The Democratic Republic of the Congo: Lessons and Challenges for a Country Emerging From War

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The Democratic Republic of the Congo (DRC) has made remarkable progress in the past three years to extricate itself from one of the bloodiest wars since World War II. The war had devastating effects on the population, which had already suffered from the plundering of the country’s vast natural resources during the colonial period and under the corrupt regime of President Mobutu. The DRC is rated today as one of the poorest countries in the world, a tragic irony and infamous episode in human history, characterized by the globalization of greed.

This chapter attempts to show how the early, proactive approach of the International Monetary Fund and the ensuing timely support of the international community have been critical in strengthening the DRC’s peace process and its remarkable economic turnaround. It shows that the mutually reinforcing support of the IMF and the actions of the proreformers in the DRC government, despite the risks involved, were essential in buttressing the peace process and putting in place a courageous, bold, and front-loaded economic agenda. It also highlights the fact that in addition to the usual political and security pillars, a lasting peace agreement must include an economic pillar.

Section I provides a background to the dire economic and social situation that led the country into a full-fledged war. Section II describes the critical role of the proactive approach adopted by the IMF staff. It also suggests that intense and timely discussions with a broad spectrum
of representatives of civil society and the international community are crucial to forge ownership of the economic reform agenda. This section points out the need for early technical assistance in addressing macroeconomic structural bottlenecks in a sequenced manner. Section III describes the content of the interim program, which was monitored by IMF staff, and of the mutually reinforcing actions in the political, security, and economic areas that helped move the country forward. Section IV discusses the period from macroeconomic stabilization to reconstruction and from conflict to reunification. Section V concludes the chapter, drawing lessons and presenting challenges for the DRC, both of which could be of interest to other postconflict countries.

Section I. A Dire Economic and Social Situation

The DRC is the third-largest country in Africa, with an area of 2.3 million square kilometers (about the size of western Europe). The DRC is potentially one of Africa’s richest countries. It is endowed with fertile land, vast mineral reserves (copper, cobalt, coltan, diamonds, and gold), huge hydroelectric potential, and one of the largest rain forests in the world, containing numerous species of precious wood. Its population, estimated at about 56 million (comprising more than 350 ethnic groups) is growing at a rate of 3 percent a year and ranks fourth largest in Africa. The country occupies the basin of the 4,300-kilometer-long Congo River, with 11 highly diverse provinces stretching from the Great Lakes region to the Atlantic Ocean. Its regional importance, with internal waterways and land links to nine states, makes the DRC a potential engine for regional growth as significant as South Africa.

This unique endowment, however, has been more of a curse to the Congolese than a source of development. A succession of predator governments sustained by powerful—local and international—vested interests have not been able or willing to translate this potential in a virtuous circle of growth and poverty alleviation. The regime of “Maréchal” President Mobutu Sese Seko (1965–97), which was supported by the West during the cold war period, was marked by widespread corruption and the plundering of natural resources to the benefit of only a few. The collapse of the state and the misguided policies were punctuated by frequent riots and arson by an unpaid military and civil service, which led to the destruction of infrastruc-

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1Notwithstanding the fact that the country in the 1960s enjoyed one of the best education systems in Africa as well as a strong civil service and dynamic entrepreneurship.

2A political background is included in Appendix 2.1.
ture and plunged the population into abject poverty. In the early 1990s, most western countries and multilateral institutions—including the IMF and World Bank—which had been indulgent toward what was then Zaïre during the cold war and until the fall of the Berlin Wall, suspended their economic assistance.3

The overthrow of the Mobutu regime by the forces of Laurent Kabila in 1997 was greeted with hope, but a devastating war broke out shortly thereafter, in August 1998. The war, which lasted until the end of 2002, involved seven neighboring countries that sent troops to the DRC; four (Angola, Namibia, Zimbabwe and (initially) Chad) sided with the DRC government and three (Burundi, Rwanda, and Uganda) sided with the rebel groups, mainly in the eastern DRC. About half of the national territory was occupied. This war led to “a silent human genocide” that was hardly mentioned in the international press until late 2000. It resulted in 3 million deaths (2,500 deaths per day); millions of displaced people; a growing number of refugees, disabled people, widows, and orphans; the systematic rape and enslavement of young girls and women; enrollment of child soldiers; total isolation of large parts of the territory; the closure of the Congo River; and the destruction of infrastructure, including hospitals and schools. Pandemics, such as human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), malaria, cholera, and malnutrition increased dramatically, and life expectancy plunged (see Box 2.1). In addition, according to successive United Nations (UN) reports,4 foreign as well as local forces systematically plundered the natural resources of the country. The formal economy shrank dramatically through the reckless abuse of an unlawful situation by a number of corrupt international and local companies, as well as private individuals, pushing the population into an even more dire state of poverty. Today, more than 80 percent of the population lives on much less than US$1 per day.

In July 1999, the DRC government and five of the seven foreign countries taking part in the conflict signed an accord at a conference in Lusaka, Zambia, while the two main rebel groups signed in August. The accord called for a cease-fire, a troop standstill, the disarmament of the militias by the de facto administration in each region, and the initiation of an inter Congolese dialogue leading to reunification and a political solution to the

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3The financial arrangements with the IMF before the war in 1998 included a medium-term program supported by the IMF’s Structural Adjustment Facility approved on May 15, 1987, and a Stand-By Arrangement supporting a one-year program approved on June 9, 1989. Both programs encountered difficulties early on and were eventually suspended.

4See Appendix 2.2 for a list of UN resolutions on the DRC since 1990.
Lessons and Challenges for a Country Emerging From War

The Lusaka Accord, which was quickly and widely violated by all of the concerned parties, represented nevertheless a milestone in what would be a slow and difficult peace process. About 60 percent of the country (with a population of more than 30 million) was then under the control of the government. Highly tentative estimates indicated that the Congolese army or FAC (Forces Armées Congolaises) numbered about 185,000 soldiers, of whom about one-third were combat capable. The FAC was backed by about 30,000 soldiers from allied forces. The rebel groups, including several Congolese militias, comprised about 100,000 combatants (see Box 2.2 for a list of the factions involved in the conflict).

Box 2.1. Key Social Indicators in the Democratic Republic of the Congo

- Life expectancy. The rates are 51 years for men and 47 years for women (down from 54 years and 51 years, respectively, in 1966).
- Infant mortality. The rates are 101 deaths per 1,000 in the cities, and 161 deaths per 1,000 in rural areas.
- Maternal mortality. The rate is 1,850 deaths per 100,000 live births (the highest in Africa).
- HIV/AIDS. The prevalence rate is high: in Kinshasa, 15 percent of infants under 5 years old are reported to be infected. The situation is much worse in the eastern provinces.
- Illiteracy. The rate has increased to 41 percent from 26 percent in 1992.
- School enrollment. The rates are 75 percent at the primary level and 25 percent at the secondary level (the Roman Catholic Church is managing 80 percent of primary and 60 percent of secondary education).
- Water. Eighty percent of the population (45 million people) has no access to safe water.
- Electricity. Only 6 percent of the population has access to electrical power.

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The main provisions of the Lusaka Accord of July 10, 1999, included (1) the creation of a joint military commission comprising representatives of all parties to the conflict and responsible for monitoring the peace agreement in conjunction with the UN; (2) the deployment of a UN peacekeeping force; (3) the withdrawal of all foreign troops within nine months of the signing of a cease-fire; (4) the disarmament and repatriation of all armed groups operating in the DRC; (5) the holding of an inter-Congolese dialogue between the Congolese government and the armed and unarmed opposition; and (6) the granting of amnesty for all rebel groups, excluding those implicated in acts of genocide. In the 18-month period following the accord, little progress was made, and
Section II. Seizing a Window of Opportunity
(Late 2000–Early 2001)

Initiating Contacts with Proreform Officials in Late 2000

During 2000, the Congolese authorities showed an interest in strengthening cooperation with the IMF staff. Following a private visit by Mr. Camdessus in May 2000 to Kinshasa at the invitation of President Laurent Kabila, a DRC delegation, including Mr. Masangu, Governor of the Central Bank of the Congo or BCC (Banque Centrale du Congo), who participated in the Annual Meetings of the IMF and the World Bank in Prague in September 2000, expressed to management the Congolese authorities’ desire to renew discussions with the IMF staff. Subsequently, IMF management decided that a small staff team would take advantage of its participation in October 2000 in a Forum on Public-Private Partnership in Kinshasa, organized by the United States

fighting continued, more or less continuously, despite periodic cease-fires and intense diplomatic activity. For more details, see “Peace Agreements Digital Collection: Democratic Republic of the Congo.” Available via the Internet: http://www.usip.org/library/pa/drc/drc_07101999.html

Mr. Camdessus left the IMF in February 2000. He was succeeded by Mr. Köhler as Managing Director of the IMF in May 2000.

Box 2.2. Key Actors in the Great Lakes Region Conflict

Between 1996 and 2001, armed forces of seven countries, rebels groups, and militias fought a terrible war in the DRC.

Of the foreign countries involved in the conflict, four were on the government’s side—Angola, Namibia, Zimbabwe, and (initially) Chad—while three were on the rebel side—Burundi, Rwanda, and Uganda.

Key former rebel movements included the following:

- Rassemblement Congolais pour la Démocratie (RCD-GOMA), supported by Rwanda and headed by Azarias Ruberwa, in control of large parts of eastern provinces;
- Mouvement pour la libération du Congo (MLC), supported by Uganda and headed by Jean-Pierre Bemba, in control of the northern regions; and
- Breakaway factions of the original RCD, in control of stretches of territory in the eastern and northeastern parts of the country.

Several Congolese militias (including Mayi-Mayi and Banyamulenge groups) were also active in the eastern part of the country.
Agency for International Development to initiate contact with the Congolese authorities and discuss plans for future policy discussions. The World Bank staff would also be participating in the discussions, enabling a close collaboration between the two institutions.

At that time, the DRC was still at war, and the security situation in Kinshasa was rated as phase 4 by the United Nations. The team found that a window of opportunity was opening in the DRC, as a small group of key officials inside the government were advocating a change in the economic policy stance to address the rapidly deteriorating economic situation. Several members of the international community in Kinshasa, though fully supportive of the resumption of a policy dialogue between the Bretton Woods institutions and the DRC, were skeptical of the DRC government’s willingness to change its course of action. Nevertheless, most of the community welcomed the IMF’s initiative, noting that the Lusaka peace agreement did not include an important pillar: the economic aspect of the process. In contrast, a few believed that beginning a dialogue and possibly normalizing relations with the international community were premature, as it could send the wrong signals to the Congolese authorities to continue waging war, thus undercutting the ongoing peace initiatives.

During the October 2000 visit, staff discussed IMF policies relevant to the circumstances of the DRC, as well as the willingness of the IMF to support a comprehensive adjustment program under the Poverty Reduction Growth Facility (PRGF) once a strong track record of policy implementation had been established and, eventually, assistance under the Heavily Indebted Poor Countries (HIPC) Initiative. To this end, the staff noted that the IMF would be willing to work with the authorities (in close collaboration with the World Bank) to help elaborate a comprehensive policy framework, which would need to be monitored by an interministerial committee. This framework could be the basis of an interim program of the government, which could be monitored by the IMF staff. At the Congolese authorities’ request, the mission left a note summarizing the IMF’s cooperative approach to protracted arrears cases and outlining what could be the main elements of

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7UN security phase designations comprise the following: (1) phase 1—precautionary (a warning about the security situation in the country); (2) phase 2—restricted movements (a much higher level of alert and imposition of major restrictions on movement of personnel); (3) phase 3—relocation (serious security threat exists, may result in relocation of personnel, and travel strictly limited); (4) phase 4—program suspension (relocation outside the country of all nonessential personnel and travel strictly limited); and (5) phase 5—evacuation (travel to the country is cancelled).
an interim program. Such a program, if implemented steadfastly, would help the authorities establish a track record that could facilitate the normalization of relations with the international community. The possibility of renewing such relations contributed to the deepening of the debate within the government, setting in opposition those who preferred the status quo and those who were in favor of a change in the policy stance. The Congolese authorities took several important actions just after the mission left Kinshasa that showed their willingness to move forward. The actions included, notably, the repeal of a decree forbidding transactions in foreign exchange and a devaluation of the official exchange rate, with the latter action somewhat reducing the difference between the official rate and the parallel rate. The government was also reshuffled and the minister of finance was replaced.

