Republic of Congo

Poverty Assessment Report

Education, Jobs and Social Protection for a Sustainable Reduction of Poverty

Executive Summary

WORLD BANK GROUP

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May 2017

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Acknowledgements

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[1] *Ministère du Plan et de l'Intégration.*
[2] *Centre Nationale de la Statistique et des Etudes Economiques* (CNSEE).

Abbreviations and Acronyms

ARV	Anti-retroviral
CBN	Cost of Basic Needs
CNSEE	*Centre Nationale de la Statistique et des Etudes Economiques*
CERAPE	*Centre d'Etudes et de Recherche sur les Analyses et Politiques Economiques*
CONFEMEN	Conférence des ministres de l'Éducation des Etats et gouvernements de la Francophonie
CPI	Consumer Price Index
DHS	Demographic and Health Survey
DPT	Diphtheria, Pertussis, and Tetanus
DRC	Democratic Republic of Congo
ECOM	*Enquête Congolaise auprès des Ménages*
FAO-STAT	The Statistics Division of Food and Agriculture Organization of the United Nations
FBO	Faith-based Organization
FGT	Foster-Greer-Thorbecke
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product
GIE	Gini Income Elasticity
GNI	Gross National Income
GPS	Global Positioning System
HiA	Health in Africa
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IFC	International Finance Corporation
MDGs	Millennium Development Goals
MFM	Macroeconomics and Fiscal Management
MOHP	Ministry of Health and Population (*Ministère de la santé et la population*)
NDP	National Development Plan
NHA	National Health Accounts
NIS	National Institute of Statistics
NSO	National Statistical Office
OLS	Ordinary Least Squares

PEEDU	*Projet Eau, Electricité et Développement Urbain*
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PSU	Primary Sampling Unit
RIF	Recentered Influence Function
ROC	Republic of Congo
SCD	Systematic Country Diagnostic
SCI	Statistical Capacity Index
SDI	Service Delivery Indicators
SMEs	Small and Medium Enterprises
SNDE	*Société Nationale de Distribution d'Eau*
SNE	*Société Nationale d'Electricité*
SSA	Sub-Saharan Africa
STATCAP	Statistical Capacity Building
UERPOD	*Union pour l'Etude et la Recherche sur la Population et le Développement*
WDI	World Development Indicators

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Executive Summary

This poverty assessment analyzes recent trends in monetary and nonmonetary aspects of poverty and economic vulnerability in the Republic of Congo (ROC), based on two nationally representative and broadly comparable household expenditure surveys conducted by the National Institute of Statistics (NIS) in 2005 and 2011. The study determines the drivers of poverty reduction by systematically looking at demographic, labor, and human capital dimensions. The report also discusses cross-cutting issues relevant for poverty reduction, such as service delivery, marginalization of autochthons, and others. This study aims to provide policy makers with the knowledge needed to improve the effectiveness of their programs to reduce and finally eradicate extreme poverty in the Republic of Congo.[3]

Between 2005 and 2011, the Republic of Congo experienced a strong macroeconomic performance that was driven by oil revenues

The country's history has been characterized by ups and downs related to the performance of the oil sector, changes from communism to market economy, civil war, and social unrest. Since the 1960s, the country has experienced four economic phases: 1960–1972; 1973–1984; 1985–1999; and 2000–2014. These periods correspond, respectively, to the pre-oil economy; the first oil boom; the oil price crisis; and the second oil boom (World Bank 2016a). The country also experienced social unrest with a military coup and civil war. The various governments, also in line with the cold war, have moved back and forth from communism towards a market economy. All these affected the economy and people's perceptions, especially toward the importance of the state as the main job provider.

Dutch disease followed the discovery of oil. In the 1960s, the economy was diversified, but with the discovery of oil followed the reduction of the relative importance of other sectors. Most importantly, the agriculture and the manufacturing sectors shrank due to reduced competitiveness. As a consequence, the country imports most of its goods, even food.

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[3] Economic growth, economic diversification job creation and poverty reduction are at the core of the National Development plan (Republic of Congo 2012a, 2012b).

The Republic of Congo experienced strong economic growth between 2002 and 2015. This strong economic growth was driven by higher oil prices and political stability. On average, during this period, The Republic of Congo's growth rate stood at 4.5 percent. Between 2005 and 2011, the country grew strongly at an average annual rate of 5.4 percent mainly driven by high oil revenues from oil production and the decision of the Government to step up its investment in infrastructure in 2006.

Between 2005 and 2011, the strong macroeconomic performance coincided with substantial poverty reduction

The strong macroeconomic performance translated into a substantial reduction of the proportion of the population living in poverty between 2005 and 2011. The proportion of the population living below the national poverty line declined from 50.7 percent in 2005 to 40.9 percent in 2011, a decrease of 9.8 percentage points which is in line with the gross domestic product (GDP) growth rate observed during that period. Overall, around 143,000 people moved out of poverty. Changes in the poverty gap and squared poverty gap follow similar patterns to those observed for the poverty headcount. Nationally, despite population growth between the two years, the number of poor decreased to 1,658,000 in 2011, from 1,801,000 in 2005.

Similar to the national poverty rate, the international extreme poverty rates have declined significantly. National poverty measures are used for within-country poverty analysis and for deriving the economic policies for poverty eradication. However, the national poverty figures are generally not comparable across countries. To compare the Republic of Congo with other countries in Africa and worldwide, the so-called international extreme poverty measures are generally used. The most common international poverty line is US$1.90 expressed in 2011 purchasing power parity (PPP) U.S. dollars. The share of the extremely poor by international standards living below US$1.90 PPP a

day had declined in the Republic of Congo from 50.2 percent in 2005 to 37.0 percent in 2011.

Despite the improvement in living standards, the country is still underperforming given its potential and status as a middle-income country. Cross-country comparisons suggest that the level of international poverty in the Republic of Congo is still much higher than in other comparable middle-income countries. Countries with a similar level of economic development generally have much lower poverty rates. Moreover, the international poverty rate (US$1.90 –2011 PPP) in the Republic of Congo is quite close to the Sub-Saharan Africa (SSA) average of 42.6 percent.

Poverty reduction was sustained beyond 2011, but it will be difficult for the country to reach the goals of eradicating extreme poverty by 2030

Microsimulation results suggest that the poverty decline has continued beyond 2011, although at a slower pace. It is estimated that the slowdown of economic growth linked to the oil sector led to a slower reduction in poverty after 2011. Between 2005 and 2011, poverty declined by 1.63 percentage points annually. In 2016, due to slower economic growth, it is estimated that the share of the population living below the national poverty line was around 34 or 35 percent. This corresponds to a poverty decline by 1.52 percentage points annually between 2011 and 2016.

Our projections up to 2030 show that, unless performance and inequality improve substantially, it will be difficult but not impossible for the country to reach the goals of eradicating extreme poverty by 2030. Under a very optimistic scenario where the country is assumed to achieve a 10 percent annual growth rate between 2021 and 2030, the US$1.90 PPP per day poverty rate will be 3.6 percent in 2030. Under a more realistic scenario based on projected growth by World Bank staff, we project that the US$1.90 PPP per day poverty rate will still be high, around 15 percent in 2030.

The prosperity that the Republic of Congo enjoyed with oil windfall did not trickle down to the entire population

Inequality levels remain high. There was a slight increase of the Gini coefficient, although not statistically significant (0.460 in 2005 and 0.465 in 2011). This slight increase is coherent with the fact that poverty decreased more in the largest cities than in other urban areas and rural areas. Per equivalent adult consumption among the richest 10 percent of households in the Republic of Congo was 17.2 times that of the poorest in 2005; it increased to 20.0 times by 2011.

By international standards, inequalities are higher in the Republic of Congo. Cross-country comparisons suggest that inequality is high in the Republic of Congo. The Republic of Congo is ranked among the most unequal societies based on the World Development Indicators (WDI) data. Data on inequality in 105 countries are available in the WDI beyond 2010. The Republic of Congo ranked 90 out of 105 countries on the Gini.

The autochthons, who represent about 1 percent of the population, stand out as the most marginalized group in the Republic of Congo. Monetary poverty headcount for autochthons is more than twice the poverty rate of the remaining population. Close to nine out of ten autochthons are poor. The marginalization of autochthons is characterized by very limited access to social services, including health and education, as well as the labor market. Thus, they contribute and benefit very little from economic activities.

The story that emerges from poverty estimates is that of a dual economy. Poverty is becoming an increasingly rural phenomenon, and this should be a much bigger reason for concern. Most of the poverty reduction was observed in the two largest cities of Brazzaville and Pointe Noire. What was most worrisome was an increase in poverty headcount as well as in the number of poor people in rural areas. In rural areas, the poverty headcount went up by 4.6 percentage points from 64.8 in 2005 to 69.4 in 2011. In rural areas, the depth and severity of poverty has also increased, that is, the rural poor have become poorer. Between 2005 and 2011, the number of poor increased in rural areas to 951,000 up from 795,000. While rural areas accounted for 44.3 percent of the poor in 2005, this had increased to 57.4 percent by 2011.

Poverty is predominantly a rural phenomenon. In addition, urban poverty remains very important, especially Brazzaville. In rural areas, seven out of ten (69.4 percent) people are poor; 57.4 percent of poor people live in rural areas. Brazzaville, despite a relatively low poverty incidence (21.6 percent), has a big share of poor. Close to 20 percent of poor people live in Brazzaville. Thus, rural areas and Brazzaville account for 70 percent of the overall population and 77 percent of total poor.

As a consequence of inequality increase and the urban/rural gap, prosperity was not shared with the poorest segments of the population. Growth incidence curves suggest that growth was not pro-poor nationally. The poorest actually experienced a deterioration in their living standards according to consumption-based measures of poverty. Those in the middle of the distribution and a small share of the wealthiest households experienced the large positive growth.

Success in reducing poverty has resulted in many households that are living just above the poverty line who remain vulnerable to falling below the poverty line in the face of a negative shock. As poverty receded, both the vulnerable (insecure nonpoor) and middle class groups expanded, with the middle class group expanding faster than the vulnerable/insecure nonpoor group. While only 20.6 percent of the population had consumption more than twice the poverty line in 2005, this increased to 26.3 percent by 2011. In the meantime, 32.8 percent of the population, while technically 'nonpoor', is consuming at a level below an average XAF 550,000 yearly (in nominal 2011 CFA francs) per equivalent adult. Given that a large share of the vulnerable rely on either agriculture or informal activities, which are susceptible to significant output volatility, many remain at serious risk of falling back into poverty, at least on a temporary basis.

On nonmonetary dimensions of well-being, the Republic of Congo is performing less than the main comparators

Performance is way below expectations on most of the other critical education sector indicators, including primary school completion.[4] The Republic of Congo is performing below expectations with regard to primary school completion. The primary school completion rate was 74 percent in 2012. The primary school completion rate has been fluctuating over the last decade.

