Congo, Rep.

2011

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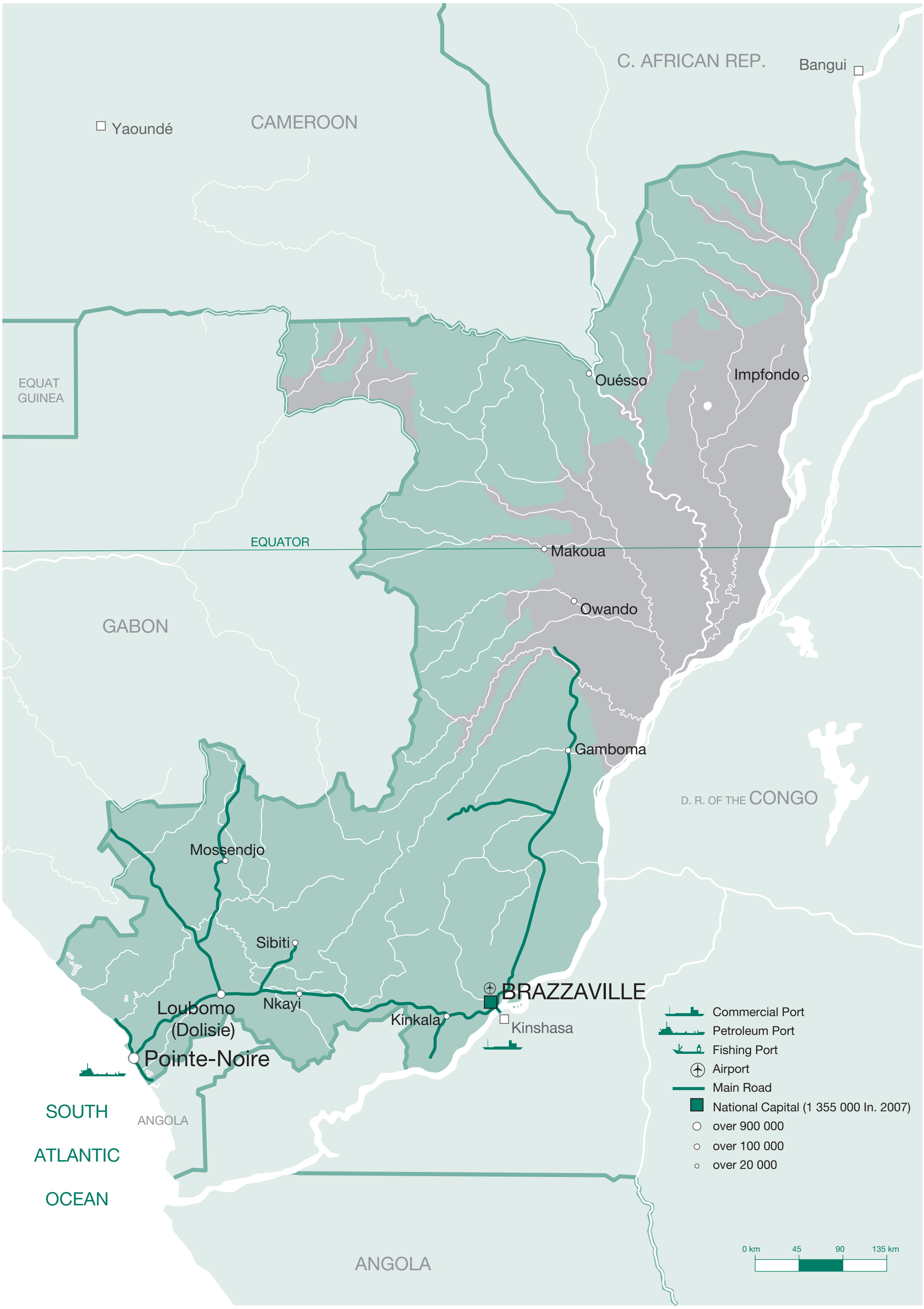