President Kabila’s First Speech to the Nation: A Clear Break From the Past

The assassination of President Laurent Kabila on January 16, 2001, could have plunged the DRC into a full-fledged war. However, his son, Joseph Kabila, was quickly nominated as the new president. On January 26, the new president, in his first speech to the nation, endorsed a political and economic agenda that represented a clear break from past policy stances. The speech, which was well received by the international community, called for (1) the achievement of peace through the reactivation of the Lusaka cease-fire agreement, which provided for the withdrawal of all foreign troops and the disarmament of rebel forces; (2) the resumption of the inter-Congolese dialogue, which should lead to the adoption of a new Transitional Constitution, the formation of a Government of National Unity and, after an interim period, the holding of free and transparent elections; and (3) the normalization of relations with the international community, the stabilization of the macroeconomic situation, and the liberalization and opening up of the economy. In addition, the speech requested the international community to help in mobilizing human and financial resources, as well as technical assistance, to support the reconstruction of the country. It was comforting to the IMF staff that all elements of the economic liberalization policies were in line with the discussions held in October 2000 with the Congolese authorities. Soon thereafter, the president made his first trip abroad, reported by the press as a success. His speech and trip helped forge a growing consensus among

8The president met on January 30 with President Mbeki of South Africa, on January 31 with President Chirac of France, and on February 1 in Washington with U.S.
the international community to assist the DRC in revamping the peace process at this crucial juncture. On February 1, Mr. Köhler agreed with President Kabila that an IMF mission would visit Kinshasa as soon as possible to take stock of the situation and to initiate discussions on a comprehensive macroeconomic framework that could lay the foundation for a staff-monitored program (SMP).

**IMF Multisectoral Mission Quickly Follows President’s Speech**

An IMF multisectoral mission headed by the African Department visited Kinshasa at the end of February 2001. The mission was relatively large, including in particular IMF technical experts in the monetary, financial, exchange rate, and fiscal areas. The early focus on technical assistance and capacity building—with involvement of all relevant IMF departments and the World Bank—allowed for a broad-based diagnosis of the economic situation, as well as the early design of a clear road map for a well-coordinated and well-targeted technical assistance strategy. The assessment shared by IMF staff and the Congolese authorities on the dire economic situation facilitated a common understanding on the design of a strategy to address the main macroeconomic disequilibria and distortions. The assessment was also shared by representatives of civil society, including labor unions and the domestic and foreign private sector, which contributed early on to the design of measures. Finally, frequent contacts with the press were also key to forging a broad-based consensus and, through the pointed questions of domestic and foreign journalists, to obtaining feedback.

Openness was, therefore, crucial to the success of the new strategy that was being designed under the leadership of the president himself. The direct involvement of President Kabila and the IMF team’s frequent meetings with the president avoided misunderstandings regarding the strategy being developed by the Congolese authorities. The IMF mission left with the Congolese authorities a detailed note that provided a diagnosis of the economic situation and proposed key elements of a comprehensive macroeconomic framework that could serve as the basis of an interim

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9 The IMF team benefited as early as October 2000 from a good set of data that the Congolese authorities had prepared, as well as insightful discussions on the macroeconomic situation with the BCC, which was the only institution that was still functioning well. During the war, the BCC continued to collect data and produce reports of rather good quality despite the difficult operating environment.
program monitored by the IMF staff. The mission also left a list of measures that needed to be implemented immediately, including, in particular, measures aimed at regaining control of public expenditures and mobilizing fiscal revenue, reestablishing the independence of the central bank, and preparing for the adoption of a floating exchange rate system.

The multisectoral mission was followed by several IMF technical assistance missions in the areas of expenditure management, revenue mobilization, monetary and exchange rate policy, central bank management, and statistics. Close collaboration with the World Bank (including several subsequent joint missions) allowed substantial progress to be made in implementing key structural reforms of macroeconomic relevance, in particular in the areas of public enterprises, the financial sector, the banking system, and the mining sector. Close coordination with bilateral donors in the field and through regular donor meetings enabled the IMF and World Bank to keep bilateral creditors informed and to stress the need for timely assistance. Finally, its observer status on the UN Planning and Management Task Force on the DRC (created at the request of the UN secretary-general in 2001) allowed IMF staff to closely follow and discuss political and military developments that had a bearing on the economic and financial situation of the country and to inform UN agencies about economic and financial developments and policies in the DRC. This cross-fertilization of information and exchange of views on the country’s situation was extremely helpful to the IMF staff in forging a coherent and broad-based assessment of the rapidly evolving situation in the country.

Reaching a Common Diagnosis on the Dismal Economic Situation

On the economic front, the authorities and IMF staff agreed that the economic situation of late 2000 to early 2001 was characterized by a vicious circle of hyperinflation, a continued depreciation of the currency, increasing dollarization and financial disintermediation, a lack of saving, falling production in both agriculture and manufacturing, a deterioration of infrastructure, a generalized impoverishment of the population, an alarming spread of pandemics, and the reappearance of previously eradicated diseases, such as tuberculosis and leprosy. The lack of medical supplies further aggravated the situation. The scarcity of inputs contributed to a continued decline in production and a rise in the cost of goods and services. The government also had to contend with a serious

10See Chapters 9 and 10 for more details.
lack of office space and equipment it needed to operate adequately. It was trying by all means to obtain foreign exchange currency to finance the war. To that end, it pursued ill-advised interventionist policies, including tax harassment of the few enterprises still operating, and authorized arbitrary arrests and imprisonment by security forces, creating an environment of fear and lawlessness that pushed many operators into the parallel economy. The government compounded these actions by granting to dubious operators (including foreign armed forces) monopolies and mining concessions with tax privileges for the production and marketing of key products, notably diamonds. Multiple exchange rates and price controls generated significant distortions in relative prices and shortages of basic items and petroleum products.\(^1\) The regulatory framework was heavy, lacked transparency, and was applied in an arbitrary fashion, engendering a climate of suspicion and economic insecurity that discouraged investment. Poor maintenance led to the rundown of infrastructure and of capital stocks. In this context, real economic growth fell by more than 40 percent over the 1995–2000 period. Output in all sectors was well below 1990 levels, and annual per capita GDP plummeted from US$224 (or about US$1 a day) in 1990 to US$85 (or US$0.23 a day) in 2000 (see Figure 2.1). Consumer prices rose at an annual average rate of 554 percent in 2000 (see Figure 2.2), and the gap between the official and parallel foreign exchange rates widened to more than 550 percent. The primary source of hyperinflation was the unbridled monetization of an uncontrolled budgetary deficit, stemming from the collapse of the expenditure system and of fiscal revenue.\(^2\) The lack of transparency and governance also contributed to this situation. In 2000 the budget deficit (on a commitment basis) was estimated to have been equivalent to about 120 percent of government revenue. With the decline in economic activity and the shift of transactions to the unofficial economy, the tax base shrunk and budgetary revenue collapsed to less than 5 percent of GDP (the lowest in Africa; see Figure 2.3). This shrinkage was exacerbated by numerous tax exemptions, widespread fraud in the tax administration, and the diversion of revenue from the budget. Recorded budgetary expenditures were almost twice as large as revenues. Security-related payments, including military wages, were given priority while other payments were cut back. Investment outlays were negligible. The control of expenditure was weak, and extrabud-

\(^1\)The DRC is a crude-oil-producing country (8.5 million barrels a year).

\(^2\)See Chapter 8 for a discussion of the sources of hyperinflation and falling currency in the DRC.

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Figure 2.1. During the War, GDP per Capita Plummeted

Sources: Congolese authorities; and IMF staff estimates.

Figure 2.2. During the War, Inflation Accelerated Sharply
(Average annual percent change)

Sources: Congolese authorities; and IMF staff estimates.
Figure 2.3. During the War, the Tax Base Shrunk
(Percent of GDP)

Sources: Congolese authorities; and IMF staff estimates.

Figure 2.4. During the War, Money Supply Increased with Monetization of the Fiscal Deficit
(Percent of beginning-of-period broad money)

Sources: Congolese authorities; and IMF staff estimates.
getary spending, mostly related to war and sovereignty expenditure, amounted to nearly 70 percent of total revenue. The overall fiscal deficit was financed entirely by monetary expansion and through the accumulation of domestic and external arrears (see Figure 2.4). The role of the central bank was reduced to the monetization of the budgetary deficit, and it completely lost its independence in the conduct of monetary policy. The banking system was largely insolvent, and about half of the existing banks went bankrupt. The public’s loss of confidence in the national currency and the banking system led to extensive dollarization and financial disintermediation.\(^\text{13}\) The external position was extremely weak, reflecting the fiscal stance and domestic supply constraint. Foreign official reserves fell to less than two weeks of imports of goods and nonfactor services. The stock of external debt at the end of 2000 amounted to about US$13 billion (equivalent to about 900 percent of GDP), of which 80 percent constituted arrears on debt-service payments, including to the IMF and the World Bank (see Figure 2.5).

\textit{Figure 2.5. Composition of External Arrears by Creditor Type at End-December 2001}

(Percent of total)

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris Club bilateral pre-cutoff date</td>
<td>70.9%</td>
</tr>
<tr>
<td>Paris Club bilateral post-cutoff date</td>
<td>6.4%</td>
</tr>
<tr>
<td>Non-Paris Club bilateral</td>
<td>3.4%</td>
</tr>
<tr>
<td>Commercial</td>
<td>2.4%</td>
</tr>
<tr>
<td>Multilateral</td>
<td>16.9%</td>
</tr>
</tbody>
</table>

Nominal value of external arrears: US$10,646 million or 80 percent of total external debt.

Sources: Congolese authorities; and IMF staff estimates.

\(^{13}\)See Chapter 9 for a discussion of the problems of financial disintermediation.
Buttressing the Ongoing Peace Process with an Economic Pillar

The IMF multisectoral mission found that, in the face of a dismal economic situation, there had been a marked turnaround in the attitude of the Congolese authorities, and there was now a strong commitment, including at the presidential level, to address the alarming situation prevailing in the country. The main goal of the new strategy was to break the vicious circle of hyperinflation\(^\text{14}\) and depreciation of the currency through strict budgetary and monetary policies. To reduce price distortions, a floating exchange rate would be adopted, most prices as well as interest rates liberalized, and the economic regulatory framework made more transparent and simple.\(^\text{15}\) This attitude was underscored by the appointment of a reform-minded government on April 14, 2001. On this basis, and to ensure that the ongoing peace process on the political side would be buttressed by an economic pillar, IMF management, after consultation with the IMF Executive Board, decided to send a mission in early May 2001 (with World Bank staff participation) to negotiate an SMP and to conduct discussions for the 2001 Article IV consultation. This represented the start of the normalization of the DRC’s relations with the IMF and, consequently, with the international financial community.

At the time of the multisectoral mission, the DRC had been in continuous arrears to the IMF since November 1990. On September 6, 1991, the DRC was declared ineligible to use the general resources of the IMF, and a declaration of noncooperation was issued on February 14, 1992. The voting and related rights of the DRC in the IMF were suspended on June 2, 1994. On March 18, 1998, the Executive Board decided that, at the next review of the DRC’s overdue financial obligations, the IMF would consider adoption of a decision providing for the initiation of the procedure of compulsory withdrawal from the IMF unless the member resumed cooperation with the IMF. In light of the unsettled political and security situation and the limited information available on economic developments and policies, the Executive Board subsequently decided on several occasions to postpone the postsuspension review of the DRC’s overdue financial obligations. In November 2000, the Executive Board once again decided to postpone the review for six months, to provide the Congolese authorities time to advance

\(^{14}\) The Congolese authorities agreed that because hyperinflation was one of the most pernicious taxes on the population, particularly wage earners and the poor, its elimination would alleviate considerably the hardship of the population and reduce social tensions.