There has been substantial improvement in child and maternal mortality. However, the country still performs below expectations with regard to maternal mortality and has not reached any of the health-related Millennium Development Goals (MDGs). Child and maternal mortality are often used as a measure of the efficiency of the health sector in a given country. Between 2005 and 2012, under-five mortality, which measures the probability of children dying between birth and the fifth birthday, dropped from 95.3 to 52.6 per 1,000 births. Thanks to this improvement, the country is now performing as expected given its gross national income (GNI) level. The story is a bit different regarding maternal mortality. Despite improvement, the country is still performing lower than its peers on maternal mortality. Maternal mortality rate declined from 781 to 426 deaths per 100,000 live births between 2005 and 2012.

The country is performing above expectations with regard to stunting, but malnutrition is still high. Stunting, defined as low height for age and an indicator of chronic malnutrition, decreased from 31 percent in 2005 to 25 percent in 2011. As a result, the country is now performing as expected in comparison to peers. Nevertheless, the level of stunting remains quite high. High malnutrition reduces agricultural productivity, contributes to poverty, and affects education and intellectual potential of school children (for example, stunting causes children to start school late because they look too small for their age, and will also be a cause of absenteeism and repetition of school years).

Despite improvement over the last decade, access to electricity is very low compared to expectations. Connection rates in the country remain below expectations compared to peers. Coverage rates have increased substantially, from 26.7 percent in 2005 to 42.5 percent in 2011. The improvement in coverage is the result of improvement in both access (network availability) and take-up. In 2011, close to seven out of ten households (68 percent) lived in neighborhoods with electricity network; this is up from 57 percent in 2005. Reflecting the improvement in monetary poverty, take-up rate also increased from 47 percent to 62 percent between 2005 and 2011.

Although the share of the population with access to safe water slightly increased during the last decade, it is still far below what is expected. The Republic of Congo is performing below expectations with regard to access to improved water. Between 2005 and 2015, access to improved water increased slightly from 72 percent to 77 percent. However, the country is still performing below expectations.

Access to improved sanitation remains very low and as a consequence, the country is performing below expectations on this dimension as well. The Republic of Congo is performing below expectations regarding access to a safe toilet. In 2014, only 43 percent of the population had access to improved sanitation. The situation is even worse in rural areas where only 13 percent of the population have access to an improved toilet.

In information and communication technology (ICT), the Republic of Congo is performing very well in terms of the mobile cellular network, but performance is below expectations in terms of Internet access. The country seems to have harvested the low hanging fruit as materialized by the strong performance of access to mobile phone network. However, the country is still struggling to reach the next level. Access to Internet is very low. It is estimated that only 7 percent of the population were using the Internet in

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[4] The findings are not specific to the Republic of Congo; as demonstrated by de la Brière et al. (2016), all resource-rich countries in SSA fare poorly on nonmonetary dimensions of well-being.

2014. Beyond the low quality, prices remain far too high for the general public and could be the main reason for the low usage of Internet.

The country is also performing below expectations with regard to connectivity and road density. In 2014, the country barely had 5 km of roads per 100 km² of land, which is way below expectations. A possible explanation for this very low density of road could be the fact that the vast majority of the population is concentrated in the two main cities. Still, the low density of road will definitively translate into connectivity problems and result in economic inefficiencies.

The current generation does not seem to be benefitting from the oil windfall

During the period of strong economic growth, the economy created jobs, but this was offset by population growth. Between 2005 and 2011, the number of employed increased by 180,000. In the meantime, the potentially active population (ages 15–64) increased by 264,000. Population growth appears to be a challenge, as not only does the country have to create jobs, but there must be enough new jobs to at least match the fast-growing working-age population.

Unemployment seems to have increased between 2005 and 2011, which could represent a puzzle to understand trends in well-being. It seems that the impressive economic growth was jobless, or at least did not have significant impact on unemployment, especially the youth. This is not surprising given that growth was driven by the oil sector which is not labor intensive and has limited linkages with the rest of the economy. Moreover, these findings also suggest that the massive infrastructure program under the 'municipalization' slogan also failed, at least between 2005 and 2011, to create substantial and enough jobs to have a consequential impact on the labor market. This is not surprising either as most of the construction work is just creating temporary jobs.

The youth are severely affected by unemployment. If we consider the second definition, for example,

the unemployment rate is 32.7 percent for those ages 15 to 29. The corresponding figures for those ages 30–49 and 50–64 are 15.6 and 8.3 percent, respectively. Therefore, a program focusing on youth employment should be boosted and scaled up as much as possible, given the importance of the youth in the overall population.

Access to formal wage jobs is very limited for the youth. They are more likely be employed on their own account or by a household as family helper. As we saw in the previous section, the youth are more likely to be unemployed. Moreover, even when they manage to find a job, they are likely to be employed on their own account as is the case for the whole population. On the other hand, youth, ages 15–29, are more likely to be employed by a household (15 percent) or by small and medium enterprises (SMEs) (12 percent). Thus, a policy toward supporting the emergence of strong SMEs could be an indirect way to insure the creation of quality jobs for the youth.

The formal sector, either public or private, has failed to create quality jobs for the population. As a consequence, the vast majority of the labor force is employed on their own account. A bit more than three out of five workers (63 percent) work on their own account, running a business with no employees or being involved in subsistence agriculture, and another quarter of workers work for a household without pay. The public administration is the main provider of formal wage jobs. One out of ten workers (14 percent) is employed in the public administration or by a parastatal firm. The role of the private sector in providing jobs to the population is not negligible. Up to 13 percent of workers are employed either in large private firms (5 percent) or in SMEs (8 percent).

Education improves income and welfare only at the secondary level and beyond

The level of education matters a lot on the job market. Those with a high level of education are more likely to work as managers or skilled workers. On the other hand, those with no education or primary education are more

likely to work as unskilled workers or laborers. Up to 80 percent of those with tertiary education are employed as managers. There is also an important proportion (40 percent) of those with upper secondary education that work as either managers or skilled workers. Upper secondary education appears to be the threshold beyond which education actually matters for accessing quality jobs. Close to half of those with no education or primary education only work as unskilled workers or laborers. Still, there is a non-negligible proportion of those with no education who are either employed as skilled workers or managers.

Earnings increase with age (an implicit measure of experience) and with education. Education affects earnings only when one reaches the secondary level. The gains appear only as of secondary education since there are few differences in earnings between those with less than primary education and those who completed primary school but did not pursue their education further.

The better educated an individual is, the higher the level of earnings of the individual. The effect of education on earnings after controlling for type of employment is substantially significant for those reaching upper secondary and tertiary education. This has implications for the development of a national strategy for education. The objective should be to provide education, including vocational training, up to at least upper secondary level. Reducing dropouts and improving transition at each sublevel will be critical to achieve such a goal.

For poverty reduction to happen in a sustainable way, the following actions should be considered to overcome some of the many challenges

Going forward, one of the main development challenges for the country is to translate oil wealth into better services delivery, better human capital, and quality jobs for its population, and to support the poor and vulnerable so as to insure pro-poorness and inclusiveness of growth. The following five areas of actions can be derived from the analysis:

Investment in human capital

Skills and good health are prerequisites for success on the job market. Good health and education increase chances of finding a job and of being more productive, thus earning higher returns. Our analysis suggests that in the Republic of Congo, education really did not make a big difference below upper secondary. Thus, the fight against poverty should focus on dropouts and transition to secondary education. Educating and equipping the population with the necessary skills will be critical as the country moves ahead with its goal of achieving economic diversification.[5] Vocational training should also play a key role, especially in the short run, for those who already dropped out.

Boost agricultural productivity and commercialization

Increasing agricultural productivity will be critical for rural poverty alleviation. The rural population relies heavily on agriculture as a main income source. The evidence suggests that the country depends on imports to satisfy food needs. Yet, availability of arable land and opportunities in the fishing and livestock areas provide huge opportunities for the country to achieve the food sovereignty. In doing so, the rural population could generate enough income to move out of poverty. For increased agricultural productivity to be effective, it should be accompanied with other actions such as improved connectivity to market, research and development for better inputs, and so on.

Expand coverage of formal social safety nets programs

Through a program such as LISUNGI,[6] the Government could aim at providing cash transfers to the poor and

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[5] Commercial farming, agro processing, and services (ICT and tourism, among others).

[6] LISUNGI means helps or assistance in Lingala. The LISUNGI program is a strategic pillar of the social protection system that is design to support the country in improving delivery of services from multiple sectors.

vulnerable, including the autochthons. The financial cost for a hypothetical cash transfer could be quite high, about XAF 171.2 billion in 2011 prices, representing about 10 percent of the government budget. In 2011 prices, the national poverty line was estimated at XAF 274,113 per year and per equivalent adult. On average, the distance of the poor from the national poverty line is 15.4 percent. This indicates that if it was possible to perfectly target the poor, it will take average annual payments of XAF 103,260 to eliminate poverty in the Republic of Congo.[7] Overall, the budget for such a cash transfer program is estimated at XAF 171.2 billion in 2011 prices. This represents slightly less than 10 percent of the government budget and about 14 percent of annual oil revenues. Despite the high cost, such a program if linked to some conditionality could represent investment in human capital that will result in important medium- and long-term benefits for the country. In the case of a conditional cash transfer, for example, the likelihood of a household using the windfall in building human capital will be higher. This will, if all other conditions are also in place,[8] result in a better educated, better nourished, and healthier population.

Support the expansion of the private sector for job creation

The private sector is playing an important role in the Republic of Congo and will continue to do so. It will also be important to take measures to facilitate private investments aimed at creating jobs outside of the oil sector, including through efforts to improve electricity generation and distribution and increase access to credit for the private sector.

Provide better services to the population

As illustrated, the Republic of Congo is performing below expectations on most of the nonmonetary dimensions of well-being. The country is underperforming when compared to peers on access to education, health, electricity, safe water, sanitation, ICT, and roads. Improving the availability and quality of service to the population will help the country establish itself as a true middle-income country.

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[7] Of course this is just a hypothetical assumption, as there are many other factors at play, including education that takes time and the likelihood of some poor spending the allocation on useless items such as consumption of products associated with ill health (alcohol, tobacco, etc.).

[8] Such as quality of service delivery.

Executive Overview

T his poverty assessment analyzes recent trends in monetary and nonmonetary aspects of poverty and economic vulnerability in Republic of Congo (ROC), based on two nationally representative and broadly comparable household expenditure surveys conducted by the NIS in 2005 and 2011. The study determines the drivers of poverty reduction by systematically looking at demographic, labor, and human capital dimensions. The report also discusses cross-cutting issues relevant for poverty reduction, such as service delivery, marginalization of autochthons, and others. This study aims to provide policy makers with the knowledge needed to improve the effectiveness of their programs to reduce and finally eradicate extreme poverty in the Republic of Congo.

