5.8
Total government expenditure ²	18.9	23.0	25.7	37.1	36.1	34.6
Underlying fiscal balance (cash basis)	0.8	0.9	-1.1	1.3	-0.5	-0.6
Overall fiscal balance (payment order basis, incl. grants)	-2.6	0.4	-4.4	-9.5	-10.3	-8.9
Overall fiscal balance (cash basis, incl. grants)	-3.2	-0.4	...	...	...	...
Investment and saving						
Gross national saving	16.7	6.1	6.4	13.6	16.8	13.6
Government	-1.2	-0.8	0.5	0.3	1.4	2.4
Nongovernment	17.9	6.9	5.9	13.2	15.4	11.2

Investment	18.2	22.0	19.4	33.4	37.4	32.6
Government ³	2.3	3.7	7.8	17.6	18.2	16.9
Nongovernment	15.9	18.2	11.6	15.7	19.2	15.7
Balance of payments						
Exports of goods and services	65.2	61.3	45.2	56.1	60.7	59.7
Imports of goods and services	68.6	76.4	63.5	72.1	77.1	74.2
Current account balance, incl. transfers	-1.5	-15.9	-12.9	-19.8	-20.6	-18.9
Current account balance, excl. transfers	-8.9	-24.6	-24.4	-26.2	-26.3	-24.2
Current account balance, incl. transfers, after debt relief	3.2	-11.3	-8.7	-14.0	-14.5	-13.7
Gross official reserves (end-of-period, U.S.\$ millions)	180.6	77.8	1,000	1,241	1,384	1,664
Gross official reserves (weeks of nonaid-related imports of goods and services)	1.5	0.9	8.7	8.8	9.4	10.1
(Millions of U.S. dollars; unless otherwise indicated)						
External public debt						
Total stock, including IMF ⁴	11,318	11,301	11,278	12,717	11,911	12,933
Net present value (NPV) of debt ⁵	8,043	8,041	8,094	4,123	5,264	6,241
NPV of debt (percent of exports of goods and services) ⁵	206.4	147.2	130.1	64.3	77.3	77.4
Scheduled debt service	739.6	891.2	815.5	252.1	283.2	224.0
Percent of exports of goods and services	11.3	10.7	16.2	3.6	3.4	2.6
Percent of government revenue	45.3	32.9	34.4	7.2	8.0	5.9
Exchange rate, (Congo franc per U.S. dollar)						
Period average	516.0	563	807	...	...	...
End-of-period	503.0	639	903	...	...	...
<i>Memorandum item:</i>						
Nominal GDP (billions of Congo francs)	5,175	6,530	9,073	12,161	14,671	17,063

Sources: Congolese authorities; and IMF staff estimates and projections.

¹ Change in annual average. Minus sign indicates depreciation.

² Includes interest due before debt relief and expenditure financed by HIPC resources.

³ Includes investment financed by resources released under the enhanced HIPC Initiative.

⁴ End-of-period debt stock includes most of London Club debt (some US\$1.2 billion in 2008), which is expected to be bought back with deep discount grants from IDA, and accumulated arrears.

⁵ Estimates and projections are based on the 2009 DSA and after HIPC Initiative interim relief assistance. Includes assistance beyond the terms of the enhanced HIPC Initiative granted by some Paris Club creditors. Exports are on a three-year backward moving average; projections assume DRC reaches the HIPC completion point during the first half of 2010.