\(^{15}\) The IMF mission left with the Congolese authorities a detailed note, along with a clear road map of the measures needed.
the peace process, improve the security situation, and design and implement appropriate economic policies. On May 2001, the Executive Board again postponed the review for six months, or to the next Article IV consultation with the DRC.

In early 2001, after years of turmoil and war, the political situation in the DRC was improving, thanks to the reactivation of the Lusaka cease-fire agreement, UN involvement, and enhanced inter-Congolese dialogue. Upon taking office, President Joseph Kabila consistently stated his commitment to restore peace and enforce the terms of the Lusaka agreement. Following the president’s visit to the UN in February 2001, the UN Security Council demanded that all troops in the DRC withdraw nine miles from frontline positions within two weeks starting March 15. This was to allow UN military observers and support troops to be deployed to monitor a cease-fire. The UN confirmed later that the withdrawal of troops was broadly on schedule and the cease-fire was generally holding. A delegation of 15 members of the UN Security Council visited Kinshasa on May 18, 2001, to take stock of the situation. In late May, UN troops began reopening and policing traffic on the Congo River, a vital link in the country’s transportation system. The UN Security Council hoped not only to encourage momentum for the pullback of troops but also to win approval of African governments for an international conference on the economic and political developments of the Great Lakes region. At the invitation of President Kabila, the UN-appointed facilitator, Sir Ketumile Masire, former President of Botswana, visited Kinshasa to help prepare for the inter-Congolese dialogue. On May 18, 2001, a presidential decree was signed liberalizing political activities.

Section III. The Government Interim Program: A Clear Break From the Past

Content of the Program

With the above-mentioned progress on the political front, the Congolese authorities believed that the conditions were ripe for adopt-

16An important complicating factor in this respect was the continued plundering of the DRC’s natural resources by foreign military forces, armed groups, some officials, and private individuals and companies (as reported in the UN Security Council in May 2001 by the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the DRC; UN, April 12, 2001, and Addendum of November 13, 2001).
ing and implementing an enhanced interim program that could be monitored by the IMF staff. The staff concurred with this assessment, but stressed that successful implementation of an SMP would critically depend on continued progress toward peace, the strengthening of government policy coordination, and the timely support of the international community. The program would be implemented in a difficult environment. In particular, the security situation, though improving, remained fragile, as political tensions had not yet subsided. Although the risks were substantial, it was worth seizing the window of opportunity. A delayed response from the IMF might have endangered the peace process, giving ammunition to the nonreformers inside and outside the country who were recklessly benefiting from the war.

The staff report on the 2001 Article IV consultation and discussions on an SMP, which was discussed by the IMF Executive Board on July 13, 2001, represented a milestone in the normalization of the DRC’s relations with the IMF. The Congolese authorities purposely designed, with IMF help, an ambitious macroeconomic stabilization program for the June 2001–March 2002 period to reverse the serious deterioration of the economic and financial situation. The SMP consisted of a critical mass of well-sequenced, bold, and front-loaded adjustment measures aiming principally at breaking hyperinflation, stabilizing the economic situation, and laying the foundation for a restoration of growth and reconstruction. The authorities viewed this program as a critical first step for restoring economic stability. They also saw it as the first phase of a broader strategy for postconflict reconstruction and poverty alleviation that they intended to put in place in due time. Finally, the Congolese authorities took an important action to buttress the transparency of their actions by making public the IMF staff report for the 2001 Article IV consultation and SMP.

The enhanced interim program, while ambitious, duly took into account key constraints facing the DRC: (1) half of the country was still not under the control of the government, thus implying the need to ensure an appropriate level of security expenditure; (2) debt service could not be paid in the short term, given the low level of foreign reserves, and arrears on external debt service would therefore continue to accu-

17Before 2001, the IMF Executive Board last discussed a DRC Article IV consultation staff report in 1996. Article IV consultations are the main vehicle to exercise surveillance on members’ economic and financial policies. Completing a consultation requires, among other things, that the member be willing to provide sufficient economic and financial information to the IMF.

18See Appendix 2.3 for a list of IMF staff reports since early 1990.
mulate; and (3) civil service salaries had been gravely eroded by hyper-
inflation (by 60 percent in real terms in the previous two years), and
there was therefore a need to substantially increase nominal salaries
while ensuring that they were paid on time.19 This realism helped in
consolidating the ownership of the program, thereby furthering the
chance of its successful implementation.20

To achieve the program’s objectives, macroeconomic policies in-
cluded, among other things, the following: (1) a return to a normal
budgetary process21 and a restrained budgetary policy centered on strict
adherence to a monthly treasury plan; (2) a prudent monetary policy,
consistent with the objective of breaking hyperinflation and buttressed
by the adoption of new statutes of the central bank enshrining its in-
dependence; (3) the liberalization of all prices22 and interest rates; and
(4) the adoption of a floating exchange rate system. Well-sequenced
and far-reaching structural measures, designed with the help of the
World Bank, were intended to pave the way for a significant reduction
in price distortions, a strengthening of the banking sector, an improve-
ment of governance and economic security, headway in the fight
against corruption, and the liberalization of the economy. The SMP in-
cluded quarterly quantitative and structural indicators to help the
Congolese authorities monitor its implementation. In addition, it in-
cluded quarterly reviews, which allowed IMF staff and Congolese au-
thorities to adapt the program to changing circumstances and, in
particular, to the weaknesses in administrative capacity, as well as the
exogenous and internal shocks that were related mainly to a still un-
stable security environment.

To gather early support from the international community, a meeting
of donors took place in Paris in December 2001, with the participa-
tion of a Congolese delegation. The group discussed a strategic list of invest-
ment projects aimed at addressing the most urgent structural and supply
bottlenecks. The main goal of convening such a meeting early on was to
meet near-term needs to support the government, as well as to provide

19Salaries were increased by 141 percent in May 2001. The regular payment of salaries
had a positive social impact because it provided more stable financial means to house-
holds (one civil servant salary finances on average the basic needs of about 10 family
members).
20This message was conveyed by President Kabila to Mr. Köhler during his visit to
Kinshasa in April 2002.
21With all expenditures (including military and sovereignty-related outlays) and rev-
enues centralized at the treasury.
22Except for the prices of water, electricity, and transportation, which would be re-
viewed regularly based on operating costs.
the necessary capacity for the implementation of a possible successor medium-term, PRGF-supported program. The buttressing of capacity would also help in the design of a poverty reduction strategy that could form the basis of an interim Poverty Reduction Strategy Paper (interim PRSP) endorsed in time by the IMF and the World Bank’s respective Executive Boards.23 This early support from the international financial community, and in particular from the IMF and the World Bank, sent a strong signal to the Congolese government that a satisfactory implementation of the SMP, together with further progress in consolidating the peace process and the inter-Congolese dialogue, would open the way for further support beyond humanitarian and food aid.


On the political side, progress toward peace continued and the cease-fire generally held while the withdrawal of foreign troops started. All Namibian, most Ugandan, and some Angolan and Zimbabwean troops were leaving the country, and Burundi announced its intention to withdraw its troops. However, Rwanda, which had reportedly deployed an average of 30,000 soldiers in the eastern DRC, had not yet moved its troops, as it insisted, among other things, on the disarmament of the two Rwandese rebel groups operating in the DRC.24 At the end of January 2002, the UN Organization Mission in the DRC (MONUC), which had deployed about 3,600 peacekeeping troops, started phase III of its operations, which provided in particular for the disarmament and demobilization of rebel groups. Following a difficult start in Ethiopia in November 2001 caused by a lack of financing, the inter-Congolese dialogue resumed on February 25, 2002, in Sun City, South Africa, and gained momentum from March to April 2002 with the hosting of a conference by President Mbeki of South Africa. The conference brought together for the first time government representatives, members of the rebel movements and the unarmed opposition, and representatives of civil society. It was expected to last for 45 days and to lead to the formation of a Government of National Unity, the adoption of a Transitional Constitution, and the holding of free and de-

23Another donors’ meeting took place in June 2001 in Brussels to discuss a Multi-Country Demobilization and Reintegration Program (MDRP) for the Great Lakes region and the creation of a multidonor trust fund, to be financed jointly by the International Development Association (IDA) and other donors. The MDRP is discussed in Chapter 12.

24One of these rebel groups was reportedly composed of militias that had participated in the 1994 genocide in Rwanda.
mocratic elections in two years. Several commissions were constituted to deal with economic, social, and institutional matters. Although the conference ended on April 13, 2002, without a global agreement, the government did reach agreement with one of the rebel groups, the Mouvement pour la Liberation du Congo (MLC), headed by Mr. Bemba and endorsed by Uganda. Under this agreement, which was supported by about 80 percent of the civil society representatives at the conference, Mr. Kabila would remain president while Mr. Bemba would become prime minister. A transitional government would be nominated in the near future. The agreement left the door open for the participation of, notably, the Rassemblement Congolais pour la Démocratie (RCD-GOMA), supported by Rwanda, which at the time rejected the agreement. With this agreement, the transitional government would control 70 percent of the DRC’s territory. This partial political agreement was seen by the UN as a step forward in the inter-Congolese dialogue. However, members of the international community regretted that an all-inclusive agreement could not be reached, and they encouraged all parties to rapidly join in. A flurry of diplomatic activity took place to persuade all players, including neighboring countries, to support the formation of an all-inclusive government. Finally, just before the consideration by the IMF’s Executive Board of the Congolese authorities’ request for a three-year arrangement under the PRGF, a significant breakthrough was achieved on the economic front when all the delegates endorsed the new economic and social strategy presented by the DRC government (embodied in its interim PRSP). This support illustrated the ownership of the new strategy by a wide spectrum of the Congolese civil society.

On the economic side, the Congolese authorities’ steadfast implementation of the SMP brought about a courageous shifting of economic policy after years of mismanagement, corruption, and civil strife. The SMP produced significant results, especially in breaking the vicious circle of hyperinflation and currency depreciation (Figure 2.6). However, although the international community was continuing to provide humanitarian aid and technical assistance, the virtual absence of foreign financial aid was causing “adjustment fatigue.” The macroeconomic

25The IMF staff met in Kinshasa with representatives of the MLC in February 2002. The representatives stressed that the MLC agreed with the main objectives of the economic policy of the DRC government.

26The report of the Security Council mission to the Great Lakes region from April 27–May 7, 2002, in paragraph 30 states: “The Security Council mission takes the strong view that further progress in the peace process take the form of economic dividends for
Figure 2.6. Selected Fiscal and Monetary Indicators, 1998–2005

A. With the implementation of the SMP and the PEG, hyperinflation was broken (Percent)

B. With the implementation of a floating exchange rate system under the SMP, the gap between the official and parallel market exchange rates became negligible (Congo francs per U.S. dollar)

C. With the implementation of the SMP and the PEG, the fiscal situation improved and foreign-financed investment resumed during the PRGF arrangement period (Percent of GDP)

D. With the implementation of the SMP and the PEG, the monetization of the fiscal deficit ceased (Change in percent of beginning-of-period broad money)

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

1 The staff-monitored program (SMP), June 2001–March 2002. The Government Economic Program (PEG) is supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF), April 2002–July 2005.
situation stabilized, following the implementation of bold and front-loaded measures. Inflation sharply decelerated from a monthly average of 18 percent during the January–May 2001 period preceding the program (an annualized rate of 632 percent) to 0.7 percent during June–December 2001 (an annualized rate of 8.8 percent). This remarkable achievement led to a stabilization of the exchange rate under the new floating exchange rate system. The difference between the official rate and the free market rate fell from the 600 percent registered before the implementation of the floating exchange rate in May 2001 to less than 1 percent at the end of December 2001. Although economic growth was negative for the year as a whole, there were some signs of recovery. At the end of March 2002, all quantitative indicators of the program were met and most wage arrears had been eliminated. Important progress was made in strengthening public finances through a return to normal budgetary procedures, including the centralization of revenue and expenditure, as well as a reduction in the number of extrabudgetary channels. For the first time in many years, the budget was adopted by parliament and published. The monthly treasury cash-flow plan was strictly implemented. The monetization of the budget deficit, which was the main source of hyperinflation, ceased. Audits of four commercial banks and the internal audit of the management of the central bank were completed.