History has been marked by political instability and dependency on the oil sector

The country's history has been characterized by ups and downs related to the performance of the oil sector, changes from communism to market economy, civil war, and social unrest. Since the 1960s, the country has experienced four economic phases: 1960–1972; 1973–1984; 1985–1999; and 2000–2014. These periods correspond, respectively, to the pre-oil economy; the first oil boom; the oil price crisis; and the second oil boom (World Bank 2016). The country also experienced social unrest with a military coup and civil war. The various governments, also in line with the cold war, have moved back and forth from communism toward a market economy. All these affected the economy and people's perceptions, especially toward the importance of the state as the main job provider.

      Dutch disease followed the discovery of oil. In the 1960s, the economy was diversified, but with the discovery of oil followed the reduction of the relative importance of other sectors (Figure 1). Most importantly, the agriculture and the manufacturing sectors shrank due to reduced competitiveness. As a consequence, the country imports most of its goods, even food.

      The Republic of Congo experienced strong economic growth between 2002 and 2015. This strong economic growth was driven by higher oil prices and political stability. On average, during this period, the Republic of Congo's growth rate stood at 4.5 percent (Figure 2). Between 2005 and 2011, the country grew strongly at an average annual rate of 5.4 percent mainly driven by high oil revenues from oil production and the decision of the Government to step up its investment in infrastructure in 2006.

FIGURE 1: Sector Shares in GDP, 1960–2010 (%)

■ Services ■ Extractive Industries ■ Manufacturing ■ Agriculture ■ Forestry
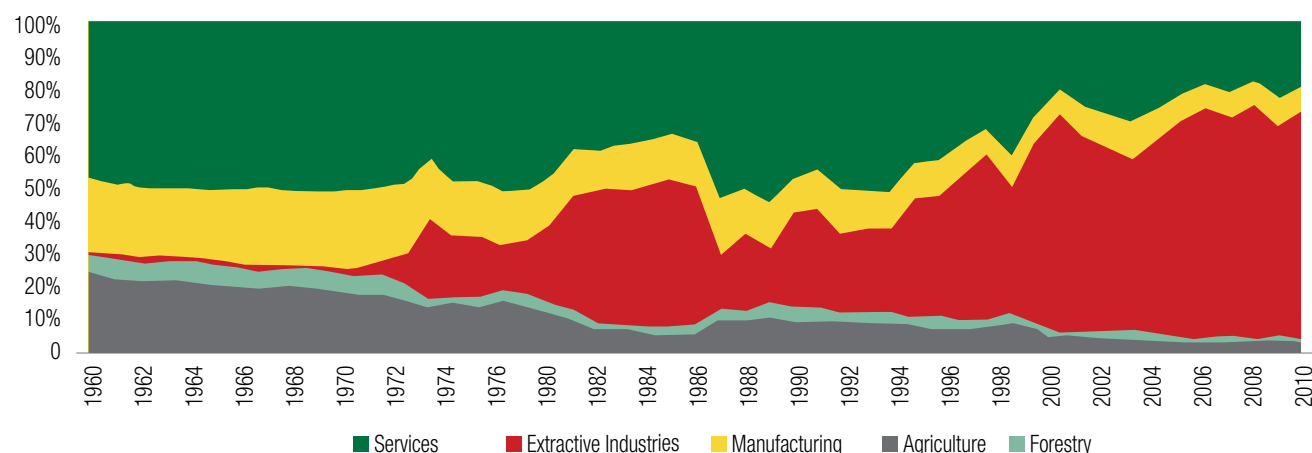
Source: World Bank Economic Data, 2014.

FIGURE 2: Trend in Per Capita GDP
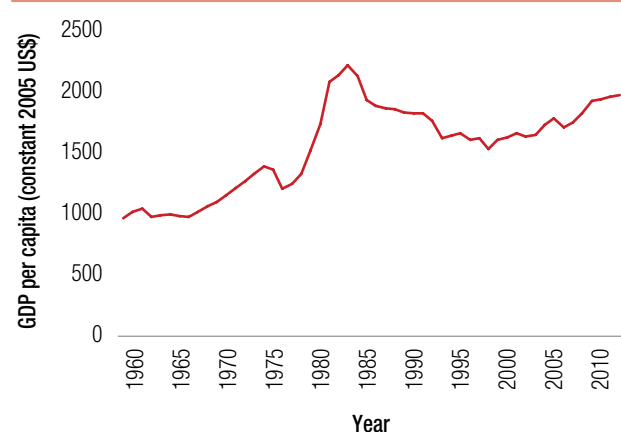
Source: WDI.

FIGURE 3: Poverty and Per Capita GDP Trends

—— $1.9/day PPP ---- National Poverty line ---- GDP per capita

Source: Authors' calculation using WDI, the 2005 and 2011 Enquête Congolaise auprès des Ménages (ECOM) surveys.

Between 2005 and 2011, the strong macroeconomic performance coincided with substantial poverty reduction
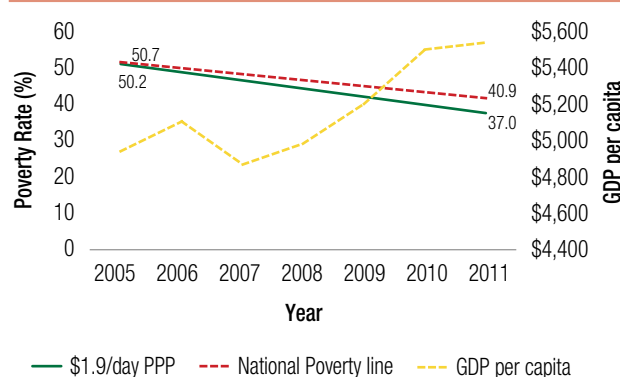
The strong macroeconomic performance translated into a substantial reduction of the proportion of the population living in poverty between 2005 and 2011. The proportion of the population living below the national poverty line declined from 50.7 percent in 2005 to 40.9 percent in 2011 (Figure 3),

a decrease of 9.8 percentage points which is in line with the GDP growth rate observed during that period. Overall, around 143,000 people moved out of poverty. Changes in the poverty gap and squared poverty gap follow similar patterns to those observed for the poverty headcount. Nationally, despite population growth between the two years, the number of poor decreased to 1,658,000 in 2011, down from 1,801,000 in 2005.

Most of the reduction in poverty was observed in the two largest cities of Brazzaville and Pointe Noire. In Brazzaville, the poverty headcount went

FIGURE 4: National Poverty Rate by Region

Source: Authors' calculation using WDI, the 2005 and 2011 Enquête Congolaise auprès des Ménages (ECOM) surveys.

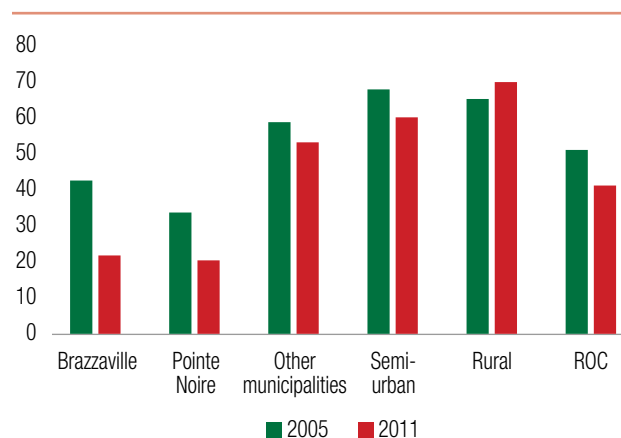down by 20 percentage points from 42.3 in 2005 to 21.6 in 2011. Pointe Noire also experienced a sharp decrease in poverty (13 percentage points), down to 20.3 in 2011 from 33.5 in 2011 (Figure 4). By contrast, in rural areas, there was an increase in poverty. In rural areas, the poverty headcount went up by 4.6 percentage points from 64.8 in 2005 to 69.4 in 2011. The story that emerges from these estimates is that of a dual economy, with much lower and faster decreasing poverty in urban areas, especially the two large cities, than in rural areas.

Similar to the national poverty rate, the international extreme poverty rates have declined significantly. National poverty measures are used for within-country poverty analysis and for deriving the economic policies for poverty eradication. However, the national poverty figures are generally not comparable across countries. To compare the Republic of Congo with other countries in Africa and worldwide, the so-called international extreme poverty measures are generally used. The most common international poverty line is US$1.90 expressed in 2011 PPP U.S. dollars. The share of the extremely poor by international standards living below US$1.90 PPP a day had declined in the Republic of Congo from 50.2 percent in 2005 to 37.0 percent in 2011 (Figure 3).

Poverty reduction was sustained beyond 2011, but it will be difficult for the country to reach the goals of eradicating extreme poverty by 2030
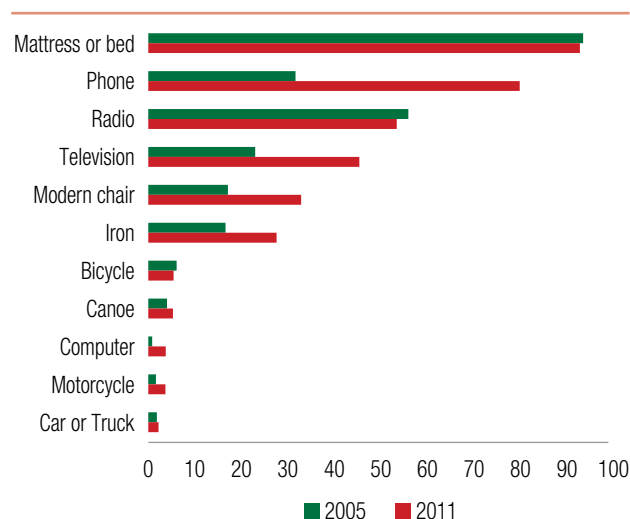
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Our projections up to 2030 show that, unless performance and inequality improve substantially, it will be difficult but not impossible for the country to reach the goals of eradicating extreme poverty by 2030. Under a very optimistic scenario where the country is assumed to achieve a 10 percent annual growth rate between 2021 and 2030, the US$1.90 PPP per day poverty rate will be 3.6 percent in 2030. Under a more realistic scenario based on projected growth by World Bank staff, we project that the US$1.90 PPP per day poverty rate will still be high, around 15 percent in 2030.

There were also important improvements in nonmonetary dimensions of well-being

Subjective poverty as well as poverty in terms of assets ownership decreased substantially. There was a 10 percentage point decline in the share of those living in households struggling to satisfy their food needs (a proxy definition of subjective poverty). Ownership of modern assets increased while ownership of traditional assets deteriorated. There was a notable increase in the proportion of households who own a mobile phone, a TV set, a modern chair, or an iron (Figure 5). As a consequence, the

FIGURE 5: Asset Ownership, 2005–2011 (%)

Bar chart showing asset ownership percentages for 2005 (green) and 2011 (red):
- Mattress or bed
- Phone
- Radio
- Television
- Modern chair
- Iron
- Bicycle
- Canoe
- Computer
- Motorcycle
- Car or Truck

(Scale 0 to 100)

■ 2005 ■ 2011

Source: Authors' calculation using the 2005 and 2011 ECOM surveys.