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Congo Republic

Overview

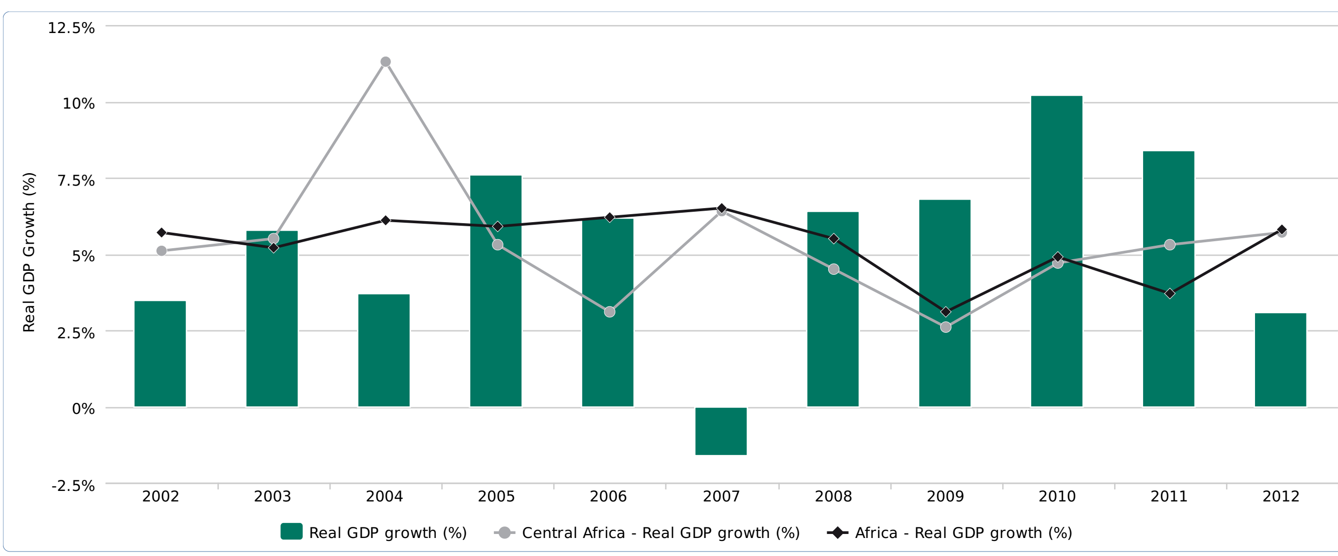
Congo's economic performance in 2010 owes a great deal to the increase in its oil production. The latter reached a record level, estimated at 115 million barrels compared to 99 million in 2009. Fiscal reform and debt relief obtained under the Heavily Indebted Poor Countries (HIPC) Initiative also consolidated fundamental indicators and improved the budgetary balance. The result was a strong 10.2% growth rate in 2010, with 8.4% expected in 2011. These growth rates nevertheless remain fragile. They depend too heavily on the international oil market and maintenance of a high level of oil production. Medium-term forecasts show that oil production will gradually diminish unless new reserves are discovered. Diversification of the economy remains a crucial issue. Construction, public works and telecommunications continue to thrive. The forestry sector seems to be recovering after having been penalised by the global crisis. Increased demand from Asian countries, particularly China, which is the leading buyer of Congolese timber, is ensuring the industry's survival.

The budgetary balance improved markedly in 2010 to reach 13.9% of gross domestic product (GDP) and is forecast to reach 16.5% in 2011. This is the result of a budgetary policy based on improving the quality of expenditure and implementation of the public contracts code and the public investment management system in line with the Medium-Term Expenditure Framework (MTEF). Revenue should increase 12% in 2011, with oil revenue up 74.3% and fiscal revenue up 17.8%. The Republic of Congo should benefit from XAF 50 billion (CFA Franc BEAC) in 2011 in HIPC resources. Grants should reach XAF 45 billion and state borrowing XAF 115 billion.

Congo's external position progressed in 2010 thanks to good oil price levels, improved productivity from certain reserves and a recovery in timber exports. The current account deficit fell to 2.6% of GDP in 2010 thanks to the increase in exports.

The inflation rate stood at 4.8% in 2010 under the impact of strong domestic demand and an increase in international prices for food products.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Relations with emerging countries, notably India and China, go back to Congo’s independence in 1960. More recently, relations have been forged with other Asian countries, such as Malaysia and Korea, Middle Eastern countries, such as Saudi Arabia and the United Arab Emirates, and Latin American countries, such as Brazil and Argentina.

Asia is Congo’s biggest client. It accounted for 56% of total exports in 2009, ahead of Latin America, where Mexico, Brazil and Argentina absorb 20% of Congolese exports. China is the country’s leading Asian partner, accounting for 40% of Congo’s export sales, principally in the form of oil and timber, compared with 10% for Chinese Taipei. Imports from Asia nevertheless remain at a low level. They take the form mainly of food products and capital equipment but represent less than 8% of the country’s total foreign purchases.

Congo is lagging way behind on the Millennium Development Goals (MDGs). It will probably attain only two objectives by 2015 – universal education and sexual equality. Poverty has only slightly diminished, according to the latest study, carried out in 2009. The health situation remains worrying with high levels of infant and maternal mortality and still limited access to drinking water and sanitation. Unemployment remains high, especially among the young, and the average monthly salary level in the public sector does not exceed EUR 100.

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	6.8	10.2	8.4	3.1
CPI inflation	3.8	4.8	5.2	3.3
Budget balance % GDP	5.4	13.9	16.5	15.6
Current account % GDP	-20.8	-2.6	0.3	-8.4

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	4.6	5
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	65.5	58.3
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	4.1	4.7
of which hydrocarbon	-	-
Electricity, gas and water	0.7	0.7
Electricity, water and sewerage	-	-
Construction	3.1	4.4
Wholesale and retail trade, hotels and restaurants	6.3	8.1
of which hotels and restaurants	-	-
Transport, storage and communication	4.7	6.3
Transport and storage, information and communication	-	-
Finance, real estate and business services	-	-
Financial intermediation, real estate services, business and other service activities	-	-
General government services	5.1	5.2
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	5.9	7.2
Gross domestic product at basic prices / factor cost	100	100

Sources: AfDB Statistics Department based on data from national authorities.

Figures for 2010 are estimates; for 2011 and later are projections.

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Driven by the oil sector, which represents 66.3% of GDP, the Congolese economy showed 10.2% growth in

2010 in real terms after 6.8% in 2009. Oil production reached a record 115 million barrels in 2010, even if this was short of the 126.3 million barrels expected. The offshore oilfields, which produced more than 40 million barrels, kept their leading position.