On the structural side, far-reaching and front-loaded measures were implemented. First, activities in key sectors were liberalized. The monopoly on diamond marketing was abolished in February 2001. All prices were liberalized, except those for certain public utilities (transportation, water, and electricity). Thus, in 2001, to reflect changes in their respective costs, prices of transportation were raised by 167 percent, for water by 663 percent, and for electricity by 270 percent. The prices of petroleum products, which had been heavily subsidized and maintained well below international prices, were increased by about

the population. The delay in achieving this risks the credibility of the process and of the international community. Accordingly, all efforts should be made to ensure that humanitarian aid, as well as longer-term economic and development assistance is provided to the DRC as soon as possible in support of the peace process. Only thus can a sound basis be created for a more durable peace." This was an important message to the donor community. IDA was the only donor at the time that was disbursing direct budgetary aid, as part of a US$50 million grant for an Emergency Early Recovery Project approved following the discussion by the IMF Executive Board of the SMP in July 2001. This grant was used for key infrastructure projects, the social sectors, and capacity building.

See Chapter 6 for a discussion of the sources of growth in the DRC.
300 percent on May 2001, while a transparent and automatic price-setting mechanism was put in place. The heavy subsidies and smuggling to neighboring countries were de facto eliminated. Also, petroleum product imports were liberalized. The combined effect of these measures was to improve sharply product delivery and transportation as a whole.28 In turn, this increased the supply of basic foodstuffs from the producing regions to the cities and lowered related prices, although progress in this regard continued to be hampered by the lack of road maintenance.

Second, to enhance economic governance and create a more transparent and predictable business environment, the legal framework underwent important changes: (1) a new investment code was published in February 2002, reflecting international best practice; (2) a new mining code was also published in July 2002 while a forestry code was being finalized, with both ensuring a transparent and competitive attribution of concessions; and (3) the judicial system was progressively strengthened, notably with the support of the European Union, including the publication of the decree creating commercial courts in July 2001. Furthermore, a labor code, clarifying the rights of employees and employers, was drafted with the help of the International Labor Organization.

Third, a good governance/anticorruption plan was in preparation. This plan included, first, the adoption of a code of ethics and good conduct applicable to all levels of the civil service. Second, the preliminary financial audits of the customs and tax departments and of most of the 114 public enterprises were completed. Following these audits, which were published in the local press, most directors of revenue-collecting agencies (régies financières) and public enterprises were dismissed and replaced. The directors of public enterprises, for their part, were replaced by temporary administrators, pending the restructuring, privatization, or liquidation of these enterprises. As the third part of the good governance/anticorruption plan, the audits of provincial finances led to the replacement of the governors, vice-governors, and senior staff in all but one province.

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28 Queuing at the gas station (sometimes for several days) ended. A few corrupt companies and individuals, including from the military, benefited from the system by buying imported petroleum products at the official prices and selling them at the parallel market prices. The increase in official prices to reflect international prices thus had a limited negative social impact.
Section IV. From Stabilization to Reconstruction and from Conflict to Reunification (2002–03)

Toward the Normalization of the DRC’s Relations with the IMF

In view of the encouraging results achieved on both the political and the economic front, IMF management (after consulting with the Executive Board) decided to send a mission in February 2002 to negotiate a medium-term program (covering April 2002–July 2005) that would be supported by a three-year arrangement under the PRGF. This decision was another milestone in the normalization of the DRC’s relations with the IMF and the international community. It demonstrated clearly to the Congolese authorities that progress on the economic front and the consolidation of peace could indeed yield important peace dividends to the country. In the event, negotiations were successful, and, in that context, Mr. Köhler visited Kinshasa on April 30, 2002. The Congolese authorities’ request for a three-year arrangement under the PRGF was presented to the IMF Executive Board on June 12, 2002, together with their interim PRSP and the preliminary document under the enhanced HIPC Initiative. Significantly, President Kabila himself signed the letter of intent requesting the PRGF arrangement, as well as those letters related to the subsequent reviews every six months. In doing so, the president wanted to show the international community his willingness to exercise strong leadership in the formulation, monitoring, and implementation of the program. However, before the IMF Executive Board date of June 12, 2002, a number of hurdles needed to be overcome: (1) the modalities of arrears clearance to the IMF, the World Bank, and the African Development Bank (AfDB) Group had to be formulated; (2) an agreement in principle of financial support from the donor community, including the Paris Club creditors and other multilateral institutions, had to be reached; and (3) a problem arising from a “vulture fund” had to be resolved.

29 The managing director of the IMF was the first head of an international financial institution to visit the DRC since early 2001. His visit was welcomed by the population and provided a strong signal to the reformers in the DRC that the IMF supported their courageous shift in the policy stance.

30 The submission to the Board of the PRGF-supported program was made only after implementation of a number of actions included in the authorities’ program. Details on the content of the program and the modalities of its monitoring are available in the related IMF documents posted on the IMF website (http://www.imf.org) both in English and French.

31 On January 17, 2002, in an informal session, the Paris Club creditors took note of the need for a comprehensive rescheduling of the DRC’s debt in the context of a PRGF
An innovative approach was followed concerning the modalities of arrears clearance to the multilateral institutions. First, with regard to the IMF, the DRC’s arrears amounted to SDR 402.2 million (or 75 percent of its current quota in the IMF). These arrears were cleared just before the IMF Executive Board’s consideration of the DRC’s request to use IMF resources under the PRGF through a one-day bridge loan financed by Belgium, France, South Africa, and Sweden. Taking into account the strength of the PRGF-supported program and the country’s postconflict financing needs, the IMF Executive Board decided to grant the DRC total access over the period of the PRGF arrangement equivalent to SDR 580 million (or 109 percent of its current quota). Such access was above the average for first-time PRGF users (85 percent of quota), but well below the maximum limit under exceptional circumstances of 185 percent and even under the maximum access level (140 percent of quota). Excluding the amount that was used to repay the bridge loan (about SDR 405 million), access was 33 percent of quota, or 11 percent annually. The first disbursement, which was made upon Board approval, provided sufficient resources to cover the bridge loan, and subsequent disbursements of SDR 26.7 million each were to be made upon completion of six semiannual reviews. The strength of the DRC’s medium-term adjustment program, coupled with debt relief—including under the enhanced HIPC Initiative—was judged sufficient to enable the DRC to meet its obligations to the IMF. To safeguard IMF resources and to avoid an interruption of IMF financial support, the Congolese authorities decided to hold sufficient SDRs in their SDR account with the IMF to cover service falling due on a six-month rolling basis.

Second, the DRC’s arrears vis-à-vis the World Bank (US$331 million as of March 31, 2002) were also cleared through a bridge loan. The IMF and Bank staffs had maintained close contact with the AfDB Group and other multilateral institutions. As of the end of 2001, the DRC’s arrears with the AfDB Group amounted to US$942 million. On April 24, 2002, an agreement in principle was reached to consolidate these arrears through a partial payment/partial consolidation operation.

Third, the other multilaterals all agreed that the existing arrears, totaling US$200 million as of the end of 2001, would be consolidated, with net zero transfers in the first year of the consolidation period.

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32This agreement was reconfirmed on May 21, 2002, at the donors’ consultation meeting held in Paris. At that meeting, donors also pledged US$2.5 billion for the financing of a critical mass of investment projects defined with the help of the World Bank for the period 2003–05.
Fourth, on September 13, 2002, Paris Club creditors agreed to provide an exceptional comprehensive (flow) rescheduling of Paris Club debt on Naples terms, with the expectation of comparable treatment for the DRC's debt outstanding to non–Paris Club bilateral and commercial creditors. The Congolese authorities’ medium-term program was financed with this financial support. This step represented the full normalization of the DRC's relations with the international financial community and a demonstration of the international community’s confidence in the actions of the proreform-oriented government under the leadership of President Kabila. It was expected that, with the strong implementation of the PRGF-supported program and the finalization of the peace process, the country could then benefit from further debt relief under the enhanced HIPC Initiative.

New Medium-Term Strategy for Poverty Reduction

The medium-term program was designed in line with the Congolese authorities’ strategy to reduce poverty, as outlined in their interim PRSP published in May 2002. The DRC government’s interim PRSP details the three pillars on which the strategy is based: (1) the restoration of peace and the promotion of sustainable growth; (2) macroeconomic stabilization and the achievement of equitable and sustainable growth; and (3) the promotion of community-based initiatives. At the same time, the interim PRSP distinguishes three distinct phases of economic development. The first phase was characterized by stabilization of the macroeconomic situation (i.e., breaking hyperinflation), the removal of major economic distortions, an opening of the economy, a return to a normal and transparent budgetary process (the mobilization of revenue and traceability of expenditure), the creation of an independent central bank, and the establishment of an environment conducive to private sector activity. The first phase coincided with the SMP period and, on the political side, included progress toward peace and on the inter-Congolese dialogue.

The second phase (2002–04) is defined as the transition period, which includes the normalization of relations with the international community, the achievement of peace, the nomination of an all-inclusive transitional government, and the reunification and reconstruction of the country. This phase coincides with the medium-term program sup-

33 A full and complete PRSP is expected to be finalized in 2005. It will include a revised poverty reduction strategy based particularly on an exhaustive poverty survey and will take into account recent developments, such as the impact of reunification.
ported by the IMF through the PRGF arrangement; by the World Bank through the Economic Recovery Credit, the Emergency Multisector Rehabilitation and Reconstruction Project (EMRRP), the MDRP, and the Private Sector Development and Competitiveness Project;34 and by financial assistance from the international community, including debt relief. The PRGF-supported program includes the consolidation of macroeconomic stabilization under a floating exchange rate regime. It envisages the formulation of a prooor budget, a shift in the composition of expenditure toward social and infrastructure expenditure, and an efficient delivery of services to the poor. It also includes the implementation of far-reaching structural reforms, the redefinition of the government’s role (with the expectation that it will become a supporter of the private sector rather than a competitor and predator), the establishment of the rule of law, the progressive eradication of corruption and establishment of good governance, the continued strengthening of administrative and institutional capacities, the reform of the civil service, and the restructuring of the banking system. Overall, the second phase will consolidate the basis for a sustainable rate of growth.

The third phase of economic development (2005 and beyond) will be the development phase. This phase will be achieved by increasing access to international capital markets while significantly reducing poverty levels. On the political side, free and transparent elections will be held, and a new constitution will be adopted, enshrining democracy and the unity of the national territory.

Given the initial conditions prevailing in the country, the IMF staff agreed with the Congolese authorities that poverty could be reduced only gradually. The breaking of hyperinflation already had stopped the erosion of the real incomes of the poor. In addition, with the return of peace, the end of widespread violence (torture, rapes, and killings) would benefit the most vulnerable groups, particularly the elderly, women, girls, orphans, children, and the handicapped in the occupied territories. Finally, the rehabilitation of infrastructure should improve the delivery of basic public goods and services. Nevertheless, given the current low average per capita income and high income inequality, the poverty rate is expected to diminish slowly.

In their interim PRSP, the Congolese authorities stress that it is not feasible to try to achieve the Millennium Development Goal of reducing poverty by half by 2015. Even reducing the poverty rate by one-fourth, from the current rate of 80 percent to 60 percent, would require

34See Chapter 11 for details on the World Bank activities.
an average annual rate of real growth of more than 8 percent (given the annual population growth of about 3 percent). Thus, the authorities have defined a realistic set of macroeconomic objectives and policies, which include, among other things: (1) an average real GDP growth rate of about 5 percent over the period 2002–05, to allow for an average per capita increase of GDP of 2 percent; (2) a reduction in the annual inflation rate to 5 percent by 2005; and (3) a gradual increase in gross international reserves to about 9½ weeks of nonaid imports of goods and services (see Table 2.1). The projected growth patterns are similar to those observed in other postconflict countries and are predicated on three main factors: (1) the removal of major economic distortions (notably, the unification of multiple exchange rates) and the profound change in the regulatory environment will boost economic growth by improving resource allocation and supporting a better functioning of production and trading activities; (2) the substantial increase in investment, driven by international aid (Figure 2.7) and largely consisting of a rehabilitation of infrastructure, will relieve major supply bottlenecks, leading to broad-based economic expansion; and (3) the effective reunification and the restructuring of the communication, forestry, and mining sectors. In particular, the World Bank’s EMRRP will boost growth in key sectors, including agriculture, transportation, and energy, which will have a strong positive impact on real exports (an increase of 11 percent annually during 2002–05). National savings are also projected to grow over the next five years. Nonetheless, macroeconomic aggregates at the end of 2005 (exports, imports, investment, saving, and real GDP) will remain well below prewar levels. The medium-term scenario underlying the interim PRSP will need to be updated regularly to take into account the impact of the country’s reunification and the external assistance mobilized, including external debt rescheduling.