ANNEX 2: DRC - PRODUCTION FOR SELECTED PRODUCTS

	Unité	2004	2005	2006	2007	2008	2009 (p)
Production minière et métal.							
Cuivre	t	18,995	26,389	99,121	96,391	335,066	309,181
- GECAMINES	t	7,691	16,055	24,201	23,031	23,475	13,663
- SODIMICO (2)	t	...	...	...	...	...	...
- Partenaires de la GCM & autres	t	11,304	10,334	74,920	73,360	311,592	295,519
Cobalt	t	9,967	8,234	15,384	17,886	42,461	56,258
- GECAMINES	t	1,412	934	738	599	314	420
- Partenaires de la GCM & autres	t	8,555	7,300	14,646	17,287	42,147	55,838
Zinc	t	5,067	15,110	33,784	33,809	15,465	19,696
Diamant (6)	1000 c	29,503	32,599	28,949	28,270	20,947	18,275
- Industriel	1000 c	7,856	5,760	2,914	973	801	1,968
- Artisanal	1000 c	21,646	26,839	26,034	27,297	20,146	16,307
Or brut (6)	kilo	1,202	2,244	254	122	150	220
Pétrole brut	1000 brls	10,119	9,216	9,009	8,816	8,365	9,382
Ciment	t	416,624	521,368	519,233	530,196	411,212	443,550
Production énergétique							
Eau potable (6)	1000 m ³	226,150	228,401	235,068	242,341	235,827	181,336
Electricité	1000 Mwh	6,922	7,128	7,629	7,543	7,495	7,665
Télécommunication							
Communication	Mio. Unités						
téléphonique (5)		352	541	1,332	2,110	2,452	2,005
Production agri. d'export.							
Café (7)(2)	t	6,778	8,192	8,155	4,202	14,637	7,256
Cacao (4)	t	1,316	1,289	950	217	76	8
Caoutchouc (1)	t	2,838	5,578	3,269	5,250	-	-
Huile de palme (4)	t	12,797	17,531	13,024	6,016	7,176	1,675
Huile de palmistes (1)	t	603	111	128	253	986	-
Bois grumes (2)	m ³	99,861	117,845	150,505	213,308	140,711	107,415
Bois sciés (2)	m ³	34,616	30,062	25,253	35,959	46,650	40,538
Bois de placages (2)	m ³	5,004	7,762	6,524	2,631	-	-
Production Manufacturière							
Farine de Froment	t	184,914	184,110	185,738	179,070	196,129	175,775
Boissons Alcoolisées	1000 hl	1,911	2,272	2,617	2,951	3,321	3,575
Boissons Gazeuses	1000 hl	1,174	1,037	1,245	1,303	1,554	1,795
Manutention (3)(7)	1.000 tm	1,811	2,071	2,183	2,330	2,600	2,680

Source : DRC authorities

(1) Production exportée --- (2) Production exportée à partir d'août 1996 --- (3) Il s'agit de chargement et de déchargement dans les ports de Kinshasa, Matadi et Boma --- (4) Il s'agit de cumul avril 2009 --- (5) Il s'agit de cumul juin 2009 --- (6) Il s'agit de cumul août 2009 --- (7) Il s'agit de cumul septembre 2009

**ANNEX 3: PROGRESS STATUS OF TRIGGERS FOR REACHING
THE HIPC COMPLETION POINT**

(As of end-March 2010)

Triggers	Progress status
<p>1. PRSP Completion of a full PRSP through a participatory process and its implementation for one year, duly documented in the DRC's annual progress reports and confirmed as satisfactory by a joint staff advisory note (JSAN).</p>	<p>The PRSP progress report has been prepared by the government and received technical comments from Bretton Woods institutions. The report will be submitted to the latter by early April 2010 to late them prepare a JSAN for their respective Boards.</p>
<p>2. Macroeconomic stability Continued maintenance of macroeconomic stability after reaching the decision point, as evidenced by satisfactory performance under the IMF's PRGF-supported program.</p>	<p>The IMF conducted in March 2010 the first review of the PRGF/ECF-supported program (July 2009-June 2012). The conclusion of the mission was that the authorities successfully implemented their 2009 economic program; however they should continue to preserve macroeconomic stability.</p>
<p>3. Use of budgetary savings. Use of budgetary savings resulting from enhanced HIPC Initiative-related debt service relief during the interim period for poverty-related expenditures in accordance with the I-PRSP, with supporting documentation.</p>	<p>An audit to assess the use of HIPC resources for pro-poor spending is being conducted jointly by the Congolese audit office (<i>Cour des comptes</i>) and an international independent firm. The audit reports as well as the related action plan are expected on mid-April 2010.</p>
<p>4. Public expenditure management (a) Implementation of a modernized budget-execution system, providing information from commitment to payment, and allowing for the monitoring of arrears; (b) Adoption and implementation of a double-entry government accounting system and a new chart of accounts; and (c) Production of quarterly budget execution reports using economic, administrative, and functional classifications.</p>	<p>A computerized budget-execution system (<i>Chaîne de la dépense</i>) is in place since 2003 and it has been improved in February 2010 through its manual of procedures.</p> <p>The double-entry governments accounting system and new chart of accounts have been adopted and implemented. However, treasury accounts produced from the system are not yet exhaustive and fully reliable. With technical assistance from the IMF-AFRITAC centre, the system is being strengthened.</p> <p>Budget execution reports (<i>États de suivi budgétaire - ESB</i>) are produced using economic, administrative and functional classifications, but with a lag of 2-3 months. However there are yet to be harmonized in a timely manner with the State financial operations table (<i>Tableau des opérations financières de l'État - TOFE</i>).</p>

