

INTERNATIONAL MONETARY FUND

DEMOCRATIC REPUBLIC OF CONGO

**Evaluation of the Technical Assistance Program (May 2001 to April 2004) and of
areas for Further Assistance to the Central Bank of Congo**

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Contents	Page
Acronyms and Abbreviations	2
Executive Summary	3
I. Introduction	5
II. Background	5
A. Macroeconomic Situation	6
B. MFD TA to the BCC since 2001.....	6
III. Evaluation of MFD TA to the BCC.....	7
A. Inputs to the Program.....	8
B. Outputs of the Program	13
Tables	
1. Selected Economic and Financial Indicators; 1999–2004	6
2. DRC: MFD Technical Assistance Missions; May 2001 – April 2004	11
Appendix	
I. BCC Action Plan in Foreign Exchange and Reserves Management Area	15

ACRONYMS AND ABBREVIATIONS

BCC	Banque Centrale du Congo
BIS	Bank of International Settlement
BNB	National Bank of Belgium
CGF	Congolese franc
CIGA	Canadian International Development Agency
DCFM	Direction du Crédit et des Marchés Financiers
DES	Foreign Services Directorate
DSIF	Directorate of Supervision
MOF	Ministry of Finance
PRGF	Poverty Reduction and Growth Facility
TA	Technical assistance

EXECUTIVE SUMMARY

This report discusses the results of the evaluation of the MFD technical assistance (TA) program with the BCC. The evaluation covered the period May 2001–April 2004 and focused on foreign exchange and monetary operations, internal audit, accounting, banking supervision. It was conducted during December 14–17, 2006 in conjunction with an MFD advisory mission. The mission examined the implementation of this program by two (2) resident experts (a general advisor to the Governor and a resident advisor responsible for internal audit), three (3) multitopic missions, and ten (10) short-term expert visits.¹

The TA provided since May 2001 has yielded positive results. With regard to foreign exchange, in addition to the adoption of a floating exchange regime and the liberalization of exchange controls, TA helped strengthen the BCC's operational capacities, and reorganized the Foreign Services Directorate (DES). In the area of monetary operations, TA also helped improve monetary policy instruments and develop liquidity management. In supervision, TA contributed to reform the legal and regulatory framework, reorganize the Directorate of Supervision (DSIF), establish new prudential norms, and initiate oversight activities. In the internal audit area, TA contributed to the development of risk mapping, an audit charter, and an audit plan.

These successes are attributable to major aspects of the TA program design, the BCC's receptiveness, and TA delivery. In October 2001, MFD took an integrated approach in the TA program **design** by selecting, prioritizing, and then sequencing a set of key measures framed in annual *action plans*, by clearly defining program targets, and by choosing carefully experts for their inclusion in annual multitopic missions. The selection of *priority TA* areas reflected the authorities' priority in macroeconomic stabilization in the context of the Fund staff monitored program (SMP). *Measures* included in the action plans were well understood, had been discussed extensively with BCC staff, and took into account absorption capacity. This integrated approach was bolstered by (i) **strong ownership** of the TA program by senior management and by the heads of the main directorate that received MFD TA; and (ii) **appropriate provision and delivery of TA**, notably the provision of resident experts (e.g., the general advisor to the governor) to ensure continuity of advice and coordinate TA from other donors (e.g., National Bank of Belgium), multitopic MFD missions to provide strategic advice, and experienced peripatetic experts from cooperating central banks to provide hands-on assistance. In addition, **the focus of the TA on operating procedures and methods** facilitated the transfer of knowledge to BCC staff.

Despite significant progress, implementation of the TA program's action plans was slower than expected in certain areas due to, among others, an ambitious initial timetable. In the monetary area, for instance, liquidity forecasting and the creation of a database started only in late 2005. In supervision, major tasks such as the strengthening of

¹ To ensure the impartiality of the evaluation, it was conducted by staff not involved in earlier missions.

on-site supervision have yet to be completed. The TA program fell behind schedule as the initial timetable had not taken certain factors into account. These included: overestimation of the assimilation capacities of the BCC staff; lack of budgetary resources to implement annual training plans; and the reassignment of staff to nonpriority areas. In a few cases, the change of expert resulted in a change in the proposed methodology (e.g., manual of procedures for reserve management).