France remains a major client. It and China are the biggest buyers of Djeno Blend quality oil and it and the United States are the main buyers of Nkossa Blend light oil.

Gas production increased by about 47%, according to July 2010 data, rising from 75 405 tonnes in 2009 to 110 375 tonnes in 2010 thanks to good activity levels on the Nkossa field.

Oil is going to drive medium-term growth. In 2011, production should grow by 7.4% before starting a period of decline unless new discoveries are made. The decline hypothesis seems unlikely to be realised, however, given the level of exploration work being carried out by numerous companies. In early 2011, the Italian national oil group Eni was due to start exploiting the tar sands in the Tchikatanga and Tchikatanga-Makola areas, 70 km from Pointe-Noire. The tar or oil in nearly solid form produced will be processed in Italy at a rate of 40 000 barrels per day. Eni plans to build a tar processing plant on site in future, however.

On the domestic market, the activities of the *Congolaise de Raffinage* (Coraf) refinery which is owned by the state, produced contrasting results in 2010. Production fell 16.4% to 276 500 tonnes, while sales increased 6.5% to 90 700 tonnes. These results are explained by the low impact of world crude oil prices on prices at the pump and the fact that since November 2009 Coraf has been processing Nkossa Blend rather Djéno Blend. Previous investment on the Nkossa oil field penalised Coraf's results in 2010. Prospects are promising nevertheless as the company continued to process Nkossa Blend in 2010, as well as carrying out a multi-year investment plan. Coraf can be expected to extend its coverage of the domestic market where it currently meets only 70% of demand.

The mining sector offers good prospects. In 2010, Soremi, a subsidiary of the American group Gerald Metals, continued to produce copper ore at Boko Songho and Yanga Koubanza. Production in 2010, which was estimated at 16 000 tonnes, represented more than double the 7 000 tonnes initially forecast. It was exported to China and Germany.

The Canadian company Mag Minerals Potasse du Congo, in which the Congolese authorities have a 10% stake, is pursuing construction of a potassium plant. Carnallite is to be exploited to extract magnesium for production of a light alloy for use in the automobile industry and sodium chloride and potassium chloride for production of non-polluting fertilisers. The initial investment in this plant is estimated at USD 1.6 billion. Annual production would be 600 000 tonnes, which would make Congo the biggest producer of potassium in Africa and the 13th biggest in the world. The Chinese company Complant has also expressed its interest in this sector.

The forestery sector continues to be penalised by the crisis. Recovery is getting under way with difficulty. Its contribution to GDP is marginal at 0.3%. Production of logs and sawn timber nevertheless continues to offer promising prospects. Still low prices for sawn timber on the international market resulted in a drop in production from 77 109 m^3 in 2009 to 62 146 m^3 in 2010. Nevertheless, increased demand from Asian countries should help the sector. China is the principal buyer of Congolese timber, ahead of Spain and Portugal. It takes 70% of all timber exported. The Singapore-based group Olam is reported to be in the final stages of acquiring the major Congolese timber company, *Congolaise Industrielle du Bois* (CIB), a subsidiary of the Danish group Dalhoff Larsen & Horneman (DLH Group).

In 2011, the authorities intend to maintain the measures they took to reduce the effect of the crisis in the sector. These allow the exportation of up to 30% of logs and offer payment facilities for the felling tax. Wood processing remains an option for the future provided that an effort is made to train labour. The introduction of certification should enable the country to take full advantage of its potential in this sector.

Agriculture, livestock rearing and fishing contributed 3.4% to GDP in 2010 compared to 5% in 2009. Despite the fertile soil and heavy rainfall, the agricultural sector remains weak and turned mainly towards subsistence. It meets no more than 30% of the country's food needs and makes use of less than 5% of arable land. The country's needs are covered by imported foodstuffs at an estimated cost of XAF 130 billion. Imports represent 60% of cereal and meat needs and 50% of fish and seafood needs. Cassava production remained stable at 1.27 million tonnes in 2010, while plantain volumes increased 13.6% to 96 800 tonnes. Groundnut production rose 4% to 34 100 tonnes.

Some agro-industrial projects were launched in 2010, including one with South African partners for the production of alcohol from sugar cane. Malaysia-based companies also plan to produce biofuel from palm oil at a rate of up to 400 000 hectolitres per year, while Italy aims to produce up to 120 000 hectolitres per year.

Despite a reduction in fishing resources in territorial waters, notably in the departments of Pointe-Noire and Kouilou, the volume of fish catches progressed 5% to 4 500 tonnes in 2010. Fishing is handicapped by high production costs. Diesel fuel represents 35% of costs in this activity. Other problems are the use of fishing gear that does not comply with regulations and non-compliance with designated fishing zones.

The dynamism of the construction sector, which represents 4% of GDP, looks set to continue. It is one of the most promising non-oil sectors and is driven by a vast construction programme and upgrading work. Mention should also be made of the roadworks in the capital, Brazzaville, for the festivities to mark the 50th anniversary of independence; construction of a gas-fired power station in Djéno at an estimated cost of XAF 200 billion; the building of homes on oil industry sites; and modernisation of the railway. The sector is nevertheless suffering from difficulties in getting supplies of building materials and a lack of qualified labour.