<p>5. Governance and service delivery in priority sectors</p> <p>(a) Completion of a budget-tracking exercise on health, education, rural development and infrastructure expenditure, consisting of (i) monitoring the execution of poverty-related public expenditure; (ii) evaluation by user groups of the quality of related public services, and (iii) evaluation by service-providers of constraints to effective provision; and</p> <p>(b) Adoption and implementation of a new procurement code and key implementing decrees.</p>	<p>Budget-tracking exercise to monitor the execution of social sectors expenditure and a survey on the quality of service delivery completed are being conducted by the government. Related reports are expected on early April 2010.</p> <p>The draft procurement code and its implementing laws are expected to be adopted by the Parliament on early April 2010, and institutions to operationalize the new code should be established the days following the promulgation of the code. Other related documents already prepared are being reviewed and finalized with support from the World Bank.</p>
<p>6. Social and rural sectors</p> <p>Adoption of satisfactory sectoral development strategies and related implementation plans for health, education and rural development.</p>	<p>Development strategies and related implementation plans for health and education have been adopted by the government on the end of march 2010. The one for agriculture and rural development has been finalized and should be adopted on early April.</p>
<p>7. Debt management</p> <p>Installation and full activation of a computerized debt-recording system, covering all public and publicly guaranteed debt, as well as public enterprise debt not carrying the guarantee of the State that can (a) produce monthly debt-service projections, and incorporate actual disbursement and debt-service payment execution data; and (b) support the centralization of debt information in a single center. In addition, monthly debt-service projections that will be published in advance on a quarterly basis.</p>	<p>A computerized debt-recording system has been installed and fully activated since 2006. Monthly debt-service projections are produced on a quarterly basis and are regularly posted, among other data, on the Congolese debt management office's web site (www.dgdp-rdc.org).</p> <p>Centralization of debt information in a single center has been supported and action plan for its improvement is being implemented.</p>
<p><i>Source: World Bank, IMF and DRC technical teams</i></p>	

ANNEX 4 : SUMMARY OF THE 2010 PUBLIC BUDGET**I. SUMMARY OF REVENUE (in CF)**

N°	RUBRIQUES	BUDGET VOTÉ 2010			
		MONTANT	Structure (%)	% PIB	Taux accroissement (%)
A	RECETTES DU POUVOIR CENTRAL	5,300,391,645,412	94.5	46.6	101.6
I.	RECETTES COURANTES	2,318,770,583,716	41.4	20.4	56.6
1.1.	Recettes des Douanes et Accises	928,503,786,615	16.6	8.2	57.8
1.2.	Recettes des Impôts	798,069,074,564	14.2	7.0	38.4
1.3.	Recettes non Fiscales / DGRAD	<u>294,424,722,537</u>	<u>5.3</u>	<u>2.6</u>	<u>64.6</u>
1.3.1.	<i>Télécommunications / SG</i>	22,069,000,000	0.4	0.2	
1.3.2.	<i>Télécommunications / ARPTC</i>	9,029,000,000	0.2	0.1	
1.3.3.	<i>Mines</i>	52,957,514,050	0.9	0.5	
1.3.4.	<i>CAMI</i>	25,830,641,704	0.5	0.2	
1.3.5.	<i>Autres</i>	184,538,566,783	3.3	1.6	
1.4.	Recettes des Pétroliers	<u>297,773,000,000</u>	<u>5.3</u>	<u>2.6</u>	<u>117.4</u>
1.4.1.	<i>DGI</i>	110,435,000,000	2.0	1.0	83.3
1.4.2.	<i>DGRAD</i>	187,338,000,000	3.3	1.6	144.3
II.	RECETTES EXCEPTIONNELLES	386,623,466,300	6.9	3.4	230.4
2.1.	<i>Bonus sur contrat chinois</i>	70,782,400,000	1.3	0.6	-39.5
2.2.	<i>Bonus de signature et exploration</i>	47,530,000,000	0.8	0.4	
2.3.	<i>Pas de porte minier</i>	130,456,066,300	2.3	1.1	
2.4.	<i>Vente de participations (CILU, CCT, OKIMO, CINAT)</i>	137,855,000,000	2.5	1.2	
III.	RECETTES EXTERIEURES	2,594,997,595,396	46.3	22.8	151.6
3.1.	Recettes Extérieures d'Appuis Budgétaires	376,630,136,404	6.7	3.3	73.0
3.1.1.	<i>Dons Budgétaires</i>	158,351,295,300	2.8	1.4	
3.1.2.	<i>Ressources PPTÉ</i>	218,278,841,104	3.9	1.9	0.2