In certain respects, the BCC program could serve as a model for other intensive TA programs designed to build central bank capacities. Three lessons can also be drawn from the less positive results. First, in light of the record (e.g., in monetary area) and the capacity constraints, launching a TA program (i) at a more rudimentary level, (ii) with practical training activities and (iii) closely timed visits by short-term experts could facilitate better and faster assimilation of the reforms and fewer delays in the implementation of action plans. Second, the existence of a formal structure for monitoring program implementation—for example, regular meetings of an orientation committee made up of the key participants—could help ensure that the program stays on course, especially during periods when there are no missions or visits from experts. Third, the development of a multi-year capacity-building program in priority TA areas with the commitment of senior management to allocate the requisite financial resources could help motivate staff and encourage them to act with determination.

I. INTRODUCTION

1. **This report summarizes the evaluation of MFD TA program with the central bank of Congo (BCC) that was conducted during a visit to Kinshasa from December 14–17, 2005.** This evaluation covers the TA program during the period spanning May 2001–April 2004. The TA program sought to strengthen the BCC capacity in key central banking operations such as foreign exchange and monetary operations as well as in key support functions such as internal audit, and accounting.
2. This evaluation was conducted in the context of the Technical Assistance Evaluation Program (SM/03/141, 04/17/03) and an update of this program for FY 2005–07 (SM/04/67, 03/02/04).² The update called for a total of ten (10) evaluation including MFD TA to the Democratic Republic of Congo. Reporting of this evaluation to the Board was expected to take place in FY 2006.
3. **The report is organized as follows: Section II provides background on MFD TA provided to the BCC during the above-mentioned period.** Section III assesses the TA delivered during the three years of the reference period, evaluates the results, and draws key lessons.

II. BACKGROUND

4. **The Democratic Republic of Congo (DRC), a highly indebted poor country (HIPC) with a per capita income of approximately US\$100 per year on average over the last three years, continues to rebuild an economy ravaged by domestic conflict and macroeconomic mismanagement.** The DRC's development needs are immense. With the onset of peace in 2002, the authorities worked to rebuild the country's social and economic infrastructure. These efforts were undertaken in the context of the economic and financial program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF). The fifth review of the program was concluded by the IMF Board in August 2005.

² This technical Assistance (TA) Evaluation Program was endorsed by the Board at its review of Fund TA in July 2002 and was launched in 2003. The purpose of the Evaluation Program is to introduce a more formal approach to the evaluation of the Fund TA by: (i) increasing the frequency and coverage of evaluation of Fund TA; (ii) generating and disseminating lessons that can be applied to make Fund TA more effective; (iii) fostering strengthened integration of TA with the Fund's surveillance and program work; and (iv) improving accountability and transparency of Fund TA (SM/03/141, 04/17/03, page 1).

A. Macroeconomic Situation

5. **The DRC has experienced a significant turnaround since 2001.** Despite recent slippages, the authorities have been pursuing prudent macroeconomic policies and implementing wide-ranging structural reforms. In contrast to a decline of 4.5 percent on average per year between 1999 and 2001, real GDP has rebounded, posting rapid growth of 5.3 percent per annum during 2002–04 as a result of repopulation and the recovery of activities in agriculture, the mining sector, and services.

Table 1. Selected Economic and Financial Indicators; 1999–2004

	1999–2001 ^{1/}	2002–2004
Real GDP growth rate	-4.5	5.3
Inflation rate	397.4	14.1
M2/GDP ^{2/}	6.5	6.2
Cp/GDP ^{3/}	4.4	3.1
FCD/GDP ^{4/}	1.5	2.6

Source: BCC and Fund staff estimates.

1/ Annual average over the period.

2/ M2: broad money.

3/ Cp: currency outside banks.

4/ FCD: foreign currency deposits.

6. **Hyperinflation has, on the whole, been curbed.**

Inflation was lowered from an annual average of 397 percent during 1999–2001 to 14 percent in 2002–2004. Inflation hedged up in 2005 mainly due to strong fiscal pressures attributable in part to higher public spending on security. Reflecting the change in the rate of inflation, the central bank rediscount rate plummeted from 125–145 percent during 1999–2001 to 16 percent in 2004 although it shot up briefly in 2005.

7. **Prior to 2004, the BCC focused on rationing currency issuance as a means of controlling inflation.** This was challenging, given the continued large fiscal deficits.