TABLE 1: Share of the Population in Poverty, Nonmonetary Dimensions, 2005–2011 (%)

	Subjective poverty		Assets-based poverty	
	2005	2011	2005	2011
Brazzaville	42.6	31.2	50.5	21.3
Pointe Noire	29.6	23.0	43.1	20.2
Other municipalities	41.0	35.0	71.6	52.7
Semi-urban	54.3	34.7	82.4	59.4
Rural	50.2	37.6	80.3	69.1
Total	42.9	32.2	62.5	40.7

Source: Authors' calculation using the 2005 and 2011 ECOM surveys.

magnitude of the reduction in the share of the population living in households considered assets-poor is even larger.[9] Importantly though, the reduction in assets-based poverty is again observed for all areas, including rural areas.

The country is performing below expectations on monetary poverty

Despite the improvement in living standards, the country is still underperforming given its potential and status as a middle-income country. Cross-country regression estimates suggest that the level of international poverty in the Republic of Congo is still much higher than in other comparable middle-income countries (Figure 6). Countries with a similar level of economic development generally have much lower poverty rates. Moreover, the international poverty rate (US$1.90 – 2011 PPP) in the Republic of Congo is quite close to the SSA average of 42.6 percent.

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[9] A factorial analysis is conducted for possible assets, and the poverty line is set to be as close as possible to the 2011 monetary estimate. Projecting this to 2005 allowed to explore the trend.

FIGURE 6: Poverty Headcount (2011 PPP) Versus GNI Per Capita in a Cross-Country Setting

1. Poverty headcount at US$1.90 a day (2011 PPP)

Scatter plot with Poverty headcount ratio at $1.90 a day (2011 PPP) on y-axis (−20 to 80) versus GNI per capita, PPP (constant 2011 international $) on x-axis (0 to 10000). Points labeled ROC 2005 and ROC 2011.

2. Poverty headcount at US$3.10 a day (2011 PPP)

Scatter plot with Poverty headcount ratio at $3.10 a day (2011 PPP) on y-axis (0 to 100) versus GNI per capita, PPP (constant 2011 international $) on x-axis (0 to 10000). Points labeled ROC 2005 and ROC 2011.

Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

Inequality and poverty reduction were mainly driven by education, sector of occupation, and a reduction in average household size

Growth, not redistribution, drove poverty reduction, but economic growth only benefited the urban population

Growth in mean expenditures contributed most of the poverty reduction observed between 2005 and 2011. The stories vary depending on the areas of residence. In Brazzaville, growth and reduction of inequality contributed equally to poverty reduction. In Pointe Noire, most of the poverty reduction was driven by growth. In semi-urban areas, growth contributed substantially to poverty reduction, but part of this was offset by increased inequality. By contrast, in rural areas, growth in mean consumption was negative, leading to an increase in poverty (Figure 7). Inequalities also increased in rural areas, leading to an increase in poverty as well.

    The overall poor performance on inequality reflects difficulties for the poor and vulnerable to access quality jobs and a limited use of fiscal policy to directly support them. The only serious social safety net program is the LISUNGI, which is still in the pilot phase. As argued in the Systematic Country Diagnostic

the focus for the coming years is to consolidate LISUNGI, expand for national coverage, and use it as a vehicle to deliver a bundle of interventions and specific productive, incentive-based, and income-generating activities.

Household size, education level, and labor market dynamics contributed the most for poverty reduction

Migration accounted for 5.6 percent of the decline in poverty.[10] As illustrated in Figure 8, the population shift across location accounted for 5.6 percent of the poverty reduction. Population shift is happening in favor of Brazzaville. Between 2005 and 2011, the share of those living in Brazzaville increased by 8 percentage points while the share of those living elsewhere decreased. Migration appears to be a channel through which poverty is shifting from rural to urban areas. Migration itself is not enough to improve living conditions. Other intrinsic factors, including skills and education, are complementarily important for migration to be successful. Yet, those moving from rural areas to urban areas often lack such endowments. As a consequence, migration did not account for a bigger share of poverty reduction.

    There was a positive shift toward more productive sectors that contributed 11.2 percent of poverty reduction. Although the share of people living in a household headed by someone who is unemployed or inactive remained stable (about 18 percent) between 2005 and 2011, there was a positive shift toward more productive sectors, especially in the two main cities (Figure 8). It is important to note that structural transformation seems to be happening in the wrong direction. The manufacturing sector is shrinking, probably a consequence of Dutch disease. As a consequence, a growing share of households is relying on agriculture and informal services for livelihood. There was a positive

FIGURE 7: **Impact of Growth and Changes in Inequality on Poverty**
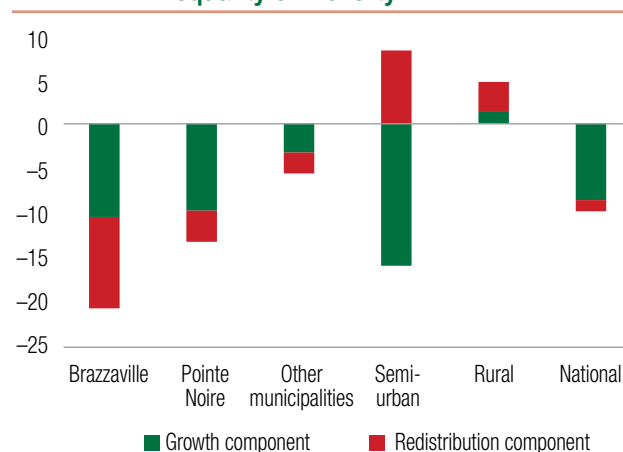
Source: Authors' estimations using the 2005 and 2011 ECOM surveys.

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[10] The 2011 population structure is questionable. For instance, given the solid performance, it is difficult to understand how the share of those living in Pointe Noire has reduced. Unfortunately, with no access to the sample frame or detailed census, it was not possible for the team to confirm or invalidate the current figures.

FIGURE 8: Sectoral Decompositions of Change in Poverty (%)

1. By region

2. By head's education

3. By head sector of occupation

4. Household size
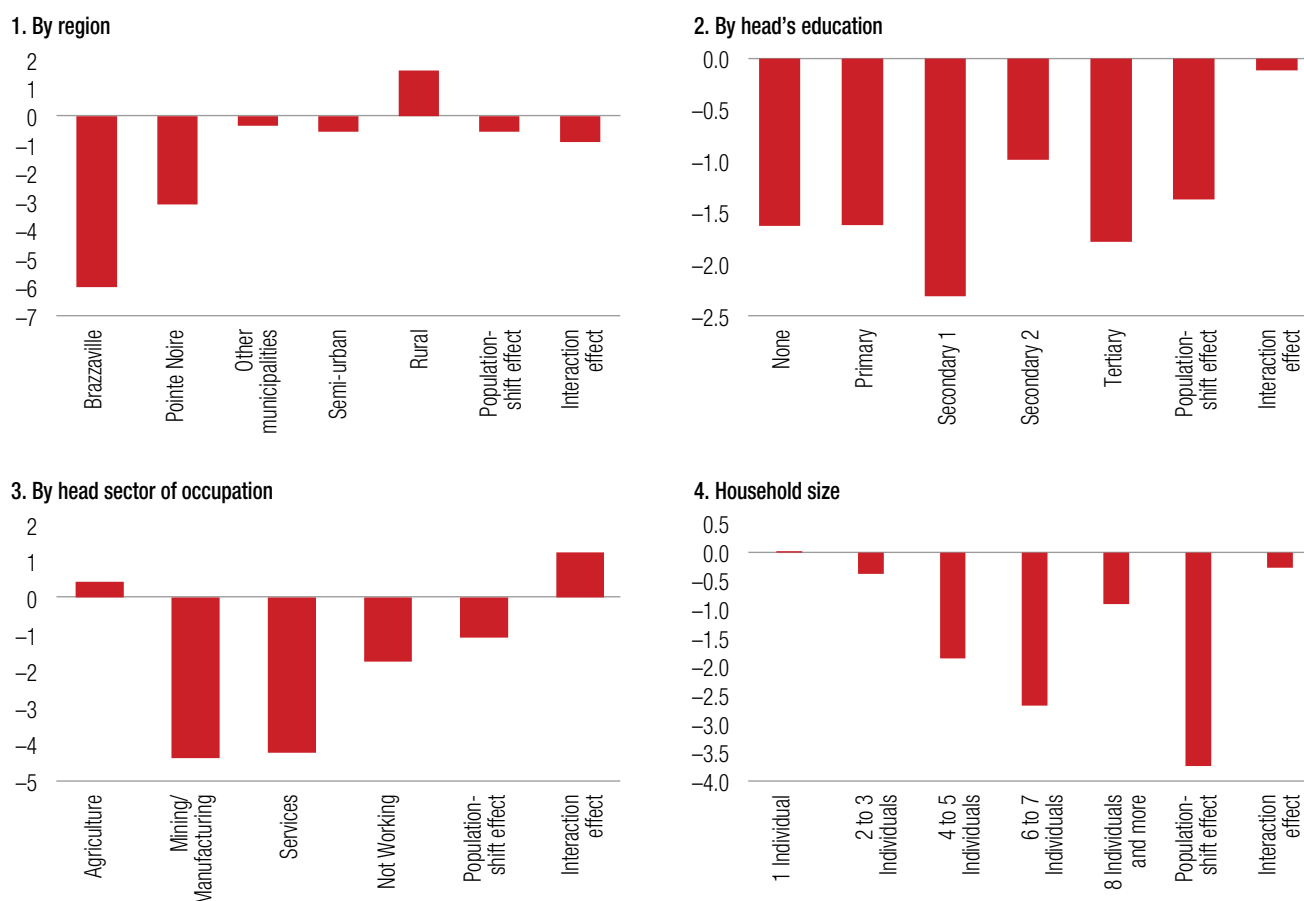
Source: Authors' estimations using the 2005 and 2011 ECOM surveys.

shift toward more productive sectors in the main cities and adverse shift in rural areas. In the main cities, labor shifted out of agriculture and manufacturing toward services. In rural areas, labor shifted out of manufacturing/processing back into agriculture, which is less productive. Richer data sets and further investigations are needed to understand this paradigm in rural areas.

Gains in education contributed 14.0 percent of the poverty reduction. This is a larger share than for location and sector of occupation. Most of the improvement in skills happened in the two main cities. In Brazzaville and Pointe Noire, the share of people living in households headed by someone with primary or no education declined, while the corresponding figures for secondary and tertiary education increased. On the contrary, the share of people in households headed by

someone with no or primary education increased in rural areas from 46 to 53 percent. Thus, intervention toward curbing rural poverty should focus, among other things, on skills/education beyond primary education.

Further analysis highlights that education makes a significant difference only when one reaches upper secondary or tertiary levels. In a world where digital competencies are playing a growing role, education and skills allow households to improve their living standards by accessing more productive jobs and increasing their productivity in self-employment activities. The slight increase of the share of households headed by someone with upper or tertiary education emerges as a significant driver of consumption growth in the decomposition analysis (Figure 9). The strong positive correlation of tertiary education and consumption growth is

particularly important for poor households. However, primary and lower education have been related to deterioration of welfare.