Comprehensive Peace Agreement and Nomination of an All-Inclusive Government During the First Year of the PRGF-Supported Program

On the political front, the DRC continued to make remarkable progress during the first year of the PRGF arrangement, culminating in the agreement signed in Pretoria on December 17, 2002, that established an all-inclusive transitional government. Before that event, the

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35For more details see EBS/02/76 – Requests for the Three-Year Arrangement Under the PGRF and the First Annual Program – and EBS/02/76 suppl. 1 (5/21/02).
36See Chapter 6 for more details on the sources of growth in the DRC.
Lessons and Challenges for a Country Emerging From War

DRC had signed peace agreements with Rwanda (end of July 2002) and Uganda (early September 2002). Uganda withdrew its troops, while Rwanda reportedly completed the withdrawal of its troops on October 5, 2002. Angola, Namibia, and Zimbabwe had already completed the withdrawal of their troops. On November 11, 2002, President Kabila and President Kagame of Rwanda agreed to extend the initial peace agreement period by three months to allow for the disarming and repatriation of ex-Rwandese Hutu soldiers. Meanwhile, the UN Organization Mission in the DRC (MONUC) was deploying about 5,000 peacekeeping troops and started phase III of its operation.

Table 2.1. Selected Economic and Financial Indicators, 2000–06

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<td>27</td>
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<td>Revenue (excluding grants)</td>
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<td>6.5</td>
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<td>8.2</td>
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<td>1.3</td>
<td>–0.2</td>
<td>2.7</td>
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<td>9.8</td>
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<td>6.9</td>
<td>9.6</td>
<td>11.5</td>
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<tr>
<td><strong>Gross official reserves (end of period)</strong></td>
<td>51</td>
<td>22</td>
<td>75</td>
<td>157</td>
<td>272</td>
<td>382</td>
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</table>

Sources: Congolese authorities; and IMF staff estimates and projections.
December 4, 2002, the UN Security Council passed Resolution 1445, raising the number of authorized peacekeeping troops assigned to MONUC from 5,500 to 8,700.

The progress made in the peace process created a renewed sense of optimism, both domestically and in the international community. Intense consultations ensued with representatives of civil society, the unarmed opposition, and all rebel movements, including the MLC, supported by Uganda, and the RCD-GOMA, supported by Rwanda. The inter-Congolese dialogue in Pretoria, hosted by South Africa's President Thabo Mbeki, and under the auspices of the UN Secretary-General's Special Envoy, Mustapha Niasse, resulted in the Pretoria agreement in December 2002 on power sharing in an all-inclusive transitional government, to assume office shortly. Meanwhile, on the basis of overall good performance under the program, the first review of the PRGF-supported program was completed by the IMF Executive Board in March 2003. At that time, the Board indicated that, with continued strong implementation of the program, as well as continued progress in the peace process and the inter-Congolese dialogue, the DRC could benefit from the enhanced HIPC Initiative in a timely manner. The new Transitional Constitution was enacted on April 4, 2003. President Kabila was sworn in as president of the DRC on April 7, 2003, for a two-year transition period, after which free and transparent elections
are to be held. An all-inclusive transitional government, comprising the president, four vice-presidents, 36 ministers, and 25 vice-ministers, was nominated on June 30, 2003. The four vice-presidents are Mr. Bemba (MLC), Mr. Ruberwa (RCD-GOMA), Mr. Yerodia (the President’s Party), and Mr. Z’Ahidi (unarmed political opposition). The main rebel groups were transformed into political parties. A new parliament and senate were nominated, with representatives covering the whole political spectrum. An international committee was created to monitor the transition process.

On the basis of the sustained implementation during the first year of the PRGF-supported program and the progress made in consolidating the peace process, the second review of the PRGF-supported program was completed by the IMF Executive Board on July 23, 2003. At that time, the Board also approved the DRC’s reaching of the HIPC Initiative decision point. In early April 2003, Paris Club creditors provided financing assurances for the topping up of debt relief. Options for the topping up to Cologne terms of the September 2002 Agreed Minutes were discussed by the Paris Club creditors on October 8, 2003, in line with the July HIPC Initiative decision point, and an agreement was finalized in November 2003. The outstanding debt was de facto reduced by about 80 percent in net present value terms (Figure 2.8). This support from the international community, and in particular from the IMF and World Bank, once again demonstrated to the Congolese authorities that sustained progress in consolidating the peace process while simultaneously staying the course on the economic and structural reforms front was rewarding.

However, the withdrawal of foreign occupying forces created a security vacuum in some parts of the country, leading to outbursts of violence, particularly in the northeast Ituri region, where rebel groups were exploiting historical rivalries between two ethnic groups (the Hema and the Lendu). This led to appalling atrocities, particularly in the town of Bunia. On May 30, 2003, the UN Security Council authorized the establishment in Bunia of an Interim Emergency Multinational Force (comprising about 700 French soldiers) until September 1, 2003. This task was subsequently handed over to MONUC, which saw its size increased and mandate broadened in October 2003. The same month, a new UN report on the illegal exploitation of natural resources was released, revealing continued intensive illegal activity in both rebel- and

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37 At a donors’ consultation meeting held in Paris in December 2003, donors pledged US$3.9 billion for the financing of projects for the period 2004–06. A private investment forum was also held, with the participation of about 200 foreign firms.
Achieving security for the entire territory and forcefully addressing the continued plundering of the DRC’s resources remain major challenges for the new government. If these two intertwined problems are not addressed swiftly, with the help of the international community, there is a risk that they could undermine the results achieved thus far on both the economic and political fronts.
Remarkable Progress on the Economic Front

Remarkable progress was also achieved on the economic, institutional, and structural reform fronts in 2002 and 2003 under the PRGF-supported program (Figure 2.6). For the first time in 13 years, economic growth was positive, reaching 3 percent in 2002 and 5 percent in 2003. Positive growth rates were achieved in all sectors. Inflation decelerated more quickly than expected. The end-period annual inflation rate, as measured by the CPI, decreased sharply from 135 percent in 2001 to 16 percent at the end of 2002, and to less than 5 percent at the end of December 2003. The Congo franc, in terms of U.S. dollars, remained stable in 2003 after depreciating by 23 percent in 2002. Gross official reserves increased from the equivalent of 1.4 weeks of non-aid-related imports in 2001 to 5 weeks in 2003.

These positive macroeconomic results were achieved through the implementation of prudent monetary and fiscal policies, together with courageous structural reforms. On the fiscal front, although the overall performance was broadly in line with the program, the anticipated shift in the composition of expenditure toward propoor spending did not fully materialize, given the shortfall in foreign-financed investment and social outlays. This outcome was compounded by higher security- and sovereignty-related expenditures both in 2002 and 2003. These higher outlays were in part explained by expenses related to the inter-Congolese dialogue and the security vacuum following the withdrawal of foreign troops, and by a noticeable weakening of expenditure control during the transition period leading to the nomination of the new government (March–June 2003). The new government subsequently put measures in place to correct for these slippages. Overall, further progress was achieved to strengthen revenue mobilization and expenditure monitoring. In particular, a new expenditure system was installed together with a new nomenclature for expenditure. On the monetary side, the ending of the monetization of fiscal deficits slowed the increase in broad money as the rate decelerated from 493 percent in 2000 to 17 percent in 2003. Also, following an external audit, the BCC is implementing a comprehensive plan of action to address deficiencies in

38 According to the new investment promotion agency, ANAPI (Agence Nationale pour la Promotion des Investissements), which was created to simplify administrative procedures, more than 100 investment applications from the domestic and foreign private sector, amounting to US$2.3 billion over the period 2003–07, have been approved.

39 See Chapter 10 for a discussion on fiscal measures.
its operations and management. With the good progress made on the structural side, the business environment has radically changed, creating a level playing field for private sector activity. In particular, with the help of the European Union, the judiciary system for the entire territory is undergoing an audit, which should result in the formulation of a plan of action. On the external side, the DRC accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF’s Articles of Agreement in February 2003. With an overall rating of 3 on the IMF trade restrictiveness index (with 10 being the most restrictive), the DRC regime has become among the most liberal in Africa.

Section V. Key Lessons from the Past and Challenges for the Future

Lessons can be drawn and future challenges identified from the remarkable turnaround in the DRC’s economic and financial policies.

Key Lessons from the Past

In countries in conflict, it is generally recognized that the window of opportunity for the return to peace and stability tends to be small. The Congolese authorities have noted that, with regard to the DRC, the early involvement of the IMF and World Bank were key in catalyzing support for reformers inside the country and the goodwill of the international community. The quick response of the Bretton Woods institutions to the inaugural speech of President Joseph Kabila in early 2001 (which laid the basis for strengthening the peace process, the inter-Congolese dialogue, and the turnaround in economic policy) helped avoid, in their view, a possible fall back into a full-fledged war and social

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40 An IMF on-site safeguards assessment was conducted at the central bank in October 2002 on the basis of an external audit by a reputable international firm. As a result, a plan of action was designed to address vulnerabilities in the central bank’s internal control system and its financial reporting framework. In addition, as part of the monitoring of the program, the Congolese authorities have decided that the monetary quantitative performance criteria included in their PRGF-supported program will be audited by a reputable international firm before each semiannual program review with the IMF. This represents a precedent for a country with an IMF-supported program.

41 See Chapter 11 for a discussion on the design and implementation of structural measures.

42 This exercise was conducted by the IMF staff and the Congolese authorities, with contributions from representatives of civil society and the international community.
chaos. Also, the Congolese authorities believed that because the Lusaka agreement had lacked an economic pillar, its effectiveness had been undermined from the outset—a lesson for future peace agreements.

Full ownership at the highest level of the new strategy ensured steady implementation of adjustment and structural reform measures, producing rapid results. Reforms were also facilitated by the creation of an interministerial committee in charge of monitoring and coordinating the program’s implementation. The inter-Congolese dialogue in Sun City, South Africa, in 2002, which was attended by more than 350 representatives of civil society and all major rebel groups and political parties, was an effective forum in which to discuss and agree on the economic agenda later embodied in the interim PRSP. Timely contacts among the Bretton Woods staff, press, and civil society representatives were also key in building a wider ownership of the economic agenda.

An early assessment by the Congolese authorities, with the help of the IMF and World Bank, of the macroeconomic situation and the major structural bottlenecks facing the economy was essential to the formulation of a coherent strategy and policy mix in early 2001. The authorities stressed that early and continuous technical assistance from the Bretton Woods institutions in the budgetary, monetary, exchange rate, and structural areas was of paramount importance in drawing up a clear road map of immediate, short-term, and medium-term measures that took into account the limited administrative capacity and the specific circumstances of the country, notably the occupation of about half of the DRC by foreign forces. The early posting of four IMF technical resident experts and the opening of a resident representative office were key factors in the early strengthening of administrative capacity.

The DRC’s experience shows that well-targeted and well-sequenced technical assistance is as important in postconflict settings as timely financial assistance from the international community. The Congolese authorities noted that the IMF’s comprehensive assessment mission in early 2001 led to the timely formulation of an SMP even though most of the country at the time was still classified as phase 4 under the UN security system. This program helped remove major economic distortions and broke the vicious spiral of hyperinflation and currency depreciation. Given the DRC’s heavy debt-service obligations, limited tax-collection capacity, and the absence of nonhumanitarian financial aid, the SMP realistically allowed for an accumulation of external payments arrears, pending the normalization of relations with the DRC’s creditors. This realism helped further the chances of steady implementation of the economic agenda and clearly demonstrates that a one-size-fits-all approach is a recipe for failure.
Another important lesson is that, contingent on successful implementation, the duration of an SMP in a country emerging from conflict should not be excessively long. The end of an SMP should coincide with the launching of a PRGF-supported program to maintain the momentum of reform and to quickly mobilize external financial assistance in the form of budgetary project aid, nonproject aid, and debt relief. This view was endorsed in particular by local nongovernmental organizations (NGOs) and representatives of civil society, who stressed that quick-disbursing aid assistance could alleviate social hardship while generating peace dividends.