8. **The DRC’s financial sector of which the banking sector forms the bulk is very small and the economy is barely monetized, predominantly cash-based, and highly dollarized.** The broad money-to-GDP ratio averaged annually 6.2 to 6.5 percent since 1999 although an upward trend emerged in 2004 when broad money reached 8 percent of GDP. Nearly half of monetary assets held by the public are in the form of banknotes. Dollarization is widespread. Despite such limited financial deepening, the DRC has nine (9) commercial banks and five (5) nonbank institutions.³ Nearly all banks are privately-owned by foreign banks.

B. MFD TA to the BCC since 2001

9. **Overall, the Congolese authorities have been highly receptive to MFD policy advice, going back to the early 1990s.** After an interruption caused by civil unrest, MFD

³ In 2002, bank accounts in nine banks totaled 35,000 for a population 55 millions inhabitants. Half of these accounts were held by enterprises.

began providing assistance again in May 2001 when an MFD expert hurried to Kinshasa to help the BCC unify the exchange rates and set up a floating exchange regime. A follow-up mission in July 2001 assessed the effects of the exchange reform and helped the BCC solve the problems it had encountered. Additional assistance was provided from headquarters to help with liberalization of the exchange regulation. This led to the DRC's acceptance of Article VIII obligations of the Fund Articles of Agreement.

10. **A multitopic MFD mission then traveled to Kinshasa in October 2001 and drew up a far-reaching medium- and long-term TA program.** This program focused on building BCC capacity, particularly in the areas of monetary operations, foreign exchange, and banking supervision, as well as support functions such as internal audit, accounting, and the computerization of exchange operations and supervision.

11. **During the period under review, the BCC received assistance from two (2) resident experts, three (3) annual multitopic MFD missions, and ten (10) short-term expert missions.** While the resident experts (a general advisor to the governor and an internal audit advisor) provided ongoing assistance, the short-term experts helped implement the action plans drawn up during the multitopic missions through follow-up missions during the year.

12. **Follow-up TA covered monetary operations.** However, the preparation of its analytical balance sheet ("Table 7") was delayed owing in part to the lack of statistical data. The authorities are now able to deal more effectively with these problems. Nevertheless, liquidity forecasting and cooperation in that area with the Ministry of Economy and Finance, and also among key operating directorates within the BCC itself, continue to pose problems.

13. **TA in banking supervision has been absorbed.** Progress was made after two MFD expert missions in April and August 2003.

III. EVALUATION OF MFD TA TO THE BCC⁴

14. **The evaluation of a TA program can provide important information both to those designing the TA program for a country and to those receiving the assistance.** For the designers, evaluations are increasingly seen as an integral element of assessing what works and what does not, helping validate or challenge past stages of a TA program, refining the remaining stages of that program, and providing guidance for other TA programs. For the recipient country, the evaluation can lead to a better understanding of the objectives of a program and reasons for any shortfalls, increasing the likelihood of more effective implementation in the periods ahead.

⁴ This section was prepared by Fund staff not involved in earlier stages of the TA program, so as to ensure the impartiality of the evaluation.

15. **As part of the ongoing series of evaluations of MFD TA programs, an evaluation was conducted of the MFD program to the BCC over the period 2001–2004.** The DRC was chosen because it was a major recipient of MFD TA over this period. This evaluation is based on a review of reports and other relevant documents, questionnaires sent to the BCC, and discussions with individuals involved in the program.

16. **In October 2001, an MFD multitopic mission visited Kinshasa to help the BCC develop a TA program to enhance its capacities.** The areas covered were monetary operations, foreign exchange market and operations, accounting, and auditing (Table 2). With the exception of monetary operations, these areas, which were identified as priorities, were the focus of follow-up missions by experts in 2002–2004 (end-April). The mission supported the institutional reforms of the central bank undertaken in 2000 with assistance from the Canadian International Development Agency (CIDA) and World Bank financing.⁵

A. Inputs to the Program

Ownership of the program

17. **While most of the actions set out in the program were elucidated by the MFD missions, strong efforts were made to ensure that ownership was shared with the BCC.** Given the DRC's interim program with the Fund and the human capacity and material constraints facing the BCC at the outset, the IMF multitopic missions focused on identifying broad areas for assistance and working out the specific details of the action plans.⁶ The areas identified as priorities largely derived from observation and discussions on the state of capacity in the BCC. Also, the need for the BCC to implement the monetary component of the interim program and then the PRGF-supported program generated a need for assistance in the area of monetary policy management.