The manufacturing industry registered 11.5% growth in 2009, driven by production of wheat-based goods, engineering and woodworking, which showed increases of 14.6%, 14.8% and 10.2% respectively. They contributed only 3.6% to GDP compared to 4.7% in 2009, however, as they felt the effects of outdated plants and inadequate supplies of spare parts.

The value added by volume of the water and electricity production companies declined 3% because of a complete shutdown of the 32.5 megawatt (MW) thermal power station in Brazzaville. The fall occurred despite increases in production at the 74 MW Moukoukoulou hydroelectric plant and the 50 MW Djeno gas-fired power station. In 2011, the national electricity production capacity will increase from 156 to 576 MW. The transport and distribution network still needs to be rehabilitated but, according to the authorities, it will be in a much improved state by 2015.

Telecommunications growth should speed up following the installation of optical fibre as part of a submarine cable project planned for 2011. This sector, which contributed 4.7% to GDP in 2010, is continuing to progress rapidly. In 2010, the Equateur Congo Télécom subsidiary Azur Télécom became the fourth operator on the mobile telephone market. In addition, an Indian operator bought the Saudi Arabian group Zain. The two other operators present in Congo are South Africa’s MTN and Kuwait’s Celte. On 16 October 2010, numbers switched from seven to nine figures to accommodate rapid growth in the number of subscribers, which at the end of 2010 stood at 2.7 million. The seven-figure number system, which was launched in 2004, had reached saturation point with a take-up rate of 85% among the three leading operators.

In the transport sector, Chemin de Fer Congo et Océan (CFCO) had mixed fortunes, with an increase in the quantity of freight transported but a fall in the number of passengers. Freight carryings rose from 40 000 tonnes per month to 75 000 tonnes, principally in the form of staples, imported cement, oil and timber.

The financial system was spared by the international crisis. The six Congolese banks have sufficient equity and reserves to meet all prudential norms. Despite the limited scale of the economic fabric, short-term prospects are good thanks to the launch of major infrastructure projects like the potassium plant, the gas power station and the modernisation of the port of Pointe-Noire.

On the demand side, public and private investment rose 4.9% and contributed 2.9% to 2010 growth. Public investment increased 7.5% in 2010 thanks to the launch of major infrastructure projects in the construction sector to mark the 50th anniversary of independence. Private investment, driven by the oil sector and telecommunications, increased 4%.

Public and private consumption rose 6.7% and contributed 3.4% to 2010 growth. The contribution to growth of final private consumption was limited to 2.4%, however, because of low purchasing power.

In an economy that is heavily dependent on oil, exports contributed 4.3% to the formation of GDP in 2010. Buoyant oil production levels were supported by high prices and strong demand from Asian countries, especially China.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	**2009**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Gross capital formation	22.2	43.4	4.9	7.2	6.5	2.9	4.1	3.7
Public	8.1	11.1	7.5	9	8	1.1	1.3	1.2
Private	14.1	32.3	4	6.5	6	1.8	2.7	2.5
Consumption	52	41.4	6.7	5.6	6	3.4	2.8	2.9
Public	15.8	10.2	4.5	2.4	2.4	1	0.5	0.5
Private	36.2	31.2	8.5	8.2	8.8	2.4	2.2	2.4
External sector	25.8	15.2	-	-	-	3.9	1.6	-3.5
Exports	74	76.5	7.7	6.3	-1.5	4.3	3.4	-0.8
Imports	-48.2	-61.3	0.7	3.1	4.6	-0.4	-1.9	-2.6
Real GDP growth rate	-	-	-	-	-	10.2	8.4	3.1

Sources: AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Fiscal Policy

Fiscal policy aims to improve the quality of public spending so as to ensure more efficient use of resources. The public procurement code was introduced for this reason. In the same way, better co-ordination is sought between the public investment management system and the MTEF. The spending chain has been rationalised and simplified.

The stabilisation of public finances has enabled the state to obtain a complete cancellation of its debt to external creditors. The HIPC Initiative completion point has been reached. Congo has since committed itself to a policy of growth, mobilisation of non-oil resources and rigorous management of public finances.

Total revenue represented 35.5% of GDP in 2010 after 32.5% in 2009. The improvement was the result of good oil revenue, which rose to 25.7% of GDP in 2010 compared with 22.8% in 2009. Fiscal revenue stabilised at 8.4% of GDP in 2010 despite the efforts made to improve tax collection and enlarge the tax base. Fiscal policy was one of the major priorities of the government in 2010. A start was made on a plan to computerise revenue recovery services, using a system with a single identifier that has improved the fiscal revenue level, as well as taxpayer registration. An anti-fraud plan is under way in the customs service and has reduced the length of tax clearance procedures.

There was a marked reduction in public spending, which was reduced to 21.7% of GDP in 2010, compared with 27.1% in 2009. Public-service salaries were brought down from 4.3% of GDP in 2009 to 3.9% in 2010. Following the increases granted in 2008 to compensate for the sharp rise in food and energy prices, the wage bill was kept under relative control. Efforts were made to keep control of budget expenditure under the terms of the Poverty Reduction and Growth Facility backed by the International Monetary Fund (IMF). Spending on goods and services fell to 3.9% of GDP in 2010. Also down were subsidies and transfers, fuel subsidies included.