Reduction of the size of households accounted for 38.2 percent of poverty reduction. Although fertility remains high, the Republic of Congo has started its demographic transition. As a consequence, the household size declined by close to one person from 5.12 in 2005 to 4.28 in 2011.[11] However, the growing proportion of children is maintaining the dependency ratio at higher levels, especially in rural areas. Still, results suggest that the shift in household size contributed a large percentage to poverty reduction.

Gender and disability have an indirect impact on poverty as women and disabled persons exhibit lower levels of education and more limited employment opportunities. Gender and disability affect the ability of individuals to acquire the required skills, and thus exclude them from productive jobs. It was not possible to conduct a trend analysis by ethnicity as the relevant information was not collected in 2005. Still, women, the disabled, and autochthons should be considered as marginalized groups as they have limited opportunities to access higher levels of education and better jobs.

FIGURE 9: **Educational Attainment Associated with Consumption Growth Only for Upper Secondary and Tertiary Levels**
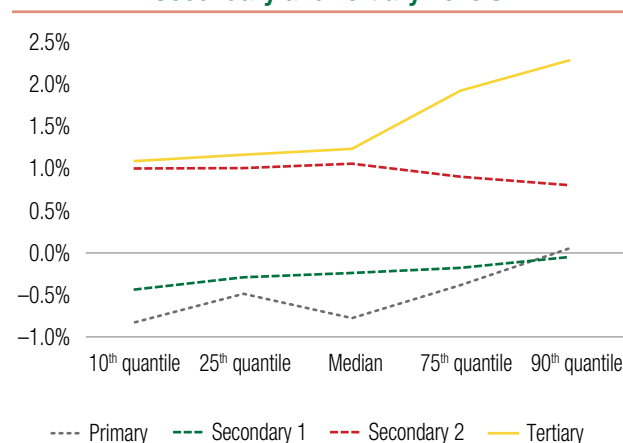
Source: Authors' estimations using the 2005 and 2011 ECOM surveys.

The country has curbed monetary poverty substantially, but many challenges remain

Inequality remains high because of the pattern of growth

At the national level, inequality levels remain high. There was a slight increase of the Gini coefficient, although not statistically significant (0.460 in 2005 and 0.465 in 2011), suggesting a slight increase in inequality. This increase is coherent with the fact that poverty decreased more in the largest cities than in other urban and rural areas. Using an alternative measure, per equivalent adult consumption among the richest 10 percent of households in the Republic of Congo was 17.2 times that of the poorest 10 percent in 2005; it had increased to 20.0 times by 2011.

By international standards, inequalities are higher in the Republic of Congo. Cross-country comparisons suggest that inequality is high in the Republic of Congo (Figure 10). The Republic of Congo is ranked among the most unequal societies based on WDI data. Data on inequality in 105 countries are available in the WDI beyond 2010. The Republic of Congo ranked 90 out of 105 countries on the Gini.

As reflected by higher inequalities, prosperity was not fairly shared between 2005 and 2011. Another way to look at growth and changes in the distribution of welfare consists of using growth incidence curves which plot growth rates in consumption at various levels of welfare (Ravallion and Chen 2003). As shown in Figure 11, growth incidence curves suggest that growth was not pro-poor nationally. The poorest actually experienced a deterioration in their living standards according to consumption-based measures of poverty. Those in the middle of the distribution and a small share of the wealthiest households experienced the large positive growth.

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[11] These estimates are very close to the Demographic and Health Survey (DHS) findings.

A growing disparity between the two main cities and the rest of the country

Poverty is becoming an increasingly rural phenomenon, and this should be a much bigger reason for concern. Most of the poverty reduction was observed in the two largest cities of Brazzaville and Pointe Noire. What was most worrisome was an increase in poverty headcount as well as in the number of poor people in rural areas. In rural areas, the poverty headcount went up by 4.6 percentage points from 64.8 in 2005 to 69.4 in 2011. In rural areas, the depth and severity of poverty has also increased, that is, the rural poor have become poorer. Between 2005 and 2011, the number of poor increased in rural areas to 951,000 up from 795,000. Consequently, the contribution of the rural areas to poverty is on the rise (Figure 12).

Poverty pockets still exist in suburban slums. The Republic of Congo is one of the most urbanized countries in the world with more than half of the population concentrated in two main cities. In the cities, the poor and vulnerable often are left with no choice but to settle in slums, with insecurity and difficult living conditions, including lack of access to basic infrastructure (electricity, piped water, transport, and so on).

FIGURE 11: Growth Incidence Curves
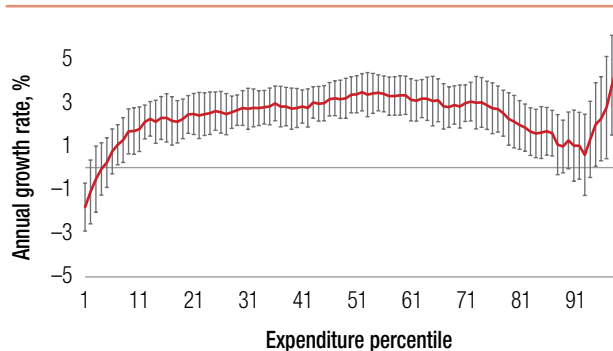
Source: Authors' estimations using the 2005 and 2011 ECOM surveys.

Beyond the urban-rural dichotomy, significant spatial differences in welfare exist in the Republic of Congo. Figure 13 visualizes geographical disparities in poverty headcount by department with maps. Among the 12 'departments' in the Republic of Congo, Pointe Noire and Brazzaville have by far the lowest poverty rate with a poverty headcount of 20.3 and 21.6, respectively. Cuvette-Ouest is the poorest department, with 79.1 percent of population living below the poverty line, followed by Lékoumou and Cuvette with 76.1 and 70.2 percent of poor individuals, respectively. The poverty rate in the
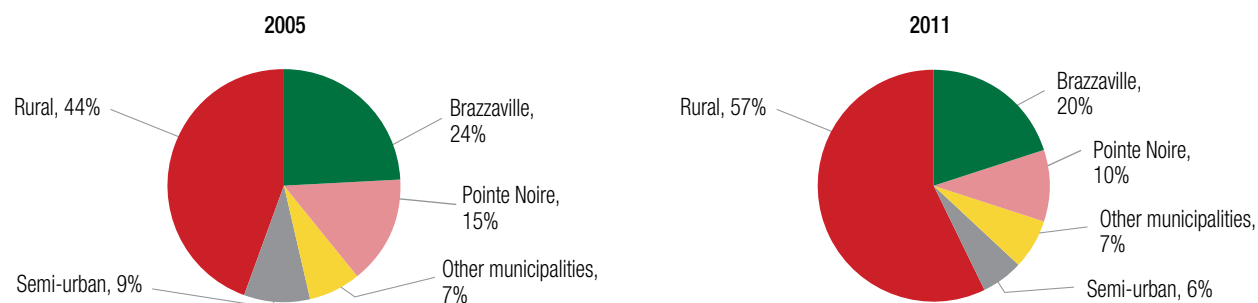
FIGURE 10: Gini Inequality for the Republic of Congo and Selected Countries
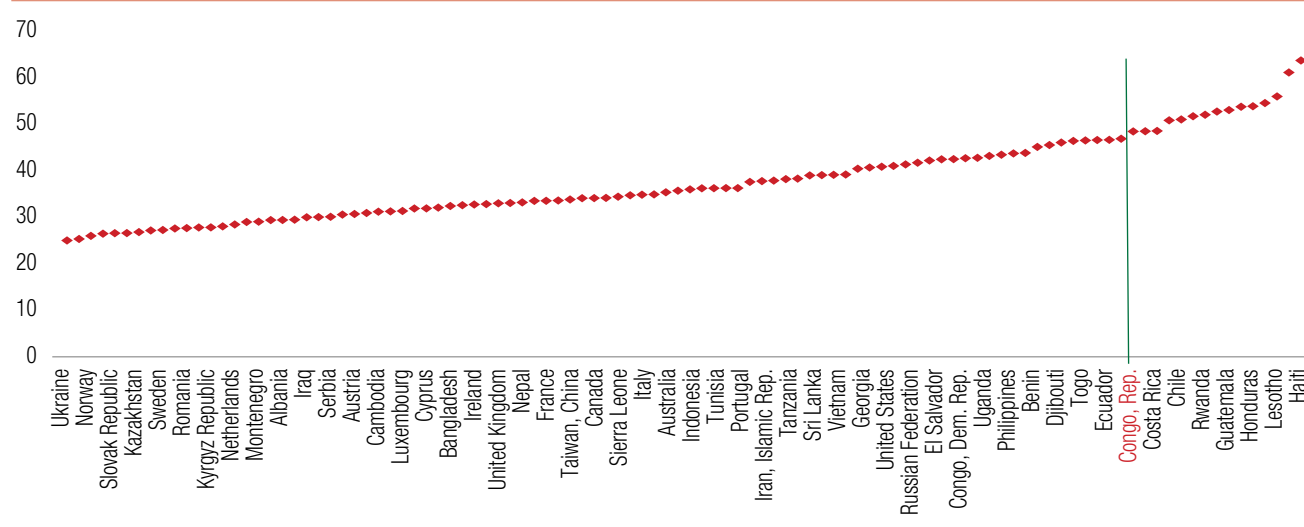
Source: Authors' estimations using the 2005 and 2011 ECOM surveys.

FIGURE 12: Contributions to the Poverty Headcount by Location (%)

2005

Rural, 44%

Brazzaville, 24%

Pointe Noire, 15%

Other municipalities, 7%

Semi-urban, 9%

2011

Rural, 57%

Brazzaville, 20%

Pointe Noire, 10%

Other municipalities, 7%

Semi-urban, 6%

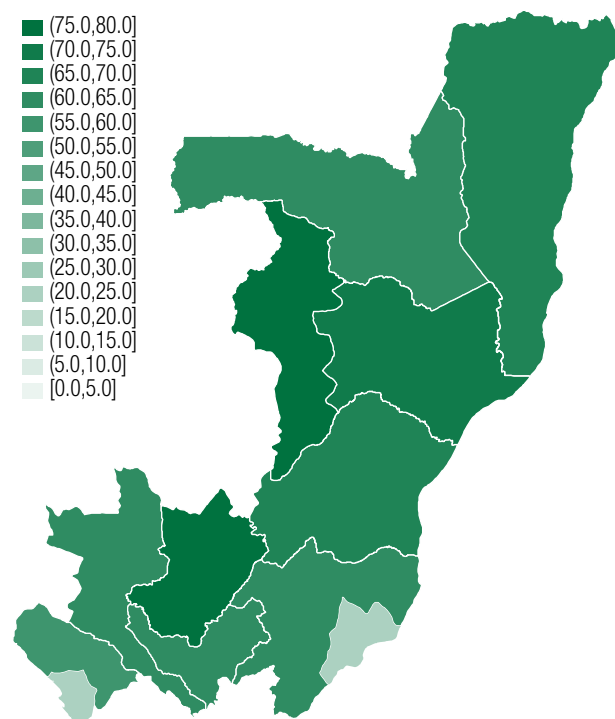*Source*: Authors' calculation using the 2005 and 2011 ECOM surveys.

province of Kouilou is 56.9. The poverty rate is quite high for the remaining departments as well—the poverty rate ranges between 62 and 69 percent for Plateaux, Likouala, Bouenza, Sangha, Pool, and Niari. Given the high rate in most of the departments, we can rank the departments into two groups: the two main cities and the rest of the country.