18. **The BCC shared the objectives and structure of the program, as shown by the enthusiasm with which it has welcomed the multitopic missions and expert visits, and by the various TA requests submitted to the Fund to take the program forward.** That said, shortfalls in implementation in some areas have been ascribed to three major factors:

- the limited human and institutional capacities of the central bank;
- the lack of financial resources to carry out the training plans and thus, to build up capacity;

⁵ This assistance from the CIDA resulted in the creation of the Internal Audit Directorate (DAI), the auditing of several BCC functions, and implementation of an action plan for human resources management.

⁶ In June 2004, skilled staff capacity remained severely limited: only 16.8 percent of the total staff (2,048) were university graduates.

- the failure of TA to take sufficient account of the constraints related to the political and social climate.

Strategy of the program

19. **The 2001 mission defined the overall TA strategies and identified priority areas for assistance and provided action plans in each of the priority areas that would represent a roadmap for the BCC to enhance its capacity in those areas.** The strategy was centered on building up BCC capacity in key central banking operations and support functions and promoting financial reintermediation of the Congolese economy. The action plan drawn up jointly with the mission:

- was for the following 12 months;
- covered the four (4) priority areas, namely the institutional framework; auditing (both internal and external); monetary programming and tools; and the foreign exchange market and operations; and
- included 22 actions, specifically, 1 for the institutional framework, 10 for auditing, 8 for monetary operations and liquidity forecasting, and 5 for the foreign exchange market and operations. Implementation of these recommended actions was seen as providing the basis for the first phase of a capacity-building strategy.

Choice of areas for TA

20. **The institutional framework, foreign exchange and monetary operations, and internal audit were predictable and appropriate priority TA areas.** As the government's policy priority at that particular point in time was to achieve macroeconomic stability under the interim program, foreign exchange and monetary operations were the keystone of the TA program. Capacity building in the audit area was necessary to ensure the reliability of the statistical data needed to monitor the program and improve the image of the BCC. These three areas were in fact critical for the effective functioning of a central bank. Given the limited capacity in terms of human and technical resources, both qualitative and quantitative, TA could not be extended to other areas in the initial phase.

21. **Consequently, supervision, which is now a major TA focus, was not a part of the initial MFD program.** Banking restructuring was conducted concurrently with the audit of banks and was financed by the World Bank. The launch of structural reforms then led to the inclusion of supervision in the TA program in October 2002. This was brought about by a BCC request for TA from MFD to help put in place a legal and regulatory framework, a prudential mechanism, and a prudential regulation.

Counterparts for the program

22. **The BCC has been the sole counterpart for the program and has been responsible for all the areas covered by the TA program.** The MFD TA missions have

made working and courtesy visits to officials of the Ministry of Economy and Finance, among others, in order to foster their support for the BCC as it implements the program, and to encourage coordination where necessary. The lack of such coordination has caused difficulties in many other countries where the central bank is trying to carry out a TA program. As the program continues, coordination will be increasingly necessary and the BCC is unlikely to remain the sole counterpart: its recapitalization and reorganization, as well as the priority now accorded liquidity forecasting and monitoring will require ever closer coordination with the Ministry of Economy and Finance.

Design of the action plans

23. **Each of the multitopic missions included detailed time-bound action plans as a key component of their reports.** Reports of the expert visits also included such action plans. Updates of these plans have been both backward-looking, i.e., reviewing implementation of the plans produced by the previous mission, as well as forward-looking. Successive action plans included substantial overlap with previous plans, including modifications in light of re-timings or changes in emphasis.

24. **Overall, the action plans drawn up from 2001 to 2003 have been seen as appropriate.** The measures seem to have been well understood, properly sequenced, and consistent with the focuses of the priority areas in question. The number of measures included in the action plan was also perceived as appropriate in light of absorption capacities. The consensual approach adopted by the TA missions appears to be the main reason for this positive assessment. Several directorates expressed satisfaction with the dialogue they had with the missions in crafting the action plan, even though some disagreements may have arisen (e.g., with the DCFM regarding foreign exchange swaps in monetary operations; or the DSIF over the recording of surpluses for fixed assets.).

25. **At its inception, the timetable for implementation of the action plan seems to have been realistic from the outset.** Several directorates indicated that this action plan timetable turned out, however, to be optimistic after the fact because some key factors had not been taken into account, notably the political context (for example, government approval for key decisions in areas such as foreign exchange, supervision, etc.) and the organizational context (e.g., highly centralized decision-making process within the BCC).