In a country emerging from war, such as the DRC, it is crucial that assistance comprise the right mix of humanitarian aid, project aid, budget support, and technical assistance. A judicious mix of external assistance notably increases the chances that a program will succeed and strengthen the social fabric. Humanitarian aid delivered through NGOs and religious organizations was particularly important in alleviating the suffering of the most vulnerable segments of the population, particularly in isolated areas where security and the delivery of public goods and services had collapsed. However, the absence of nonhumanitarian aid during the implementation of the SMP generated adjustment fatigue and could have led to unrest if the SMP had been prolonged. The flow of foreign aid through official channels, that is, through the central bank and the government budget, should be increased to make budgetary and monetary policies more effective. Nonproject direct budgetary aid is now needed to sustain the comprehensive reform program. Until the end of 2003, only the IMF and World Bank, among development partners, were providing financial support directly to the government and the central bank. In this regard, it is significant that the representatives of civil society have stressed the importance of closely monitoring the use of public resources, including external aid, so as to ensure the transparency and effectiveness of propoor spending.

Challenges for the Future

The strategies described in the DRC’s interim PRSP and endorsed by the international community remain valid. Within the framework of the three overlapping phases—stabilization, reconstruction, and development—the DRC has moved from the stabilization phase to the reconstruction phase.

The government’s principal challenge remains to consolidate macroeconomic stability while continuing far-reaching structural reforms. In light of the lessons of the recent past, and given the relatively large and
heterogeneous Government of National Unity, ownership of the pro-
gram remains crucially important. In addition, the reunification and re-
lated reforms will continue to demand effective interministerial 
coordination and well-sequenced technical assistance. Finally, timely 
and well-balanced external assistance will remain key to the smooth 
implementation of the program.

Further structural steps need to be taken to improve the business cli-
mate and to support growth, notably by cutting red tape, facilitating ar-
bitration and legal settlements, and improving the tax regime. The 
DRC government is moving to join the African Trade Insurance 
Agency so that short-term (up to three years) transactions can be in-
sured against political risk. The country has become a member of the 
Multilateral Investment Guarantee Agency. The government will need 
the continuous support of the international community to improve its 
legal and judicial systems and to publish the implementing decrees of 
all the codes that have been enacted. The supervision and control of 
the banking system will also need to be strengthened to fight money 
laundering and the financing of terrorism.

After decades of corruption, when the government acted more like a 
predator than a supporter of private sector activity, the Congolese au-
thorities’ main challenge now is to develop a culture of good gover-
nance, accountability, and respect for the rule of law and of human 
rights. These measures, together with the already completed with-
drawal of foreign troops, should help to halt the plundering and illegal 
exploitation of the DRC’s natural resources.

The Congolese authorities should also ensure that reunification does 
not jeopardize macroeconomic stability and the reform agenda. 
Achieving this objective will require coordinated efforts to tackle con-
currently the political, security, and economic issues. Foreign assistance 
will need to be distributed not only to Kinshasa and the surrounding 
area but also to the entire country; it will also have to be scaled, se-
quenced, and timed in an appropriate fashion. Externally financed pro-
jects will need to continue to be monitored by the independent 
institution charged with coordinating this assistance (Bureau Central 
de Coordination) to ensure a transparent bidding process until the 
DRC’s administrative capacity becomes adequate. The international 
community, including the Bretton Woods institutions, needs to con-
tinue to assist the DRC government in assessing the economic situation 
in all provinces, particularly in areas formerly controlled by rebels, as 
well as to extend the capacity-building efforts throughout the entire 
country. The fiscal aspects of reunification will have to be carefully 
monitored on both the revenue and the expenditure side. In this regard,
it is important that the countrywide public service census be completed rapidly with the help of the international community.

Reunification will be strengthened by the timely implementation of the UN- and World Bank–supported regional demobilization and reintegation program. A fully accountable professional army and police force need to be created. Security for the entire territory should be implemented, and illegal activities related to the plundering of the DRC’s natural resources must be addressed swiftly with the help of the international community. If actions are not taken rapidly to solve these two intertwined problems, the remarkable progress achieved so far may be gravely undermined. Finally, the elections in 2005 need to be well prepared to ensure the transparency of the process. Given the country’s ethnic diversity, transparency will be key to preventing an explosion of the social fabric in the DRC.
Appendix 2.1. Political Background

1960: Independence from Belgium is attained.
1960–65: The period is marked by secessionist movements (especially in Katanga) and political instability, as well as a deep rivalry between President Kasavubu and Prime Minister Lumumba (murdered in 1961). The UN intervenes to prevent growing Soviet influence. The UN Secretary-General Hammarskjöld dies in a mysterious plane crash in 1961.
1965: A military coup is led by Colonel Mobutu, who becomes president in November 1965.
1971: The country is renamed Zaïre.
1973–75: A policy of “Zaïrianization” is followed, in which nearly all foreign-owned businesses are nationalized (including the large copper-cobalt parastatal, GECAMINES).
1978: Renewed secessionist movements in Katanga are suppressed with intervention from Belgium and France.
1990: A process of democratization is announced; social unrest grows.
1991: A national conference is convened, but soon suspended by President Mobutu; widespread demonstrations, army mutiny, and looting ensue.
1991–93: Mr. Tshisekedi is named prime minister, but relations with President Mobutu are extremely difficult. By 1993, Mobutu charges Tshisekedi with high treason, while the national conference initiates impeachment proceedings against Mobutu.
1994: A new government is established under Prime Minister Kengo.
September–October 1996: An armed rebellion begins in the Kivu region. The rebel group, Alliance des forces démocratiques pour la libération du Congo-Zaïre (AFDL) makes rapid advances.
May 1997: Kinshasa falls to the rebels, and Laurent Kabila declares himself president. The former president, Mobutu Sese Seko, flees into exile.
August 1998: Tutsi rebels backed by Rwanda and Uganda open a war against the Kabila government. Angola, Namibia, Zimbabwe, and (initially) Chad intervene to prevent a rebel takeover of Kinshasa, but rebel forces capture most of the east of the country.
July 1999: A peace agreement is concluded in Lusaka, Zambia, with the heads of state of six nations involved in the war at that time (Angola, Zimbabwe, Namibia, Rwanda, Uganda, and the DRC).
January 2000: The UN Security Council passes a resolution authorizing deployment of 500 UN military observers and 5,000 troops to support them.
June 2000: Ugandan and Rwandese troops clash in the rebel-held city of Kisangani, marking the third time that the two nominal allies fight each other in that city. At least 750 civilians are killed.

October 2000: IMF staff visit in Kinshasa.

January 2001: Laurent Kabila is assassinated in Kinshasa. His son, Joseph Kabila, is appointed president and inaugurated on January 26.

January 26, 2001: President Joseph Kabila’s first speech to the nation includes a sharp turn in the political and economic agenda of the country.


February 2001: All parties meet in Lusaka and agree to disengage to positions occupied by their forces in May 2000.

March 2001: UN troops begin deploying in government- and rebel-held areas.

July 2001: IMF Executive Board concludes the 2001 Article IV consultation and discusses the staff-monitored program (SMP).

April 2002: Peace talks among all the domestic factions—the inter-Congolese dialogue—end in an agreement under which the Congolese government, the Mouvement pour la libération du Congo (MLC), will form a transition government.

June 2002: The DRC’s rehabilitation and reintegration into the international community continues apace. The IMF approves a US$750 million Poverty Reduction and Growth Facility (PRGF) arrangement in mid-year, while the World Bank approves a US$410 million credit to finance part of the country’s Emergency Multisector Rehabilitation and Reconstruction project. The IMF and World Bank agreements also lead to commitment of more than US$1 billion in other donor assistance over 2002–03. The preliminary document on the enhanced HIPC Initiative together with the Interim Poverty Reduction Strategy paper are also discussed by the Executive Boards of the IMF and the World Bank.

July 2002: Talks between the Rwandan and the DRC governments result in a tentative agreement.

December 17, 2002: Agreement is reached on a final, all-inclusive settlement among all the domestic players participating in the inter-Congolese dialogue in South Africa. The agreement foresees transparent and free elections in 24 months, defines the composition of a transitional government, including vice-presidents representing the two main rebel forces, the nonarmed opposition, and the presidential party. It envisages a parliament with an assembly and a senate, and representatives of the civil society will head five commissions selected to consolidate democracy.
March 2003: The 2003 Article IV consultation and first review under the PRGF-supported program is concluded by the IMF Executive Board.

April 2, 2003: Signing of the conclusion of political negotiations by the inter-Congolese dialogue, which includes among other things, the Transitional Constitution, the memoranda on security and military issues, and the 30 decisions (résolutions) adopted by the participants.

April 4, 2003: The Transitional Constitution is promulgated.

April 7, 2003: President Kabila is officially sworn in as president of the transitional government.

May 2003: The four vice-presidents are nominated for the transitional government: Mr. Bemba (MLC), Mr. Ruberwa (RCD-GOMA), Mr. Yerodia (the President’s Party), and Mr. Z’Ahidi (unarmed political opposition).

June 30, 2003: Nomination of members of the transitional government.

July 2003: The second review under the PRGF-supported program is concluded by the IMF Executive Board as well as the decision point under the HIPC Initiative.

July 17, 2003: The new transition government is sworn in.

December 3, 2003: The Government Action Program is delivered by President Joseph Kabila to Parliament, setting the tone for the two-year transition leading up to free and democratic elections.

December 17, 2003: At a donors’ consultative group meeting in Paris, donors pledge US$3.9 billion for project financing for the program 2004–06. This is followed by a private investors’ forum attended by more than 200 representatives of foreign enterprises.
Appendix 2.2. United Nations Security Council Resolutions

Resolution 1234: 9 April 1999

Expresses its firm commitment to preserving the national sovereignty, territorial integrity and political independence of the DRC and all other States in the region;

Recalls that the Assembly of the Heads of State and Government of the OAU during its first ordinary session held in Cairo from 17 to 21 July 1964, adopted in its resolution AHG 16 (1) the principle of the inviolability of national frontiers of African states, as stated in paragraph 2 of the communiqué of the Central Organ of the OAU Mechanism for Conflict Prevention, Management and Resolution issued on 17 August 1998 (S/1998/774);

Concerned at reports of measures taken by forces opposing the Government in the eastern part of the DRC in violation of the national sovereignty and territorial integrity of the country;

Expresses its concerns at all violations of human rights and international humanitarian law in the territory of the DRC, including acts of and incitement to ethnic hatred and violence by all parties to the conflict;

Calls for the immediate signing of a ceasefire agreement allowing the orderly withdrawal of all foreign forces, the re-establishment of the authority of the Government of the DRC throughout its territory, and the disarmament of non-governmental armed groups in the DRC, and stresses, in the context of a lasting peaceful settlement, the need for the engagement of all Congolese in an all-inclusive process of political dialogue with a view to achieving national reconciliation and to the holding on an early date of democratic, free and fair elections, and for the provision of arrangements for security along the relevant international borders of the DRC;

Welcomes the intention of the Government of the DRC to hold an all-inclusive national debate as a precursor to elections, and encourages further progress in this respect;

http://www.un.org/documents/scres.htm
Reaffirms its readiness to consider the active involvement of the United Nations, in coordination with the OAU, including through concrete sustainable and effective measures, to assist in the implementation of an effective ceasefire agreement and in an agreed process for political settlement of the conflict.