In the final analysis, the budget balance showed a marked improvement, increasing to 13.9% of GDP compared to 5.4% in 2009. Two factors are maintaining the Congolese economy in a state of fragility, however: its heavy dependence on oil and the absence of a clear, sustained diversification strategy. The country remains exposed, therefore, to external events and the budget balance depends on variations in oil prices

Congo was accepted as a candidate for the Extractive Industries Transparency Initiative (EITI) in February 2008. It must now prepare a final validation report showing progress made in terms of increasing transparency in its oil accounts. Progress made will be consolidated through the adoption of a new public procurement code.

Revenue in 2011 is expected to increase 9.7% to reach an estimated XAF 3.029 trillion. Non-fiscal revenue should comprise 74.3% of the total and fiscal revenue should comprise 17.8%. Progressive modernisation of the tax service and the new public procurement code should have a positive impact on revenue. Congo should benefit, moreover, from XAF 50 billion in resources from the HIPC Initiative, XAF 45 billion in grants and XAF 115 billion in state borrowing.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	27.3	42.2	52.6	32.5	35.5	36.9	37.7
Tax revenue	7.7	7.1	6.6	8.6	8.4	8.6	9.1
Oil revenue	18.9	34.3	44.6	22.8	25.7	26.8	26.5
Grants	-	-	-	-	-	-	-
Other revenues	0.6	0.4	0.7	0.8	0.8	0.8	0.8
Total expenditure and net lending (a)	35.5	31.3	26.4	27.1	21.7	20.4	22.1
Current expenditure	26.8	20.9	16.5	15.3	11.6	10.6	11.2
Excluding interest	18.4	18.2	13.4	13.5	11.3	10.5	11.1
Wages and salaries	5.7	3.8	3.5	4.3	3.5	3.3	3.4
Goods and services	7.2	5.8	4.6	4.6	3.9	3.6	3.8
Interest	8.4	2.7	3.2	1.8	0.3	0	0.2
Capital expenditure	8.6	10.4	9.9	11.8	10.1	9.8	10.8
Primary balance	0.3	13.6	29.3	7.2	14.2	16.6	15.8
Overall balance	-8.1	10.9	26.1	5.4	13.9	16.5	15.6

a. Only major items are reported.

Sources: AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

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Monetary Policy

The monetary policy of Congo, as a member of the franc zone, is the responsibility of the Bank of Central African States (BEAC). Given the country's relatively comfortable financial position, this policy has concentrated on monetary stability and management of bank liquidity. The BEAC uses indirect instruments to intervene. It makes use of refinancing to control central currency supply and imposes obligatory reserve levels to control currency demand and maintain discipline among banks.

Year on year, the money supply increased 15.6% in 2010 to reach a total XAF 2 trillion after XAF 1.730 trillion in 2009. This increase was driven by the evolution of net external assets, which represented 30% of the money supply.

Monetary policy in 2010 was carried out in a context of budgetary expansion in which the Congolese treasury made systematic use of statutory advances. The state's net debt fell 20.4% as a result of a 21.9% increase in state deposits with the BEAC and the virtual stability of advances in the current account. This situation bears witness to the improved position of the state treasury resulting from good international oil prices. During the preceding period, lending to the economy increased 28%. This lending was stimulated by stronger competition between banks in an environment marked by the massive financing requirement of the private sector.

The inflation rate rose to 4.8% in 2010 from 3.8% in 2009. Congo is faced with heavy dependence on imported foodstuffs, aggravated by the increase in international prices for food and raw materials.

Foreign reserves should reach XAF 3 trillion (EUR 4.57 billion) in 2010 and should continue to rise over the next few years. This accumulation of external assets has been stimulated by the increase in oil revenue and attainment of the HIPC Initiative completion point.

External Position

Congo's external position improved in 2010 thanks to exceptional oil revenue and the benefits accruing from attainment of the HIPC Initiative completion point. The trade surplus rose to 43.8% of GDP in 2010 from 36.5% in 2009. Export volumes increased thanks to good oil prices and higher productivity from certain oilfields, as well as a recovery in timber exports.

Exports represented 77.2% of GDP in 2010 compared to 69.9% in 2009. They mainly consist of oil, which represents 86% of the total, minerals and timber. The total value of exports came to XAF 3.128 trillion in 2010, up markedly in relation to 2009.

At the same time, imports of goods and service were kept under control in 2010 at a level close to the 33.4% of GDP registered the previous year. This position is the result of a fall in imports of foodstuffs and energy products, countered by an increase in imports of capital goods.

The services deficit fell by 6 percentage points to 31.3% of GDP in 2010 from 37.4% in 2009. A small increase in freight volume and travelling was not enough to make up for a fall in transport services and corporate insurance, particularly in the non-oil sector. The revenue deficit fell to 14.7% of GDP in 2010 thanks to a sharp reduction in external debt service and net investment revenue transfers. The current account balance was slightly in deficit in 2010 at 2.6% of GDP but should be in surplus in 2011. This result cannot hide Congo's economic fragility, however. For this reason, a return to a current account deficit is possible from 2012 if measures are not taken before then to reduce dependence on oil.