3.2.	Recettes Extérieures de Financement des Investissements	2,218,367,458,992	39.6	19.5	172.6
3.2.1.	<i>Dons Projets</i>	1,141,261,651,208	20.4	10.0	55.1
3.2.2.	<i>Emprunts Projets</i>	1,077,105,807,784	19.2	9.5	1,283.2
B	RECETTES DES PROVINCES	307,125,969,363	5.5	2.7	4.8
	TOTAL RECETTES / FC	5,607,517,614,775	100.0	49.3	91.9
	TOTAL RECETTES / \$ US	5,898,924,484			
	Recettes propres en \$ US	2,439,270,549			

II. SUMMARY OF EXPENDITURE (in CF)

DÉPENSES	BUDGET VOTE			
	MONTANT	Structure (%)	% PIB	Taux accroissement (%)
A. POUVOIR CENTRAL	5,300,391,645,412	94.5	46.6	26.8
I. DETTE PUBLIQUE ET FRAIS FINANCIERS	430,233,523,895	7.7	3.8	11.5
1.1. Dette publique	189,987,502,525	3.4	1.7	11.5
1.1.1. Dette Intérieure (Arriérés 2007)	31,211,069,418	0.6	0.3	11.5
1.1.2. Dette Extérieure (Principal)	158,776,433,107	2.8	1.4	11.5
1.2. Frais financiers	240,246,021,370	4.3	2.1	11.5
1.2.1. Intérieurs	42,134,943,715	0.8	0.4	11.5
1.2.2. Extérieurs	198,111,077,655	3.5	1.7	11.5
II. DÉPENSES DE PERSONNEL (RÉMUNÉRATIONS)	779,200,000,000	13.9	6.9	11.4
2.1. Pouvoir Central	542,810,025,615	9.7	4.8	15.8
2.2. Provinces	236,389,974,385	4.2	2.1	2.5
III. BIENS, MATÉRIELS ET PRESTATIONS (FONCT.)	479,145,662,246	8.5	4.2	28.5
3.1. Institutions	169,907,719,643	3.0	1.5	76.1
3.2. Ministères	225,859,800,013	4.0	2.0	12.1
3.2.1. Fonctionnement des Ministères	225,859,800,013	4.0	2.0	12.1
3.2.1.1. <i>Fonctionnement courant (Dépenses de base)</i>	197,992,773,747	3.5	1.7	12.2
3.2.1.2. <i>Dépenses sécuritaires (Armée : 20 mias, Police : 15 mias)</i>	27,867,026,266	0.5	0.2	11.5
3.2.2. Financement des réformes	0	0.0	0.0	
3.3. Subvention aux Services Déconcentrés	3,678,447,467	0.1	0.0	11.5
3.4. Dépenses communes	79,699,695,122	1.4	0.7	11.5
IV. TRANSFERTS ET SUBVENTIONS	508,359,012,618	9.1	4.5	41.5