26. Implementation of the action plans in selected TA areas are monitored by the Head of the BCC department receiving the assistance.

Interaction with other TA providers

27. **MFD is the principal provider of TA to the BCC.** In general, coordination between the various providers seems to have worked well, particularly through the efforts of the MFD resident experts serving as advisors to the Governor. They have done a good job in coordinating the action of MFD and other providers such as the World Bank and the National Bank of Belgium. The work of the general advisor (up to December 2003) was praised, particularly his ability to approach donors such as the World Bank to get capacity-building

projects moving. This coordination has been effective for visits from the National Bank of Belgium (BNB) experts, but problems arose in coordinating assistance with CIDA and the BCC's external consultants.⁷

Modalities of TA delivery

28. **Particular efforts have been made to ensure continuity, as appropriate, in terms of both MFD staff and expert involvement in the program.** The benefits of this continuity are clear in the good relationships that have developed between Fund staff, the experts, and their BCC counterparts, as well as in the general consistency in successive action plans. There has also been substantial continuity of counterparts in the BCC, although staff rotations and shortages have occasionally caused some variation. In the rare instances when there has been a break in continuity for various reasons (such as the unavailability of the expert for reasons related to his or her institution), the situation has affected the proposed planning. The authorities have stressed the importance they attach to continuity, particularly in the relationships between the expert and the BCC staff, which is perceived as crucial for the success of the TA program.

Table 2. DRC: MFD Technical Assistance Missions; May 2001– April 2004
(Number of visits)

	2001–02	2002–03	2003–04
Short-term expert	4	5	1
Foreign exchange	2	2	-
Monetary operations	1	-	-
Banking supervision	-	1	1
Accounting	1	2	-
Multitopic mission	1	1	1
Total	5	8	2

Source: MFD database.

29. **MFD TA was delivered through a combination of long-term experts, staff from IMF headquarters and short-term experts identified by MFD for their operational experience at a central bank, regulatory authority, or similar institution.** The BCC has indicated that it supports this approach. Due to acute capacity constraints, the recourse to long-term experts was critical to ensure continuity in implementation of TA advice in key priority areas such as monetary and foreign exchange operations and internal audit, and to enhance coordination of TA provided by other donors such as the World Bank, the National Bank of Belgium and CIDA. The frequency of multitopic MFD missions (one per year) and expert visits (four per year in 2002 and 2003) remained unchanged during the reference

⁷ Coordination between the IMF resident experts and CIDA was practically nonexistent in 2003–04. The BCC felt also that coordination with BNB in capacity building activities could have been stronger.

period. MFD missions focused on setting the framework, reviewing progress, and giving guidance on strategic questions, while the ongoing capacity building was largely provided by experts.⁸

30. **TA expert visits and multitopic missions were generally of two weeks' duration.** The missions and visits have generally been scheduled well in advance. Mission planning was agreed in the context of the annual multitopic missions and updated during both the Spring and the Annual Meetings of the Fund and the Bank, as well as during the experts' annual performance evaluation mission in Kinshasa. With only a few exceptions, the mission timetables have always been adhered to.

31. **The program focused on the transfer of knowledge to BCC staff.** This transfer is effected by the practical involvement of experts, sometimes through the organization of seminars and remote assistance (e.g., foreign exchange).

32. **Delivery of TA is through hands-on application, one-on-one involvement, presentations to BCC staff, meetings with senior management and other operational directorates, and end-of-mission reports.** Certain BCC directorates have indicated that they find the above-mentioned meetings to be particularly useful, with the final reports important for discussing the reforms to be undertaken. In addition, the BCC has much appreciated the remote assistance delivered largely through e-mail by some experts.

Selection of experts

33. **MFD selects from its roster of experts in the various fields in which it delivers TA.** Where necessary, it supplements its roster with experts with specific skills to meet particular needs, often identified through its links with central banks and regulatory institutions.

34. **A major consideration in expert selection initially was related to the post-conflict environment in which experts were to work.** The security situation never directly imperiled the experts, but logistics, communications, and living conditions were challenging. Also, means of transportation between the airport and Kinshasa remains somewhat hazardous. These factors have hampered MFD's ability to attract peripatetic experts.