Foreign direct investment (FDI) fell 18% to XAF 909 billion in 2009 from XAF 1.112 trillion in 2008. This fall was the result of the international financial crisis. At the same time, the recovery in Asian countries' demand for hydrocarbons should lead to a stronger flow of capital, notably in the oil and gas sector, but also in the mobile telephone sector.

Since it reached the HIPC Initiative completion point, the Congolese state has benefited from a total remission of the XAF 424 billion debt owed to its principal creditor, France. Other debt cancellations have been granted by Italy (XAF 75 billion), Germany (more than XAF 46 billion), the United States (XAF 17 billion), Switzerland (XAF 5 billion) and Belgium (more than XAF 2 billion). With regard to Congo's debt to members of the Paris Club, an agreement to cancel an additional USD 2.4 billion was concluded in March 2010. In the case of France, which accounts for close to a third of the amount cancelled, the operation should be carried out on the basis of the C2D debt relief and development mechanism. According to the BEAC's estimates, the share of debt in GDP should have come down from 54.8% in 2009 to less than 20% by the end of 2010. In October 2010, Algeria granted a XAF 26 billion debt cancellation and negotiations are under way with other creditors such as Brazil.

Congo is an active member of the Central African Economic and Monetary Community (CEMAC), the New Partnership for Africa's Development (NEPAD) and the African Union (AU). Congo has strong political and economic relations with Israel, but this has not prevented it from opening diplomatic missions in Iran, Saudi Arabia and the United Arab Emirates.

Table 5: Current account (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Trade balance	47.9	39.7	49.7	36.5	43.8	43.7	36.5
Exports of goods (f.o.b.)	70.3	72.1	78.5	69.9	77.2	79.6	79.2
Imports of goods (f.o.b.)	22.4	32.4	28.8	33.4	33.4	35.9	42.8
Services	-18.9	-35.2	-30.2	-37.4	-31.3	-31	-31.4
Factor income	-22	-22.3	-20.2	-19.4	-14.7	-12	-13.1
Current transfers	-0.7	-0.5	-0.4	-0.5	-0.4	-0.4	-0.4
Current account balance	6.3	-18.2	-1.1	-20.8	-2.6	0.3	-8.4

Sources: AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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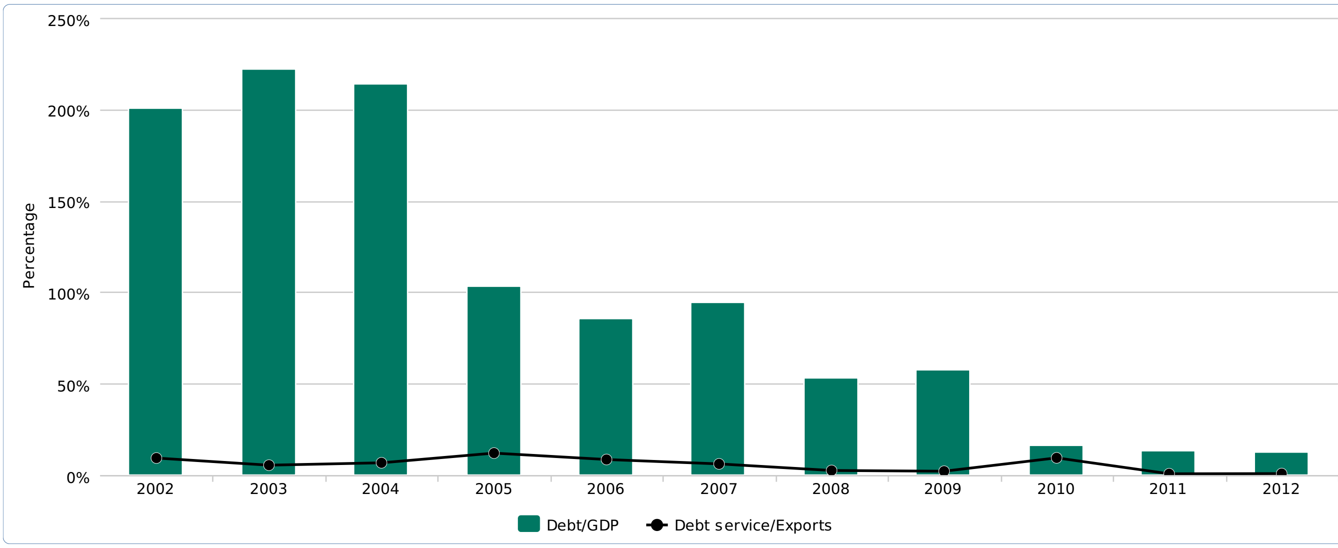
Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

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Structural Issues

Private Sector Development

For three decades, Congo followed a centralised planning policy, marked by wide-ranging control of economic activity by the state, which granted monopolies, fixed prices and set up public-sector companies. Major distortions have resulted. Private initiative is not encouraged and support for the private sector has been neglected, penalising small and medium-sized enterprises. There is strong potential, however, in forest activities, agriculture, livestock rearing, fishing, mining and hydrocarbons. There are also numerous buoyant industrial sectors such as food processing, timber and construction materials.

According to the World Bank's *Doing Business* report for 2011, Congo lies in 177th position out of 183 countries in terms of the business climate. It has moved up a place since 2009 but its performance is still poor. A long list of handicaps continues to penalise the private sector. Poor infrastructure and poor legal, administrative and financial systems are compounded by bad governance and the lack of qualified labour.