Resolution 1258: 6 August 1999

Recognizes that the current situation in the DRC demands an urgent response by the parties to the conflict with support from the international community;

Welcomes the signing of the Ceasefire Agreement on the conflict in the DRC by the States concerned in Lusaka on 10 July 1999 (S/1999/815) which represents a viable basis for a resolution of the conflict in the DRC;

Also welcomes the signing of the Ceasefire Agreement on 1 August 1999 by the Movement of the Liberation of the Congo, expresses deep concern that the Congolese Rally for Democracy has not signed the Agreement and calls upon the latter to sign the Agreement without delay in order to bring about national reconciliation and lasting peace in the DRC.

Calls upon all parties to the conflict, in particular the rebel movements, to cease hostilities, to implement fully and without delay the provisions of the Ceasefire Agreement, to cooperate fully with the OAU and the United Nations in the implementation of the Agreement and to desist from any act that may further exacerbate the situation;

Stresses the need for a continuing process of genuine national reconciliation, and encourages all Congolese to participate in the national debate to be organized in accordance with the provisions of the Ceasefire Agreement;

Notes with satisfaction the prompt establishment of the Political Committee and the Joint Military Commission (JMC) by the States signatories to the Ceasefire Agreement as part of their collective effort to implement the Ceasefire Agreement for the Democratic Republic of the Congo;

Authorizes the deployment of up to 90 United Nations military liaison personnel, together with the necessary civilian, political, humanitarian and administrative staff, to the capitals of the States signatories to the Ceasefire Agreement and the provisional headquarters of the JMC, and, as security conditions permit, to the rear military headquarters of the main belligerents in the DRC and, as appropriate, to other areas the
Secretary-General may deem necessary, for a period of three months, with the following mandate:

– To establish contacts and maintain liaison with the JMC and all parties to the Agreement;
– To assist the JMC and the parties in developing modalities for the implementation of the agreement;
– To provide technical assistance, as requested to the JMC;
– To provide information to the Secretary-General regarding the situation on the ground, and to assist in refining a concept of operations for a possible further role of the United Nations in the implementation of the agreement once it is signed by all partners; and
– To secure from the parties guarantees of cooperation and assurances of security for the possible deployment in-country of military observers;

Welcomes the intention of the Secretary-General to appoint a Special Representative to serve as the Head of the United Nations presence in the sub region relating to the peace process in the DRC and to provide assistance in the implementation of the Ceasefire Agreement, and invites him to do so as soon as possible.

**Resolution 1273: 5 November 1999**

Reaffirms that the Lusaka Ceasefire Agreement (S/1999/815) represents a viable basis for a resolution of the conflict in the DRC;


**Resolution 1279: 30 November 1999**

Reaffirms that the Lusaka Ceasefire Agreement (S/1999/815) represents the most viable basis for a resolution of the conflict in the DRC, and notes the role it requests the United Nations to play in the implementation of the ceasefire;

Stresses the need for a continuing process of genuine national reconciliation, encourages all Congolese to participate in the national dialogue to be organized in coordination with the OAU and calls upon all Congolese parties and the OAU to finalize agreement on the facilitator for the national dialogue;

Welcomes the appointment by the Secretary-General of his Special Representative for the DRC to serve as the head of the United Nations
presence in the sub region relating to the peace process in the DRC and to provide assistance in the implementation of the Ceasefire Agreement;

Decides that the personnel authorized under its resolutions 1258 (1999) and 1273 (1999), including a multidisciplinary staff of personnel in the fields of human rights, humanitarian affairs, public information, medical support, child protection, political affairs and administrative support, which will assist the Special Representative, shall constitute the MONUC until 1 March 2000;

Decides to liaise with the JMC and provide technical assistance in the implementation of its functions under the Ceasefire Agreement, including in the investigation of ceasefire personnel.

Resolution 1291: 24 February 2000

Decides to extend the mandate of MONUC until 31 August 2000;

Authorizes the expansion of MONUC to consist of up to 5,537 military personnel, including up to 500 observers, or more, provided that the Secretary-General determines that there is a need and that it can be accommodated within the overall force size and structure, and appropriate civilian support staff in the areas, inter alia, of human rights, humanitarian affairs, public information, child protection, political affairs, medical support and administrative support, and requests the Secretary-General to recommend immediately any additional force requirements that might become necessary to enhance force protection;

Decides that MONUC, in cooperation with the JMC, shall have the following mandate:

a) to monitor the implementation of the Ceasefire Agreement and investigate violations of the ceasefire;

b) to establish and maintain continuous liaison with the field headquarters of all the parties’ military forces;

c) to develop, within 45 days of adoption of this resolution, an action plan for the overall implementation of the Ceasefire Agreement by all concerned with particular emphasis on the following key objectives: the collection and verification of military information on the parties’ forces, the maintenance of the cessation of hostilities and the disengagement and redeployment of the parties’ forces, the comprehensive disarmament, demobilization, resettlement and reintegration of all members of all armed groups
referred to in Annex A, Chapter 9.1 of the Ceasefire Agreement, and the orderly withdrawal of all foreign forces;

d) to work with the parties to obtain the release of all prisoners of war, military captives and remains in cooperation with international humanitarian agencies;

e) to supervise and verify the disengagement and redeployment of the parties’ forces;

f) within its capabilities and areas of deployment, to monitor compliance with the provisions of the Ceasefire Agreement on the supply of ammunition, weaponry and other war-related material to the field, including to all armed groups referred to in Annex A, Chapter 9.1;

g) to facilitate humanitarian assistance and human rights monitoring, with particular attention to vulnerable groups including women, children and demobilized child soldiers, as MONUC deems within its capabilities and under acceptable security conditions, in close cooperation with other United Nations agencies, related organizations and non-governmental organizations;

h) to cooperate closely with the Facilitator of the National Dialogue, provide support and technical assistance to him, and coordinate other United Nations agencies’ activities to this effect;

i) to deploy mine action experts to assess the scope of the mine and unexploded ordnance problems, coordinate the initiation of mine action activities, develop a mine action plan, and carry out emergency mine action activities as required in support of its mandate.

Resolution 1304: 16 June 2000

Reaffirms the sovereignty, territorial integrity and political independence of the DRC and all States in the region;

Reaffirms also the sovereignty of the DRC over its natural resources, and noting with concern reports of the illegal exploitation of the country’s assets and the potential consequences of these actions on security conditions and the continuation of hostilities;

Expresses its deep concern at the condition of the hostilities in the country;

Expresses in particular its outrage at renewed fighting between Ugandan and Rwandan forces in Kisangani, DRC, which began on 5 June 2000, and at the failure of Uganda and Rwanda to comply with their commitment to cease hostilities and withdraw from Kisangani made in their
joint statements of 8 May 2000 and of 15 May 2000 (S/2000/445), and deplored the loss of civilian lives, the threat to the civilian population and the damage to property inflicted by the forces of Uganda and Rwanda on the Congolese population;

**Deplores** the delays in the implementation of the Ceasefire Agreement and the 8 April 2000 Kampala disengagement plan, and stresses the need for a new momentum to ensure progress in the peace process;

**Expresses** its deep concern at the lack of cooperation of the Government of the DRC with the facilitator of the National Dialogue designated with the assistance of the Organization of African Unity (OAU), including the fact that the delegates were prevented from attending the Cotonou preparatory meeting on 6 June 2000.

**Expresses** also its alarm at the dire consequences of the prolonged conflict for the security of the civilian population throughout the territory of the DRC, and its deep concern at all violations and abuses of human rights and international humanitarian law, in particular in the eastern part of the country, especially the Kivus and Kisangani;

**Acting** under Chapter VII of the Charter of the United Nations,

**Calls on** all parties to cease hostilities throughout the territory of the DRC and to fulfill their obligations under the Ceasefire Agreement and the relevant provisions of the 8 April 2000 Kampala disengagement plan;

**Further demands:**

a) That Uganda and Rwanda, which have violated the sovereignty and territorial integrity of the DRC, withdraw all their forces from the territory of the DRC without further delay, in conformity with the timetable of the Ceasefire Agreement and the 8 April 2000 Kampala disengagement plan;

b) that each phase of withdrawal completed by Ugandan and Rwandan forces be reciprocated by the other parties in conformity with the same timetable;

c) that all other foreign military presence and activity, direct and indirect, in the territory of the DRC be brought to an end in conformity with the provisions of the Ceasefire Agreement;

**Calls on** all the Congolese parties to engage in the National Dialogue process as provided for in the Ceasefire Agreement, and calls in partic-
ular on the Government of the DRC to reaffirm its full commitment to the National Dialogue, to honor its obligations in this respect and to cooperate with the Facilitator designated with the assistance of the OAU and to allow for the full participation of political opposition and civil society groups in the dialogue;

Expresses the view that the Government of Uganda and Rwanda should make reparations for the loss of life and the property damage they have inflicted on the civilian population in Kisangani, and requests the Secretary-General to submit an assessment of the damage as a basis for such reparations.

Resolution 1323: 13 October 2000
Decides to extend the mandate of MONUC until 15 December 2000.

Resolution 1316: 23 August 2000
Reaffirms its commitment to assisting in the implementation of the Lusaka Ceasefire Agreement (S/1999/815), and noting the results of the 7 August 2000 Summit of the Southern African Development Community and the 14 August 2000 Second Summit of Parties to the Ceasefire Agreement in the DRC;

Calls on the Government of the DRC and other parties to lift all obstacles to full MONUC deployment and operations;

Decides to extend the mandate of MONUC until 15 October 2000;

Emphasizes that this technical extension of the MONUC mandate is designed to allow time for further diplomatic activities in support of the Ceasefire Agreement and for Council reflection on the future mandate of MONUC and possible adjustments thereto.

Resolution 1332: 14 December 2000
Welcomes the agreements reached at Maputo on 27 November 2000 concerning the disengagement of forces, as well as the signing of the Harare Agreement, pursuant to the Kampala disengagement plan;

Decides to extend the mandate of MONUC until 15 June 2001;

Requests the Secretary-General to submit in that report proposals to the Security Council on ways to address the situation in the eastern provinces of the DRC, including in the areas bordering Rwanda, Uganda, and Burundi;
Expresses its readiness to support the Secretary-General, as soon as he considers that conditions allow it, in the deployment of infantry units in support of the military observers in Kisangani and Mbandaka in due course and, subject to the proposals submitted by him in above paragraph, to other areas he may deem necessary, including possibly to Goma or Bukavu;

Further requests the Secretary-General to submit to the Council, in consultation with all parties concerned, detailed proposals concerning the establishment of a permanent follow-up mechanism which could address in consultation with existing mechanisms in an integrated and coordinated manner the issues of the full withdrawal of foreign forces, the disarmament and demobilization of armed groups, the security of the borders of the DRC with Rwanda, Uganda and Burundi, the return of refugees and internally displaced persons in safety, the inter-Congolese dialogue and regional economic reconstruction and cooperation.

Resolution 1341: 22 February 2001

Determining that the situation in the DRC continues to pose a threat to international peace and security in the region,

Acting under Chapter VII of the Charter of the United Nations,

Demands once again that Ugandan and Rwandan forces and all other foreign forces withdraw from the territory of the DRC in compliance with resolution 1304 (2000) and the Lusaka Ceasefire Agreement, urges those forces to take the necessary steps to accelerate this withdrawal;

Demands that parties implement fully the Kampala plan and the Harare sub-plans for disengagement and redeployment of forces without reservations within the 14-day period stipulated in the Harare Agreement, starting from 15 March 2001;

Demands that all armed forces and groups concerned bring an effective end to the recruitment, training and use of children in their armed forces, calls upon them to extend full cooperation to MONUC, the United Nations Children's Fund, and humanitarian organizations for speedy demobilization, return and rehabilitation of such children, and requests the Secretary-General to entrust the Special Representative of the Secretary-General for Children and Armed Conflicts with pursuing these objectives on a priority basis;

Welcomes the expressed willingness of the authorities of the DRC to proceed with the inter-Congolese Dialogue under the aegis of the ne-
tral Facilitator, Sir Ketumile Masire, and in this regard welcomes the announcement by the President of the DRC at the Summit in Lusaka on 15 February 2001 that the Facilitator has been invited to Kinshasa, and calls on all Congolese parties to take immediate concrete steps to take forward the inner-Congolese dialogue.