35. **The BCC has indicated that it has been very satisfied with most of the experts involved in the program, including all those active in the program at the moment.** The major factor stressed by the BCC in positive assessments of experts in general was their direct operational experience and their ability to transfer that direct experience; similarly, where the BCC gave less-than-positive evaluations of experts, this was ascribed to the

⁸ There are financing issues, which are not discussed here, concerning the availability of the various types of funding, and the fact that number of expert visits are dependent on funding from outside donors (to date, mostly from the Japanese government).

expert's lack of operational experience, the problems they encountered in transferring that experience, and the difficulty of taking into account the socioeconomic background of those they interacted with (for example, family obligations that made it impossible to work beyond regular working hours, power failures, etc.).

B. Outputs of the Program

Implementation of the action plans

36. **TA in the area of foreign exchange** helped greatly the BCC replace mutually agreed operations with a system of foreign exchange auctions.⁹ In the foreign reserve management area, the network of BCC correspondents was streamlined by consolidating accounts, the number of which decreased from 56 in May 2001 to 8 in April 2004; work on a draft manual of procedures was begun; and steps were taken to enhance institutional capacities, particularly by (i) reorganizing the Foreign Services Directorate (DES) and (ii) launching the computerization of its front/back office operations (Appendix).

37. **In the area of monetary operations, performance is mixed owing to cumulative delays in implementing the early action plans.** Issues related to the monetary financing of fiscal deficits and lack of coordination between BCC and Ministry of Finance (MOF) operations have complicated the implementation of monetary policy. These problems are the main focus of current concerns and of the 2006 action plan recently drawn up with BCC staff.

38. **In the area of banking supervision, the implementation of action plans enabled to strengthen supervision and progress has been slower than expected.** On-site supervision measures were implemented with the recent multisector mission on banks' internal control systems. The BCC is well on the way to developing a high quality banking supervision function. The next stage involves enforcement of the prudential regulation and the imposition of penalties for noncompliance.

39. **In the internal audit area, TA contributed to the development of risk mapping, an audit charter, and an audit plan.** A risk-based annual audit program is now operational.

40. **Other areas were given lower priority in the TA program.** The program focused on a limited number of areas, given that there was clear need in those areas and absorptive capacity was limited. BCC reorganization was not pursued after the initial visit but at this stage may be included in the program, in light of the recent BCC workshop on organizational auditing.

⁹ The short-term expert visit in May 2001 was instrumental to the authorities' decision to move to a floating exchange regime.

Enhancement of personnel capacity

41. **BCC staff capacity improved slowly between 2001 and 2004 owing to the lack of funding for training activities and of recruitments of young skilled staff.** In certain of these areas, the BCC has found it even difficult to retain skilled staff and ensure continuity in some key positions. Key operational directorates such as DCFM have experienced shortages of skilled staff, a situation that becomes more serious if the substantial progress already made in the implementation of reforms is going to continue. The lack of an ongoing training policy is a considerable drawback. Efforts are needed to ensure that skills and knowledge are transferred to TA counterparts and disseminated widely within the respective departments.

Risks to the program

42. **While substantial progress has been made, there remain serious risks to the further enhancement of capacity at the BCC.** The first is that the progress achieved remains fragile, notably in the monetary and currency issue areas where MFD is currently providing intensive assistance to set up an efficient directorate of Treasury at the BCC and to develop liquidity forecasting is being developed. The second is that macroeconomic issues such as fiscal dominance make it hard for the BCC to operate monetary policy successfully. The third derives from the fact that, in the coming phase of the program, the BCC will be increasingly dependent on the MOF in its recapitalization or forecasting of fiscal flows. Heightened cooperation with the MOF will be needed. Establishing regular meetings of MOF/BCC committees, both at a policy and at a technical level, can serve to mitigate these risks.

43. **A particular risk related to program performance concerns the possible tenuousness in the transfer of skills in some areas.** The enhanced capacity in the BCC will only be sustainable if the newly-acquired skills are passed from the individuals directly involved to the institution as a whole. In that regard, the preparation of some written manuals, guidelines, and documentation on the BCC continues to be a central element of the TA program. In the absence of these, past enhancements in capacity will be particularly vulnerable to staff turnover or to outside attempts to interfere with the proper carrying out of the BCC's function.