The authorities plan to create a high council for public-private dialogue (HCDPP), which will be placed under the authority of the President of the Republic and will bring together representatives of the private sector, the administration and public sector companies. This body will have the task of initiating the reforms necessary to improve the business climate.

The banking system counts six establishments : Crédit du Congo, which was taken over in 2009 by Morocco's Attijariwafa Bank; BGFI Bank Congo, a subsidiary of the private Gabonese BGFI Bank ; *Congolaise de banque*, a subsidiary of Morocco's BMCE Bank ; *Banque commerciale internationale*, a subsidiary of France's *Banque populaire*; Ecobank Congo; and the state-owned *Banque congolaise de l'habitat*. In 2010, banking activity progressed at a more moderate rate than in 2009. The balance sheet total increased 7.4% compared to 35% in 2008. The slowdown in the granting of gross credits to clients was significant. The increase in gross lending to clients came down to 24.3% for a total of XAF 259 billion after having risen 76.7% in 2009.

Two new foreign banks were due to establish themselves in Congo in early 2011: the Indian group Besco, and Nigeria's United Bank of Africa. France's *Société générale* is also interested in the Congolese market.

Other Recent Developments

Rehabilitation of roads in the departments of Cuvette and Cuvette-Ouest has begun with the aim of opening up access to the back country using XAF 3.5 billion of financing from the Congolese road fund (FRC). The work, which is expected to last three years, is being carried out by *Société de Travaux et d'Aménagements du Bâtiment* (SOTRAB). These projects aim to combat poverty better and are part of a programme launched in 2003 to develop Cuvette-Ouest, where the independence celebrations are due to be staged in 2011.

A project to improve water and electricity supply to the inhabitants of Brazzaville and Pointe-Noire has been launched at a cost of EUR 95.7 million. A second EUR 77 million project will benefit 1.2 million people over the 2010-15 period. According to the Ministry of Energy and Hydraulics, the level of access to drinking water is less than 47% in urban areas and 14% in rural areas. Electricity supply covers barely 5% of the population in rural areas and less than 45% in the cities. These are very low levels compared to other countries in the region.

Congo and the European Union (EU) have signed a partnership to combat illegal forest exploitation. From July 2011, any cargo of wood entering the EU from Congo must have authorisation testifying that it only contains timber and wood products of legal origin. The agreement should open the way to sustainable development of the forestery sector and create new jobs.

Congo has about 12 million hectares of land exploitable for agriculture but its imports of foodstuffs in 2010 were estimated at XAF 130 billion (EUR 198 million). Exploitable areas are spread between Cuvette in the north and Sangha in the north-west. The development of plantations should create 20 000 jobs.

Efforts have been made to increase transparency in the oil sector. National committees, including civil society representatives, have been set up under the terms of the EITI. An action plan for implementation of this initiative has been drawn up. It provides for certification of state oil revenue and systematic auditing of the accounts of the state oil firm SNPC (*Société nationale des pétroles du Congo*) and Coraf.

Application of the public procurement code in 2010 bears witness to the efforts made to combat corruption. The public procurement code executive decree sets the rules for the preparation, awarding, approval, execution, control and regulation of public procurement contracts.

Emerging Economic Partnerships

Economic co-operation between Congo and such partners as China, India and other Asian countries goes back a long way. Relations with the Middle East, notably the United Arab Emirates and Saudi Arabia, began more recently. Links were forged with China as early as 1964. Several projects have been carried out, notably in infrastructure. A textile industry was set up in Brazzaville, as were health centres. Co-operation also involved sending Chinese doctors and posting teachers in secondary schools and universities.

Since 2000, this co-operation has changed a great deal. There was a renewal of co-operation with China that began with the visit of President Denis Sassou-Nguesso to Beijing in 2000. This first visit resulted in the conclusion of an agreement on the promotion and protection of investment. A second visit in 2005 was aimed at building a strategic partnership in infrastructure and the social sector.

New Asian partners such as Malaysia, Singapore and Korea also play a role in Congo, as do the United Arab Emirates and Saudi Arabia.

Asia is Congo's leading client with 56% of total exports in 2009, followed by the United States, Mexico, Brazil and Argentina, which represent 20%. Europe and other African countries account for the remainder. China is the leading Asian partner with a 40% share of Congo's exports, notably oil and timber. China is also the leading investor in the country, where it is active in oil, the processing industries and wood. Chinese Taipei, India, Malaysia and Korea also have a share of investment.

Recent data show that Congo's exports to China increased in dizzying proportions between 2000 and 2009. They rose in value from XAF 270.5 billion in 2003 to XAF 1.3 trillion in 2009, which amounts to an increase of 380.6%. This increase confirms the enormous raw material needs of the Chinese economy. Congolese hydrocarbons and wood are exported in their raw state. In 2004, no less than 32% of Congolese exports were bound for China, a proportion which increased to 40% in 2009.

Chinese Taipei served as an outlet for about 10% of Congolese exports in 2009, followed in Asia by India with 3% and Korea and Singapore with 1.5% each. Exports to South America have progressed steadily since 2000, notably to Brazil, which accounts for 4% of total exports, followed by Argentina, Mexico and Chile, each with 1%.