4.1. Rétrocession aux Régies financières	115,771,115,313	2.1	1.0	29.9
4.2. Transfert aux Provinces et ETD	190,276,055,347	3.4	1.7	11.5
4.2.1. Fonctionnement	190,276,055,347	3.4	1.7	11.5
4.3. Interventions économiques, soc., cult. et scient.	126,397,157,812	2.3	1.1	302.5
4.4. Organismes Auxiliaires (y compris Services ex BPO)	24,416,419,606	0.4	0.2	11.5
4.4.1. Fonctionnement des Organismes Auxiliaires	10,143,597,561	0.2	0.1	11.5
4.4.2. Fonctionnement des Services ex-BPO	14,272,822,045	0.3	0.1	11.5
4.5. Subvention du Déficit BCC	38,679,432,458	0.7	0.3	11.5
4.6. Bourses d'études	12,818,832,083	0.2	0.1	11.5
4.7. Mise à la retraite	0	0.0	0.0	
V. DÉPENSES D'INVESTISSEMENTS	2,759,532,791,457	49.2	24.3	27.2
5.1. Investissements sur ressources propres	658,766,974,905	11.7	5.8	73.8
5.1.1. Projets Gouvernement central	179,278,544,921	3.2	1.6	134.3
5.1.2. Contrepartie des projets	25,464,432,354	0.5	0.2	514.7
5.1.3. Projets des Provinces	454,023,997,629	8.1	4.0	52.1
5.1.4. Investissements d'appui aux Provinces	0	0.0	0.0	
5.2. Investissements sur ressources PPTE	0	0.0	0.0	
5.2.1. PUAA	0	0.0	0.0	
5.2.2. Contrepartie des projets	0	0.0	0.0	
5.3. Investissements sur ressources extérieures	2,100,765,816,552	37.5	18.5	17.4
5.3.1. Projets chinois	950,600,000,000	17.0	8.4	11.5
5.3.2. Autres bailleurs	1,150,165,816,552	20.5	10.1	22.7
VI. DÉPENSES EXCEPTIONNELLES	343,920,655,197	6.1	3.0	76.7
6.1. Dépenses except. sur ressources propres	226,319,012,757	4.0	2.0	154.0
6.1.1. Structure Militaire d'Intégration (SMI)	2,229,362,101	0.0	0.0	11.5
6.1.2. PN-DDR	2,229,362,101	0.0	0.0	11.5
6.1.3. Réforme de l'Armée	8,917,448,405	0.2	0.1	11.5
6.1.4. Réforme de la Police Nationale	4,458,724,203	0.1	0.0	11.5
6.1.5. Commission Électorale Nationale Indépendante (CENI)	39,125,304,878	0.7	0.3	11.5
6.1.6. Fonds Spécial Elections 2011	149,294,552,156	2.7	1.3	646.5
6.1.7. Sinistres et calamités	11,146,810,507	0.2	0.1	11.5
6.1.8. Fonds Spécial Soutien aux Victimes des guerres à l'Est	8,917,448,405	0.2	0.1	11.5
6.2. Dépenses except. sur ressources extérieures	117,601,642,440	2.1	1.0	11.5
6.2.1. PN-DDR	0	0.0	0.0	
6.2.2. Structure Militaire d'Intégration (SMI)	0	0.0	0.0	
6.2.3. Police Nationale	0	0.0	0.0	
6.2.4. Commission Électorale Nationale Ind. (CENI)	117,601,642,440	2.1	1.0	11.5

B. DÉPENSES DES PROVINCES	307,125,969,363	5.5	2.7	0.0
TOTAL DÉPENSES / FC	5,607,517,614,775	100.0	49.3	24.9
SOLDE (RECETTES - DÉPENSES)	0	0.0		

ANNEX 5: An update on the fiscal and sector decentralization process in DRC

1. Context of the decentralization process

The DRC decentralization process has been officially launched in February 2006 with the enactment of the new Constitution followed by the election of governors of provinces as well as provincial assemblies in 2007, and later by the appointment of provincial governments. The decentralization, adopted as the mode of political and administrative organization of the country, is of particular importance for DRC since the transition from a unitary state towards a more federal system of government has been a focal point of the political transformation. However, a well managed decentralization process is seen as a key condition for ensuring the territorial integrity and stability of the state.

To allow decentralized institutions (Provinces and Decentralized Territorial Entities, ETD) to become real poles of development from the base and to improve the delivery of public services, the constitution has planned to transfer them considerable resources and also responsibilities for sectors which are of their exclusive competence, particularly Education (primary, secondary and professional), Health and Agriculture.

The organization and the running of public services of central government, provinces and ETD, and the relations that should exist between them are defined in the decentralization organic law, voted to the Parliament in 2008.

While being perceived primarily as a political process, the decentralization has many economic and social aspects directly linked to it and that are key for its success, namely the public finance management, the civil service and the capacity (human, institutional and financial) aspects of the decentralized institutions. There are these aspects which will be basically addressed in the present note.