<p>apparently based on the fixed (or managed) exchange regime that was in force until the reform of 2001. The various functions carried out by the DSE seemed more influenced by administrative concerns than by market activities.</p>	<p>other more on administrative matters -organization of the operational subdirectorate into two separate and complementary departments: front office and back office</p> <p>➤ Draft a procedures guide, a sort of internal DSE map that provides a detailed description of the flow chart of trading floor activities.</p>	<p>Completed and pending submission to the GCPM prior to validation by senior management</p>	<p>centralization of all foreign exchange accounting in the back office, monitoring post-market operations became easier and memorandum entries diminished considerably, thanks to the introduction of periodic reconciliations.</p> <p>Implementation began in 2003 and ended in 2005. The 2003 organization chart failed to rid the support subdirectorate of all operational tasks. The 2005 organization chart has the advantage of making the necessary corrections.</p> <p>Prepared with the assistance of one expert, the manual was reviewed by his replacement. New instructions were given to principal accountants responsible for trading floor operations.</p>
<p>➤ Post-market foreign exchange management and the recording of transactions in foreign exchange seem especially deficient, and IT systems are virtually nonexistent</p>	<p>➤ Completely reform the recording of transactions in foreign exchange in order to bring the BCC into line with current international standards. ➤ Computerize front/back office operations through purchase of STP type integration software</p>	<p>In progress</p>	<p>Software for market and post-market operations is being developed. Entry into production is scheduled for end-January 2006.</p>
<p>➤ The BCC pays interest on liabilities to the BNB, which in fact are government-to-government debt (DRC-Kingdom of Belgium)</p>	<p>➤ Negotiate the inclusion of this liability in the stock of public external debt</p>	<p>Pending</p>	<p>Only the Congolese government has the authority to conduct such negotiations with the Belgian government. To date, this has not been accomplished.</p>

2. Foreign exchange market			
<ul style="list-style-type: none"> ➤ The statistics published by the Bank when the market closed did not indicate the lowest selling prices and the highest buying prices, making it impossible for customers to assess with sufficient accuracy the performance of their financial intermediary. 	<ul style="list-style-type: none"> ➤ Improve information on the foreign exchange market by including the lowest selling prices and the highest buying prices observed during the day. 	Completed	The recommended actions contributed to reconfiguration of the foreign exchange market in favor of the official sector.
<ul style="list-style-type: none"> ➤ An assessment was made of large-value exchange transactions processed between 4:00 p.m. and 5:00 p.m., although the deadline for data collection by the BCC is 4:00 p.m. It was found that the indicative price sometimes did not always reflect the true situation on the market. 	<ul style="list-style-type: none"> ➤ The BCC should move the deadline for data collection to 5:00 p.m. to ensure that the indicative price is as accurate as possible. ➤ Use the BCC website to disseminate market pages at fixed times and possibly updated with the help of market participants 	Completed	Pending for technical reasons
		Pending	
<ul style="list-style-type: none"> ➤ Certain commissions and fees charged by the BCC on foreign exchange transactions caused major distortions in the market. ➤ Difficulty of estimating interbank activity (among professionals) as the statistics reported by the banks to the BCC did not distinguish the banks' transactions from those with their customers 	<ul style="list-style-type: none"> ➤ Eliminate the exchange control fee on transactions in foreign currencies carried out on the national territory ➤ Eliminate the exchange commission ➤ The BCC should use market rates instead of the indicative rate in its foreign exchange transactions ➤ Fine-tune the methodology for compiling statistics on the foreign exchange market so as to distinguish customer transactions from interbank transactions 	Completed	
		Completed	
		Completed	
		Completed	

3. BCC intervention on the foreign exchange market			
<ul style="list-style-type: none"> ➤ Lack of a formal framework for executing exchange transactions on the market pending the start of trading floor activities; 	<ul style="list-style-type: none"> ➤ Use the auction method for foreign exchange sales to promote the transparency of transactions and establish a level playing field for counterparts 	<p>Completed</p>	<p>Implementation of this action was not easy. Indeed, the practice of buying BCC foreign exchange at any price led banks to propose unrealistic rates, hoping that the marginal rate would settle at a lower level. The banks were left with amounts that they were unable to place on the market, which lengthened the time required to settle exchange values.</p>
<ul style="list-style-type: none"> ➤ Lack of appropriate operational procedures for the use of short-term foreign exchange swaps in the context of managing bank liquidity 	<ul style="list-style-type: none"> ➤ Use foreign exchange swaps as a tool for controlling bank liquidity and refinancing banks 	<p>In progress</p>	<p>Operation envisaged in the first phase of trading floor operations</p>