Imports from emerging countries have increased a little during the last decade but remain low in relation to purchases from African and EU countries.

Imports from China comprise mainly manufactured goods and foodstuffs. The four main import products are rice, tobacco, cement and construction materials. These imports have increased in value but have nevertheless diminished as a share of total imports. They increased from XAF 28.5 billion in 2004 to XAF 601.7 billion in 2007 but their share of total imports fell from 7% to 3%. Imports from Korea, Singapore and Chinese Taipei consist mainly of capital equipment and electronic products.

In general, these new trading relations have a positive impact in so far as they allow Congo to diversify its trading partners. Trade was for a long time centred on EU countries for imports and the United States for exports. Indeed, EU countries, particularly France, continue to play a dominant role as suppliers of food, chemicals and mechanical products to Congo. More than 50% of these products are imported from Europe.

Foreign direct investment (FDI) from China, Saudi Arabia, India and Malaysia represented only 1.1% of FDI in 2009 compared to 3.2% in 2004. In absolute terms, however, FDI from these four countries rose from XAF 5.4 billion to XAF 9.1 billion. China mainly directs its investment into the oil sector, India and Malaysia into timber and Saudi Arabia into telecommunications. Other forms of development aid, notably from China, go into health and social protection.

Political Context

The outgoing president Denis Sassou-Nguesso, who has been in power since 1997, was re-elected in 2009. Mid-term elections to the senate took place on 28 February 2010 without disturbance.

Certain political parties, among them the *Alliance pour la République et la démocratie* (ARD), are highly critical of the way the government carries out the electoral census. They claim that it is continuing with malpractice it carried out in 2007 by organising a purely administrative census of the electorate for the 2012 elections. They point to irregularities in the way it is being carried out.

The opposition has called on the country's political class, government included, to show wisdom and humility with a view to establishing a real dialogue and allowing the future elections to be prepared in a climate of serenity. They accuse the government of refusing to listen and of creating a climate of insecurity.

Social Context and Human Resource Development

Congo is running massively behind on attainment of the MDGs. It will be able to achieve only two goals by 2015: universal education and gender equality.

Poverty affects 31.5% of the population in Brazzaville and 35.3% in Pointe-Noire, according to a study carried out in 2009 that set the poverty threshold at XAF 829 per adult per day. The situation improved, however, after the civil conflicts between 1997 and 1999, thanks to a calmer climate and better basic infrastructures.

Important advances have been made in education, particularly in the primary phase. School enrolment rates vary a great deal according to place of residence but little according to gender. Overall, girls nevertheless receive less education than boys: the gender parity index for the gross enrolment rate stands at 0.98. In the major urban centres such as Brazzaville and Pointe-Noire, there is already parity. Analysis of gross enrolment rates shows that the departments of Brazzaville, Pool and Plateaux have the lowest rates – estimated at 102%, 104% and 67% respectively in 2005. As for the primary education completion rate, Pool is far behind all the other departments with a 33% rate in 2005, followed by Niari with 52% and Plateaux with 53%. Allocation of resources, notably human resources, does not take account of school size. The situation seems to be particularly worrying in the departments of Brazzaville, Likouala, Pool and Bouenza.

The government has committed to concrete action to revitalise the education system and ensure that all children get primary schooling. School fees have been abolished, school books are now free and teachers have been recruited.

In the health sector, goals have not been reached. The infant mortality rate was estimated at 117 per thousand live births in 2005. The rate was considerably higher in the rural areas, where it reached 136 per thousand compared to 108 per thousand in urban areas. Major geographical disparities can also be seen. Rates in the northern and southern regions are high, at 142 per thousand and 130 per thousand respectively, as they are in Brazzaville and Pointe-Noire, with rates of 109 per thousand and 102 per thousand respectively. Maternal mortality is of great concern with 750 deaths per 100 000 live births – one of the highest rates in sub-Saharan Africa. The goal of reducing the death rate to 390 per 100 000 live births by 2015 will not be able to be reached if the current trend continues.

The goal of reducing the prevalence of HIV/AIDS to 2% by 2015 can be reached if efforts are maintained. According to a survey carried out in 2009, the prevalence is falling. It was estimated at 3.2% in 2009 compared with 3.7% in 2005.

In the field of health infrastructure, a new 100-bed hospital was due to open in 2011 in Bacongo in the southern part of Brazzaville. It comprises three buildings offering emergency services, radiology, surgery, maternity facilities and a laboratory, and should employ 220 people

Budgets remain fairly low in the social sectors in Congo, particularly health and education. In recent years, however, there has been an upward trend in absolute terms. In 2010, education spending reached XAF 119.2 billion compared to XAF 100.1 billion in 2009. Health spending totalled XAF 79.3 billion in 2010 compared with XAF 56.9 billion in 2009.

On the employment front, the country continues to face a major problem with an unemployment rate of more than 17%. Public-service salaries, which have been frozen for 15 years, will be raised in 2011. A new salary structure will be introduced, as will a simplified grading structure for public sector employees. This structure should take account of appointments, regradings and other administrative status changes. The minimum salary in the public sector, which currently stands at XAF 50 000 (about EUR 76), should be increased 25%, according to official sources.