2. Transfer of revenue and charges to provinces

The division of revenues between the central and sub-national levels is set out in the constitution within the following rate range: “50% - 40% - 10%”. The central government keeps 50 % of total revenue collected, 40 % are refunded to provinces and 10% are to feed the National Equalization Fund (*Caisse nationale de péréquation*).

However, the issue of effective application of the 40 % refunds to provinces indistinctly without considering that all the provinces are not endowed with some financial means and

capacity has raised some intense discussions between the central government and provincial authorities during several months. One of the main findings they have come to was the adoption of the principle of national solidarity which has to exist among provinces as for the allocation of the 40% from the central level. In the meantime involved parties should continue to think about a more refined mechanism but still within the constitution spirit.

The solidarity principle among provinces in the sharing out of resources subject to retrocession suggests that, in addition to the financial capacity of provinces, other elements like the population size of a province be also taken into account. In practice, resources actually refunded to provinces by the central government are often lower than that expected, and the provinces investment spending is not always decided with them.

Misunderstanding between the central government and the provinces on the volume and the frequency of resources transfers is due to limited budget revenue against increasing expenses, including on defense and security, which are most of the time not foreseen. However, the central government is very concerned with capacity of most of the provinces to manage important resources they are receiving from retrocession.

The decentralization process also plans the transfer to provinces of charges for the sectors of their exclusive competence, namely the three above-mentioned. Charges include largely expenses for civil servants salary from those sectors, which are so far taken care by the national budget.

Practical modalities of this transfer of responsibilities are yet to be finalized given a some problems in the public administration that require to be addressed first, in particular the exact number of civil servants working in provinces compared with the one acknowledged in the central payroll, as well as the issue on retirement.

3. Implementation momentum of the decentralization

Effective implementation of the fiscal and sector decentralization process is slow, and in some cases is recording important delays, due particularly to the lack of key laws and other priority legal texts that are to be either prepared by the government or adopted by the parliament. The laws involved include the organic law on public finance, the law on public administration for the central level and for provinces, and the law on the equalization fund.

However, the questions of the volume of revenue provinces should get back from the central government according to the constitution (40% and 10%), and of practical modalities for transfer of charges to provinces are yet to be broadly addressed between all the stakeholders. Addressing rapidly these issues, beside the ongoing implementation of capacity building activities in provinces, is critical for successful next steps of the decentralization process.

4. World Bank support

A number of donors are supporting the DRC in the implementation of the decentralization process, among which the World Bank with focus on the fiscal and sector decentralization, through the Enhancing Governance Capacity project, effective since the second half of 2008. The main objective of this project is twofold: enhance transparency and efficiency in central and provincial public finance and human resource management as well as establish and consolidate an equitable resource sharing mechanism between central and provincial government. It is amounted to \$US 50 million and covers three pilot provinces, namely a wealthy province (Katanga), a province with very limited resources (Bandundu), and a middle-income and post conflict province (Sud-Kivu).

Specific results the government aims to achieve in the context of its fiscal decentralization agenda supported by this project are strengthening public financial management and public service management at central government level, including establishing a functioning system of intergovernmental fiscal relations; building public sector and financial management systems at provincial level as well as enhancing capacity for the governance reform implementation.

In the same vein, the government has finalized the road map on sector decentralization for the three sectors of exclusive competence of provinces. It is being implemented since the last year and has the following targets: have available sector plans for gradual transfer of civil servants charges from the central government to provinces, build capacity of the latter in public finance management and computerize the related management system. Other activities include the preparation of harmonized strategies for the census and retirement of civil servants, and the institution of a framework for concertation between sector ministries at central level and in provinces.

For the three specific sectors, the following outcomes are expected as priority : (i) on education : the adoption of the law on school legislation, the census of the teachers, the clearing of the school map and the computerization of the sector management, (ii) on health : the implementation of a legal framework for the sector, a broad reform of the sector and the clarification of the private sector role, and (iii) on agriculture : the preparation of the sector legislation, the restructuring of the ministry administration, the assessment followed by the transfer of industrial and commercial activities and the institution of the agriculture council.

Implementing activities of the fiscal and sector decentralization vast agenda are foreseen to intensify in 2010 since most of pending laws and legal texts linked with the process are being prepared or submitted to the Parliament.