Resolution 1355: 15 June 2001

Demands once again that Ugandan and Rwandan forces and all other foreign forces withdraw from the territory of the DRC in compliance with resolution 1304 (2000) and the Lusaka Ceasefire Agreement, urges those forces to take the necessary steps to accelerate this withdrawal, and welcomes in this regard the decision by Ugandan authorities to start withdrawing their troops from the territory of the DRC (S/2001/461);

Condemns the massacres and atrocities committed in the territory of the DRC, demands once again that all the parties to the conflict put an immediate end to violations of human rights and international humanitarian law, and stresses that those responsible will be held accountable;

Calls on the international community to increase its support for humanitarian relief activities within the DRC and in neighboring countries affected by the conflict in the DRC;

Expresses its full support for the work of the Expert Panel on the illegal exploitation of natural resources and other forms of wealth in the DRC, and notes that the report of the Expert Panel of 12 April 2001 (S/2001/357) contains disturbing information about the illegal exploitation of Congolese resources by individuals, Governments and armed groups involved in the conflict and the link between the exploitation of the natural resources and other forms of wealth in the DRC and the continuation of the conflict;

Stresses the link between the progress in the peace process and economic recovery of the DRC, welcomes initial economic reforms undertaken by the Government of the DRC, and underlines the urgent need for international economic assistance;

Decides to extend the mandate of the MONUC until 15 June 2002, and also decides to review progress at least every four months based on reporting by the Secretary-General;

Reiterates the authorization contained in resolution 1291 (2000) for up to 5,537 MONUC military personnel, including observers as deemed necessary by the Secretary-General.
Resolution 1376: 9 November 2001

Reaffirming the obligation of all States to refrain from the use of force against the territorial integrity and political independence of any State, or in any other manner inconsistent with the purposes of the United Nations, and reaffirming also the political independence, the territorial integrity and the sovereignty of the DRC, including over its natural resources.

Welcomes the withdrawal of some foreign forces from the DRC, including the full Namibian contingent, as a positive step towards the full withdrawal of all foreign forces, and requests all States that have not yet done so to begin to implement, without delay, their full withdrawal in accordance with resolution 1304 (2000) of 16 June 2000.

Expresses its serious concern with regard to the humanitarian situation in the DRC and calls on the international community to increase, without delay, its support for humanitarian activities;

Emphasizes that there are links between the peace processes in Burundi and in the DRC and, welcoming the recent progress in the Burundi process, invites the parties to the Lusaka Ceasefire Agreement to work with the Burundian authorities to advance these two processes;

Supports the launching of phase III of the deployment of the MONUC.

Resolution 1399: 19 March 2002

Condemns the resumption of fighting in the Moliro pocket, and the capture of Moliro by RCD-Goma, and stresses that this is a major violation of the ceasefire;

Stresses that no party to the Lusaka Ceasefire Agreement should be allowed to make military gains while a peace process is under way and while a peacekeeping operation is deployed;

Demands that RCD-Goma troops withdraw immediately and without condition from Moliro and also demands that all parties withdraw to the defensive positions called for in the Harare disengagement sub-plans;

Demands also that RCD-Goma withdraw from Pweto, which it occupies in contravention of the Kampala and Harare disengagement plan, so as to permit the demilitarization of this location and that all other parties
also withdraw from locations they occupy in contravention of the Kampala and Harare disengagement plan.

**Resolution 1417: 14 June 2002**

*Calls upon* Member States to contribute personnel to enable MONUC to reach its authorized strength of 5,537, including observers, within the time frame outlined in its concept of operation;

*Stresses* that the reduction in the number of foreign forces in the territory of the DRC is encouraging, *demands* the total and expeditious withdrawal of all foreign forces, in accordance with its previous resolutions, without which the conflict cannot be resolved, and in this regard, *reiterates* that all parties must transmit to MONUC, in accordance with the Lusaka Ceasefire Agreement and Security Council resolutions, in particular resolution 1376 (2001), the plans and timetables for the total withdrawal of their troops from the territory of the DRC;

*Encourages* the parties, especially the Government of the DRC and the Government of Rwanda, to address the fundamental security issues at the heart of the conflict and, in this context, to explore the scope for further confidence-building measures, such as the idea discussed during the Security Council mission to the Great Lakes region of a curtain of troops, as an interim measure aimed at ensuring border security in the final stages of withdrawal, and *encourages* the parties to follow up on their initial positive reaction and develop this idea.

**Resolution 1445: 4 December 2002**

*Authorizes* the expansion of MONUC to consist of up to 8,700 military personnel;

*Welcomes* the signature by the DRC and Rwanda of the Pretoria Agreement on 30 July 2002 (S/2002/914), as well as the signature by the DRC and Uganda of the Luanda Agreement on 6 September 2002 and *welcomes also* the efforts of the Republic of South Africa, Angola, and the Secretary-General, in facilitating the adoption of these agreements;

*Welcomes* the decision by all the foreign parties to withdraw fully their troops from the territory of the DRC, as well as progress in the implementation of these processes, in particular the withdrawal of 23,400 troops from the DRC verified on 24 October, as well as withdrawals by Uganda, Zimbabwe and Angola, and *stresses* the importance for these
withdrawals to be completed in a transparent, orderly and verified manner, and in this regard underlines the need for the parties to facilitate the verification of these withdrawals, including through the continuous provision to MONUC of detailed information on these withdrawals and requests the Secretary-General to report to the Council on this manner;

Stresses the crucial importance of preventing the situation in the DRC from having a further destabilizing effect on the neighboring States, in particular Burundi, Rwanda, Uganda and the Central African Republic, and calls on all parties concerned to cooperate in good faith to that end and to facilitate in this regard the continuing observation efforts by MONUC in the areas of its deployment, including eastern DRC and border areas.

Resolution 1457: 24 January 2003

Strongly condemns the illegal exploitation of the natural resources of the DRC;

Notes with concern that the plundering of the natural resources and other forms of wealth of the DRC continues and is one of the main elements fuelling the conflict in the region, and in this regard, demands that all States concerned take immediate steps to end these illegal activities, which are perpetuating the conflict, impeding the economic development of the DRC, and exacerbating the suffering of its people;

Reiterates that the natural resources of the DRC should be exploited transparently, legally and on a fair commercial basis, to benefit the country and its people;

Stresses that the completion of the withdrawal of all foreign troops from the territory of the DRC as well as the early establishment of an all-inclusive transitional government in the country, which will ensure that central government control is reinstated and that viable administrations are empowered to protect and regulate the exploitation activities, are important steps towards ending the plundering of the natural resources of the DRC;

Takes note of the importance of the natural resources and extractive sectors for the future of the DRC, encourages States, international financial institutions, and other organizations to assist Governments in the region in efforts to create appropriate national structures and institu-
tions to control resource exploitation, encourages also the Government of the DRC to work closely with the international financial institutions and the donor community to establish Congolese institutional capacity to ensure that these sectors are controlled and operated in a transparent and legitimate way, so that the riches of the DRC can benefit the Congolese people.

**Resolution 1468: 20 March 2003**

Calls on the Government of Uganda to complete the withdrawal of all its troops without further delay and, in this regard, expresses its concern that that Government’s commitment to withdraw by 20 March 2003 has not been met, and, concerned also at the statement of 14 March 2003 issued by the Ministry of Foreign Affairs and Regional Cooperation of Rwanda, calls on the Government of Rwanda not to return any forces to the territory of the DRC, and stresses that any renewal of strengthening of foreign military presence on the territory of the DRC would be unacceptable and would undermine the progress achieved thus far in the peace process.

Expresses its deep concern over the heavy fighting in Bunia, demands that all parties to the conflict in Ituri immediately cease the hostilities and that all parties sign an unconditional ceasefire agreement, stresses that they must cooperate with MONUC to set up without further delay the Ituri Pacification Commission, and also stresses that the necessary steps must be taken to restore public order in Bunia, in accordance with the agreements reached among Congolese parties and within the framework of the Ituri Pacification Commission.

**Resolution 1484: 30 May 2003**

Authorizes the deployment until 1 September 2003 of an Interim Emergency Multinational Force in Bunia in close coordination with MONUC, in particular its contingent currently deployed in the town, to contribute to the stabilization of the security conditions and the improvement of the humanitarian situation in Bunia, to ensure the protection of the airport, the internally displaced persons in the camps in Bunia and, if the situation requires it, to contribute to the safety of the civilian population, United Nations personnel and the humanitarian presence in the town;

Strongly condemns the deliberate killing of unarmed MONUC personnel and staff of humanitarian organizations in Ituri and demands that the perpetrators be brought to justice.
Resolution 1489: 26 June 2003

Deeply concerned over the continuation of hostilities in the eastern part of the DRC, in particular in the province of North Kivu.

Resolution 1493: 28 July 2003

Acting under Chapter VII of the Charter of the United Nations, notes with appreciation the recommendations in the second special report of the Secretary-General and authorizes increasing the military strength of MONUC to 10,800 personnel;

Expresses satisfaction at the promulgation, on 4 April 2003, of the Transitional Constitution in the DRC and at the formation, announced on 30 June 2003, of the Government of National Unity and Transition, encourages the Congolese parties to take the necessary decisions in order to allow the transitional institutions to begin functioning effectively, and encourages them also in this regard to include representatives of the interim institutions that emerged from the Ituri Pacification Commission in the transitional institutions;

Decides to extend the mandate of MONUC until 30 July 2004;

Encourages MONUC, in coordination with other United Nations agencies, donors, and non-governmental organizations, to provide assistance, during the transition period, for the reform of the security forces, the re-establishment of a State based on the rule of law and the preparation and holding of elections, throughout the territory of the DRC, and welcomes, in this regard, the efforts of the Member States to support the transition and national reconciliation;

Encourages donors to support the establishment of an integrated Congolese police unit and approves the provision by MONUC of the additional assistance that might be needed for its training;

Decides that all States, including the DRC, shall, for an initial period of 12 months from the adoption of this resolution, take the necessary measures to prevent the direct or indirect supply, sale or transfer, from their territories or by their nationals, or using their flag vessels or aircraft, of arms and any related material, and the provision of any assistance, advice or training related to military activities, to all foreign and Congolese armed groups and militias operating in the territory of North and South Kivu of Ituri, and to groups not party to the Global and All-inclusive agreement, in the DRC;
Reaffirms that an international conference on peace, security, democracy and development in the Great Lakes region of Africa, with participation by all the Governments of the region and all the other parties concerned, should be organized at the appropriate time under the aegis of the United Nations and the African Union with a view to strengthening stability in the region and working out conditions that will enable everyone to enjoy the right to live peacefully within national borders.

Resolution 1499: 13 August 2003

Welcoming recent progress in the political process and the establishment of the transitional government in the DRC;

Noting with great concern that the plundering of natural resources of the DRC continues, especially in the eastern part of the country, and stressing that appropriate action should be taken with regard to those responsible for such activities.

Resolution 1501: 26 August 2003

Deeply concerned by the continuation of hostilities in the eastern part of the Democratic Republic of the Congo (DRC), particularly in the district of Ituri as well as in the provinces of North and South Kivu;

Authorizes the States members of the Interim Emergency Multinational Force, within the limits of the means at the disposal of those elements of the Force which will not yet have left Bunia before 1 September 2003, to provide assistance to the MONUC contingent deployed in the town and its immediate surroundings, if MONUC requests them to do so and if exceptional circumstances demand it, during the period of the Force’s disengagement which should last until 15 September 2003 at the least.
Appendix 2.3. Selected List of IMF Staff Reports From Mid-1990 to July 2003

February 1996: SM/96/34—Staff Report for the 1995 Article IV Consultation.

June 2001: EBS/01/04—Staff Report for the 2001 Article IV Consultation and Staff-Monitored Program.


May 2002: EBS/02/76—Requests for Three-Year Arrangement Under the PRGF and the First Annual Program.


February 2003: EBS/03/12—Staff Report for the 2003 Article IV Consultation, First Review Under the PRGF, and Request for Waiver of Performance Criteria.

February 2003: SM/03/52—Selected Issues and Statistical Appendix.


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1Since 2001, all Board documents on the DRC have been published on the IMF’s external website (http://www.imf.org).