Increased vulnerability with many at risk of falling back into poverty

Despite moving out of poverty, many households are living just above the poverty line and remain vulnerable to falling below the poverty line. A way to look at vulnerability is to classify the population into three

FIGURE 13: Poverty Maps by Department, 2011

1. Consumption-based headcount

(75.0,80.0]
(70.0,75.0]
(65.0,70.0]
(60.0,65.0]
(55.0,60.0]
(50.0,55.0]
(45.0,50.0]
(40.0,45.0]
(35.0,40.0]
(30.0,35.0]
(25.0,30.0]
(20.0,25.0]
(15.0,20.0]
(10.0,15.0]
(5.0,10.0]
[0.0,5.0]

2. Map of the Republic of Congo

Likouala

Sangha

Cuvette-Ouest

Cuvette

Plateaux

Niari

Lékoumou

Pool

Kouilou

Brazzaville

Pointe Noire

Bouenza

Source: Authors' calculation using the 2011 ECOM survey.

groups: the poor (consumption below the poverty line), the insecure nonpoor or vulnerable (consumption above the poverty line but below twice the poverty line), and the middle class (consumption above twice the poverty line; this would include some wealthy households as well, but most households could be considered middle class for a country like the Republic of Congo). Figure 14 shows that as poverty regressed, both the vulnerable (insecure nonpoor) and middle class groups expanded, with the middle class group expanding faster than the vulnerable/insecure nonpoor group. While only 20.6 percent of the population had consumption more than twice the poverty line in 2005, this increased to 26.3 percent by 2011. In the meantime, 32.8 percent of the population, while technically 'nonpoor', is consuming at a level below twice the poverty line, meaning less that XAF 550,000 yearly (in nominal 2011 CFA francs) per equivalent adult. Given that a large share of the vulnerable rely on either agriculture or informal activities which are susceptible to significant output volatility, many remain at serious risk of falling back into poverty, at least on a temporary basis.

Marginalization of autochthons

The autochthons, who represent about 1 percent of the population, stand out as the main marginalized group in the Republic of Congo. Monetary poverty headcount for autochthons is more than twice the poverty rate of the remaining population. Close to nine out of ten autochthons are poor. This group appears to be extremely marginalized. Their marginalization is characterized by very limited access to social services, including health and education, as well as the labor market. Thus, they contribute and benefit very little from economic activities. The autochthons who are not poor tend to be close to the poverty line, and thus ranked as insecure nonpoor. There is a clear difference between autochthons living in rural areas and autochthons living in urban areas. All autochthons who manage to move from rural areas to urban areas are ranked as middle class.

The economy is not creating enough jobs, especially for the youth

Issues related to job creation are at the center of the development debate in the Republic of Congo. For most households in poverty, inability to meet their basic needs reflects difficulties faced by its members in accessing quality jobs. The close relationship between poverty and work is very clear to the population. Lack of employment is the most cited factor leading to poverty in household responses to a question in the

FIGURE 14: **Poverty, Insecure Nonpoor, and Middle Class Status by Year and Location**

1. By year

2. By residence area, 2011 only

■ Poor ■ Insecure nonpoor ■ Middle class
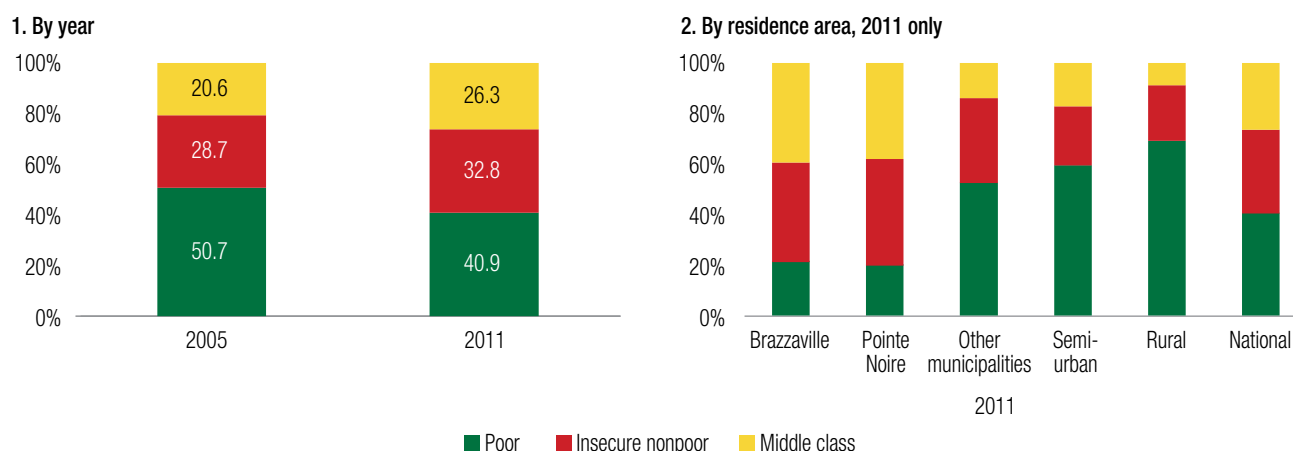
Source: Authors' calculation using the 2005 and 2011 ECOM surveys.

2011 ECOM survey about the causes of poverty. Lack of employment was cited as a leading cause of poverty by 91.7 percent of respondents and insufficient income, a closely related effect, was cited by 59.0 percent.
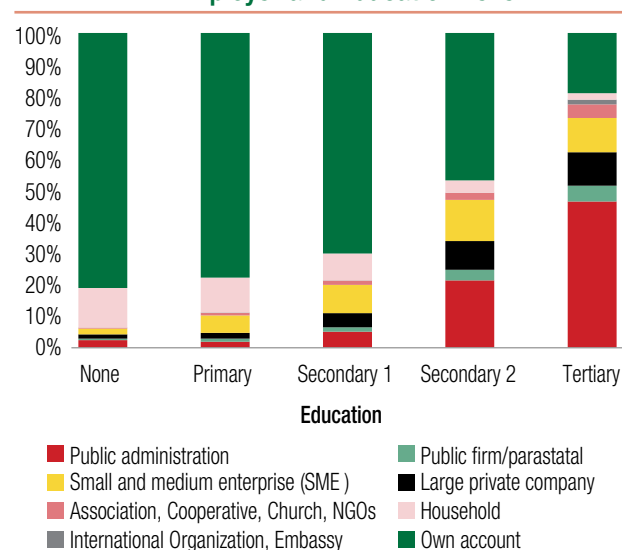
During the strong economic growth, the economy created jobs, but this was offset by population growth. Between 2005 and 2011, the number of employed increases by 180,000. In the meantime, the potentially active population (ages 15–64) increased by 264,000. Population growth appears to be a challenge, as not only does the country have to create jobs, but there must be enough to at least match the fast-growing working-age population.

The youth are severely affected by unemployment. In 2011, the unemployment rate was 32.7 percent for those ages 15 to 29. The corresponding figures for those ages 30–49 and 50–64 were 15.6 and 8.3 percent, respectively. Therefore, a program focusing on youth employment should be boosted and scaled up as much as possible, given the importance of the youth in the overall population.

The formal sector, either public or private, has failed to create quality jobs for the population. As a consequence, the vast majority of the labor force is employed on their own account in agriculture or informal services. A bit more than three out of five workers (63 percent) work on their own account, running a business with no employees or being involved in subsistence agriculture, and another quarter of workers work for a household without pay (Figure 15). The public administration is the main provider of formal wage jobs. Fourteen percent of workers are employed in the public administration or by a parastatal firm. The role of the private sector in providing jobs to the population is not negligible. Up to 13 percent of workers are employed either in large private firms (5 percent) or in SMEs (8 percent).

There is no gender-based pay gap. Analysis suggests that possible differences observed between women and men are due to other factors, including differences in education/skills, but more importantly, difference in the type of activity. Women are more likely to be employed on their own account. With equal competencies in the same activity, women are paid at the same rate as their male counterparts.
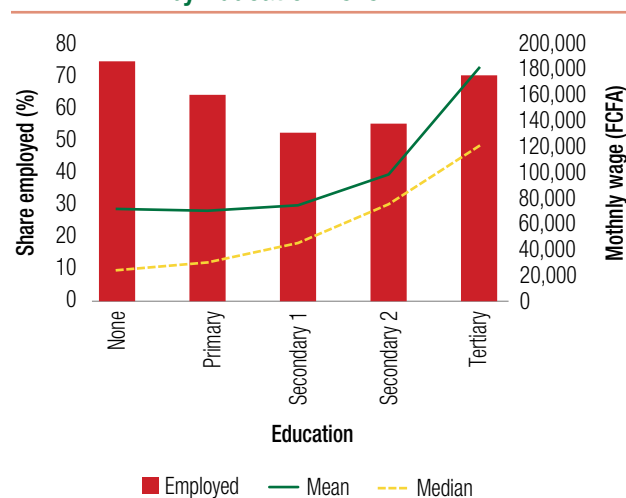
Education is positively correlated with earnings. The better educated an individual is, the higher the level of earnings of the individual. The benefit of education for earnings are very significant for those reaching upper secondary and tertiary education (Figure 16). This has implications for the development of a national strategy for education. The objective should be to provide education, including vocational training, up to at least upper secondary level. Reducing dropouts and improving transition at each sublevel will be critical to achieve such a goal.

The Republic of Congo is performing below expectations on service delivery

Education

Performance is way below expectations on most of the critical education sector indicators. For example, the Republic of Congo is performing below expectation

FIGURE 15: Distribution of Workers by Type of Employer and Education Level

Source: Authors' calculation using the 2011 ECOM survey.

FIGURE 16: Employment Rate and Earnings Profile by Education Level

Source: Authors' calculation using the 2011 ECOM survey.

**Despite improvement in enrollment, the quality of education is of concern and seems to be decreasing.** Test results suggest that a high proportion of students leaving primary school do not have sufficient foundational skills. End-of-cycle tests in primary education have found that two-thirds of students leaving primary school do not have sufficient foundational skills in literacy and numeracy. Thus more and more children are going to school, but it does not guarantee that they are acquiring the expected knowledge. This assessment confirms the importance of the ongoing debate on the quality of service delivery, particularly education services in the country (World Bank 2015).[12]

The private sector is playing a very important and growing role in the provision of education services. Figure 18 provides data on the type of school attended. The share of students in private schools seems to have increased between the last two surveys for 2005 and 2011. In 2011, 35 percent of students were enrolled in a private school. This is up by 15 percentage points compared to 2005. Such high shares of private provision in a country where 40 percent of the population is poor is an indication of inadequate success in ensuring effective access by the Government. Is the deterioration

with regard to primary school completion (Figure 17). The primary school completion rate was 74 percent in 2012. The primary school completion rate has been fluctuating over the last decade. Overall, between 2005 and 2012, the primary school completion rate increased for girls, but went down for boys. In 2012, primary school completion for girls was 79 percent, up from 70 percent in 2005. During the same period, the primary school completion rate for boys went down from 75 percent to 70 percent.

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[12] The World Bank Education Global Practice is currently conducting a Service Delivery Indicators (SDI) survey that will provide more evidence of this.
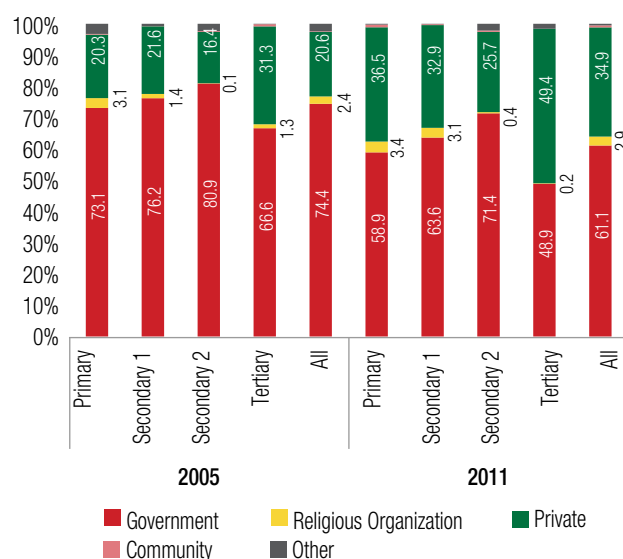
FIGURE 17: Performance is Below Expectation in Primary and Secondary School Completion
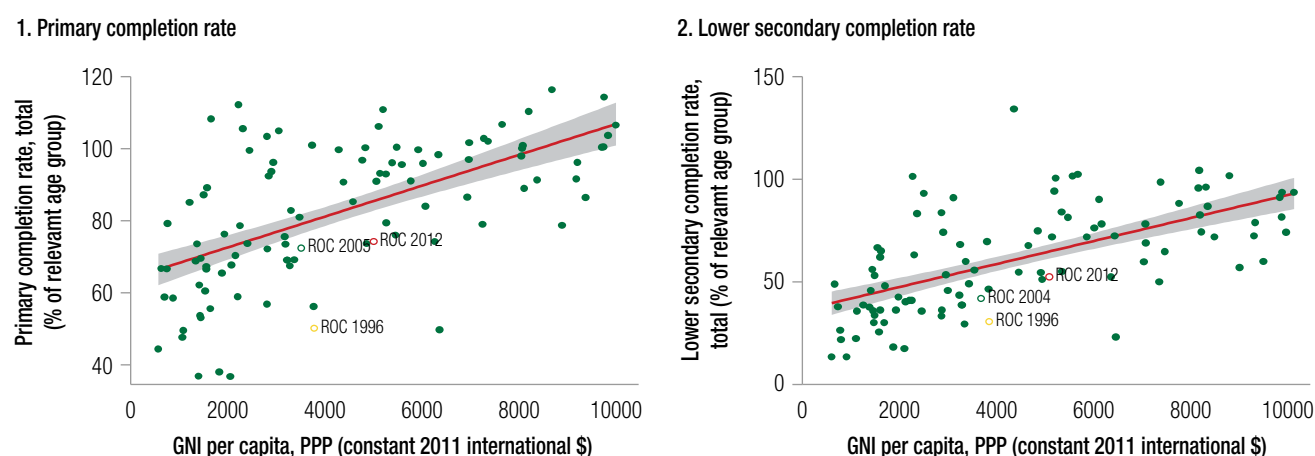
Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

FIGURE 18: Market Share by Type of School

2005 / 2011

- ■ Government
- ■ Religious Organization
- ■ Private
- ■ Community
- ■ Other

Source: Authors' calculation using the 2005 and 2011 ECOM surveys.

FIGURE 19: Reasons for Lack of Satisfaction

- ■ 2005
- ■ 2011
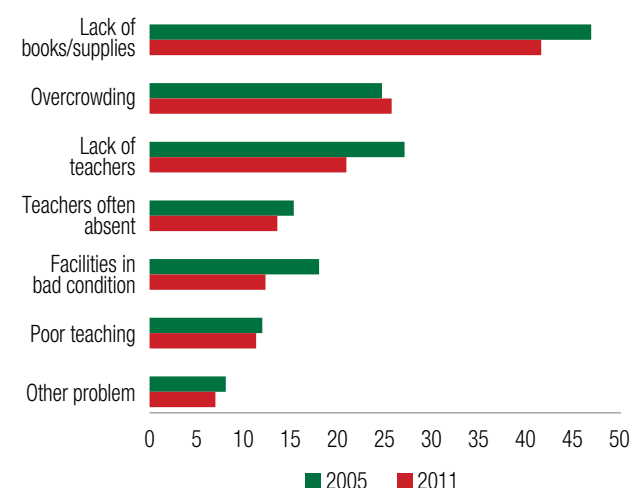
Source: Authors' calculation using the 2005 and 2011 ECOM surveys.

of the quality of education a cause or a consequence of the growing role of the private sector? Further data and analysis are needed to answer such an important question.

Satisfaction is low for public schools. Lack of books/supplies and overcrowding are the main reasons for dissatisfaction. Satisfaction with schools, as measured by the share of parents who do not have any complaints with schools, is low, especially in public schools. Less than 20 percent are satisfied with public schools, against close to 60 percent for private schools. The main reasons for dissatisfaction are lack of books/supplies, overcrowding, and lack of teachers (Figure 19). The lack of books/supplies and the lack of teachers are predominant for children from lower socioeconomic backgrounds, while overcrowding is cited more often by parents of children from higher levels of well-being.

Health

There has been substantial improvement in child and maternal mortality. However, the country still performs below expectations with regard to maternal mortality and has not reached any of the health-related MDGs. Child

and maternal mortality are often used as a measure of the efficiency of the health sector in a given country. Between 2005 and 2012, under-five mortality, which measures the probability of children dying between birth and the fifth birthday, dropped from 95.3 to 52.6 per 1,000 births. Thanks to this improvement, the country is now performing as expected given its GNI level (Figure 20). The story is a bit different regarding maternal mortality. Despite improvement, the country is still performing

FIGURE 20: Mortality Rate, under-Five (per 1,000 Live Births)
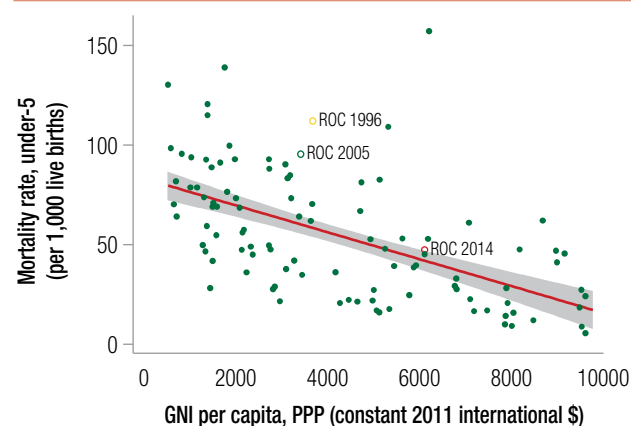
Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

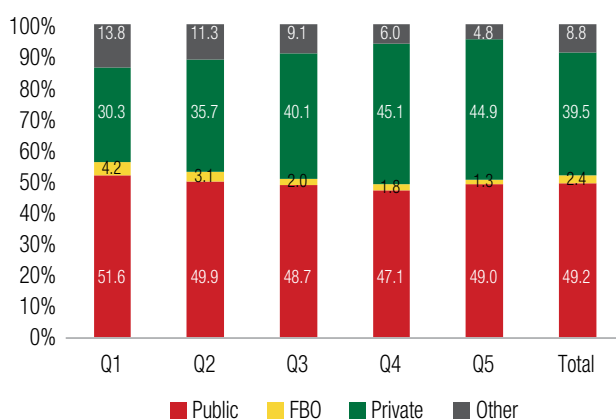## FIGURE 21: Maternal Mortality Ratio (national Estimate, Per 100,000 Live Births)
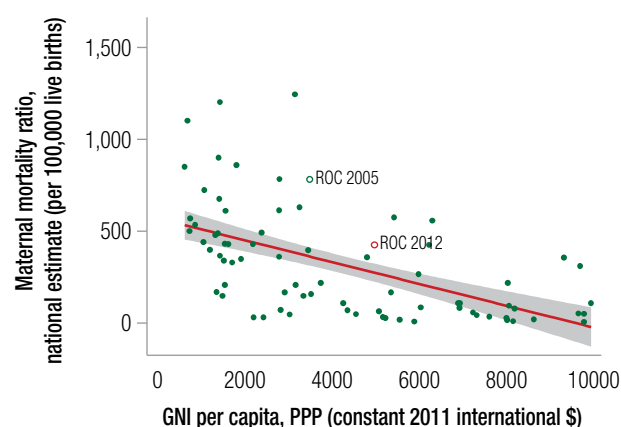
Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

FIGURE 22: Type of Facility Visited

Source: Authors' calculation using the 2011 ECOM survey

lower than its peers on maternal mortality. Maternal mortality rate declined from 781 to 426 deaths per 100,000 live births between 2005 and 2012 (Figure 21).

The distribution of private expenditure on health shows that the poor will be more affected by a fiscal reform concerning drugs, hospitalization, and consultation fees. In August 2011, the Government decided that malaria drugs, anti-retroviral (ARV), and C-section will be free of charge in public facilities. The analysis here shows that these measures were actually pro-poor, but new data and additional analytical work are needed to access the effectiveness and the impact of such a measure. Since 2014, financing of inputs for these free health care programs has stagnated and many services are either not provided (free C-section or free health care for pregnant women), not free, or provided against out-of-pocket payments (in the case of malaria drugs).

The private sector is playing a very important and growing role in the provision of health services. Slightly more than half of the population seeks care in private facilities. Only six out of ten individuals who were sick did seek care. A bit more than half of sick people seek care in nongovernment facilities (Figure 22). Such high shares of private provision in a country with high poverty rate is an indication of inadequate success in ensuring effective access by the Government.

**The country is performing above expectations with regard to stunting, but malnutrition is still high.** Stunting, defined as low height for age and an indicator of chronic malnutrition, decreased from 31 percent in 2005 to 25 percent in 2011. As a result, the country is now performing as expected in comparison to peers. Nevertheless, the level of stunting remains quite high. High malnutrition reduces agricultural productivity, contributes to poverty, and affects education and intellectual potential of school children (for example, stunting causes children to start school late because they look too small for their age, and will also be a cause of absenteeism and repetition of school years). As shown in Figure 23, in the case of the Republic of Congo, malnutrition increases with poverty. Affordability of food might be the main cause of malnutrition. In principle, this makes it easier to design a program to fight malnutrition, as it will mainly imply making sure the poor access food, for example, through school canteens.

Electricity

Despite improvements over the last decade, access to electricity is very low compared to expectations. Given that the Republic of Congo is a country with substantial hydro potential, electricity could in principle be generated and distributed at a relatively low cost to a large share of the population. Coverage rates have

FIGURE 23: Stunting, Height for Age, the Republic of Congo vs. Peers
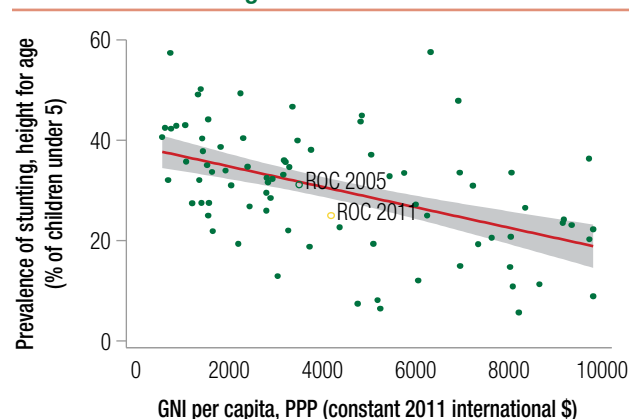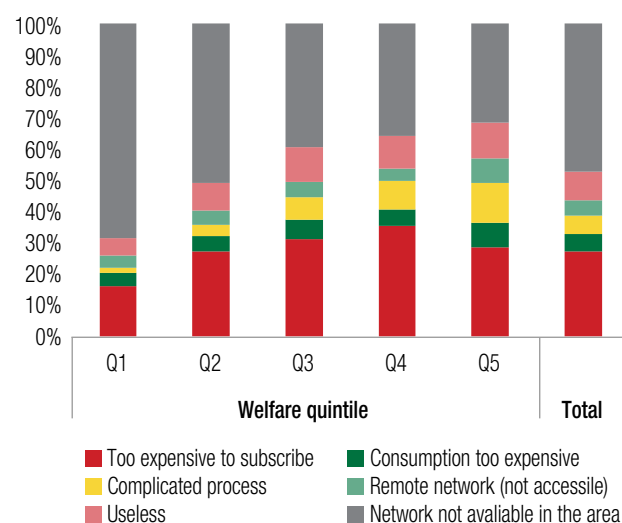

Source: Authors' calculation using the 2011 ECOM and the 2012 DHS; and using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach..

FIGURE 25: Reason for Not Subscribing to Electricity

Source: Authors' estimates based on the 2011 ECOM survey.

increased substantially, from 26.7 percent in 2005 to 42.5 percent in 2011. Unfortunately, connection rates in the country remain below expectations compared to peers (Figure 24).

Those who are not connected to the network quote issues related to affordability and supply as main reasons for not subscribing. Poor people often don't have electricity in their neighborhood, and when the network is present, they cannot afford it (Figure 25).
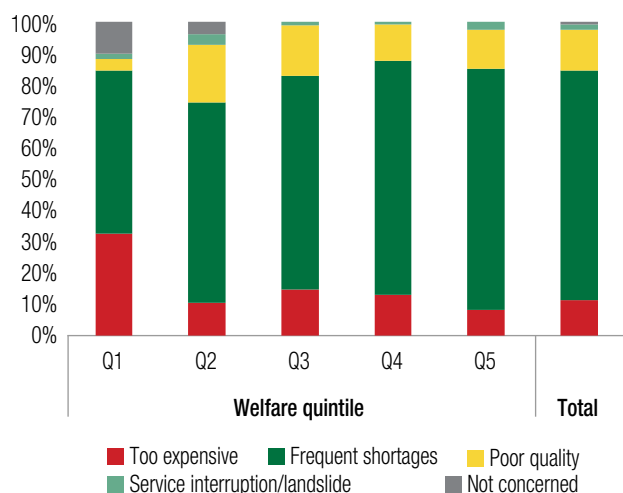
Frequent shortages are by far the main reason for dissatisfaction. Poor quality of electricity and high cost are also important reasons for dissatisfaction. Satisfaction with electricity service is very low. Slightly less than one out of three households is satisfied with the electricity network service. Seven out of ten households point to shortage as reason for dissatisfaction (Figure 26). The second reason for dissatisfaction is issues related to quality (quote by 13 percent of

FIGURE 24: Access to Electricity (% of Population)
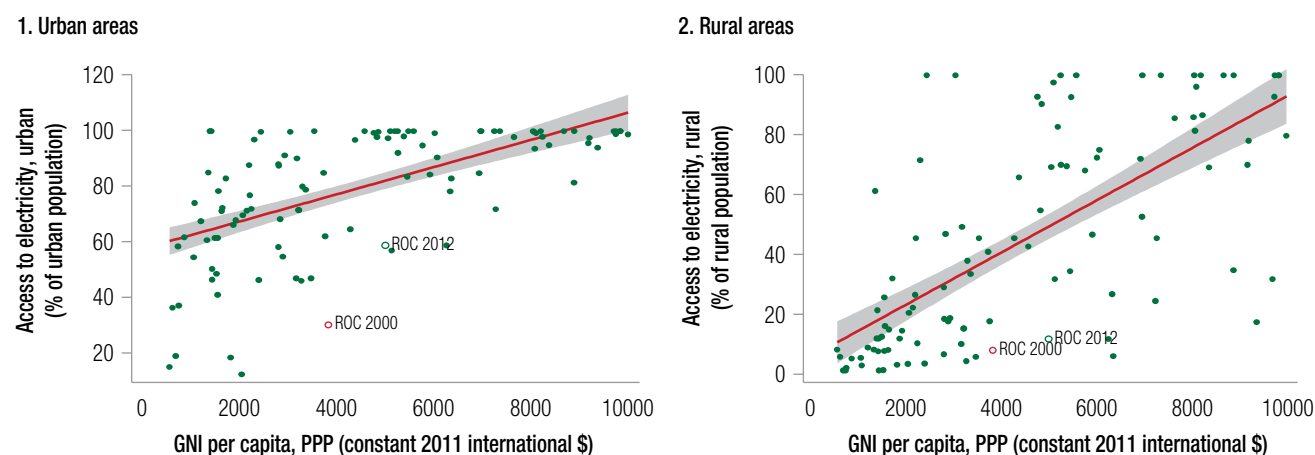
1. Urban areas

2. Rural areas

Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

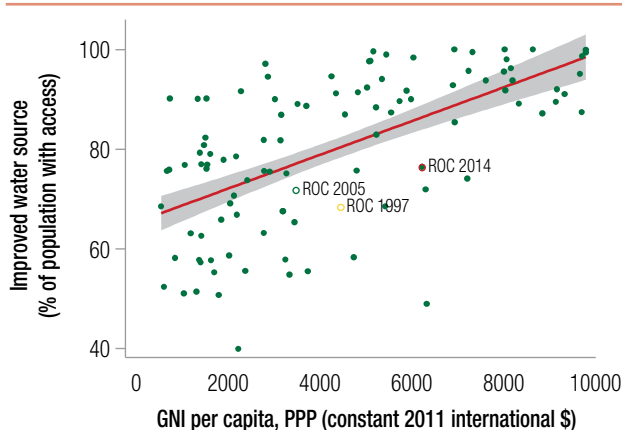**FIGURE 26: Satisfaction with the Electricity Service**

Welfare quintile / Total

- ■ Too expensive
- ■ Frequent shortages
- ■ Poor quality
- ■ Service interruption/landslide
- ■ Not concerned

Source: Authors' estimates based on the 2011 ECOM survey.

FIGURE 27: Improved Water Source (% of Population with Access)

Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

households). The cost of electricity is the third reason (11.5 percent). Cost issues are more predominant in poor households. For the bottom quintile, cost of electricity is quoted by three out of ten households.

Electricity tariffs are poorly designed in the Republic of Congo. The implicit consumption subsidies are poorly targeted. Connection subsidies clearly have the potential to be better targeted. A robust measure of the targeting performance of subsidies is the share of the subsidy benefits received by the poor divided by the proportion of the population in poverty (Ω).[13] The tariffs design is pro-poor if $\Omega>1$. For the Republic of Congo, the value was 0.62 in 2011, that is, implicit electricity subsidies are not pro-poor in the Republic of Congo. To our knowledge, electricity tariffs have not been revised for a very long time. Pro-poorness of tariffs design should be considered in the future.

Evidence suggests that *Société Nationale d'Electricité* (SNE) is struggling to effectively collect payments from residential customers, including through the installation of new meters in some areas. The share of households paying for their electricity is systematically lower than the share of households who declare using electricity. This may be an indication of illicit connections, but it may also reflect late payment, lack of recovery of late payment, or other issues. The

differences between those using electricity and those paying for it are big. In 2011, 42.5 percent of households were connected to the grid, but only 30 percent were paying for electricity, generating a 12.5 percentage point gap between coverage and payment. The *Société Nationale de Distribution d'Eau* (SNDE) is facing a similar challenge.

Water and sanitation

Although the share of the population with access to improved water slightly increased during the last decade, it is still far below what is expected. The Republic of Congo is performing below expectations with regard to access to improved water. Between 2005 and 2015, access to improved water increased slightly from 72 percent to 77 percent. However, the country is still performing below expectations (Figure 27). Poverty is correlated with the lack of access to safe water (Figure 29).

Access to improved sanitation remains very low and as a consequence, the country is performing below expectations on this dimension as well. As illustrated in Figure 28, the Republic of Congo is

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[13] See Angel-Urdinola and Wodon (2007) for more details.

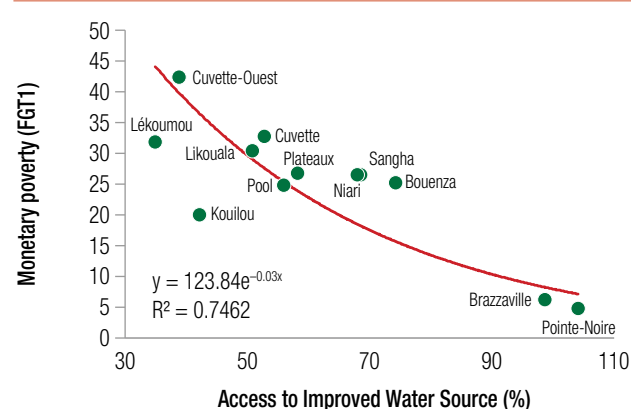**FIGURE 28: Improved Sanitation Facilities (% of Population with Access)**
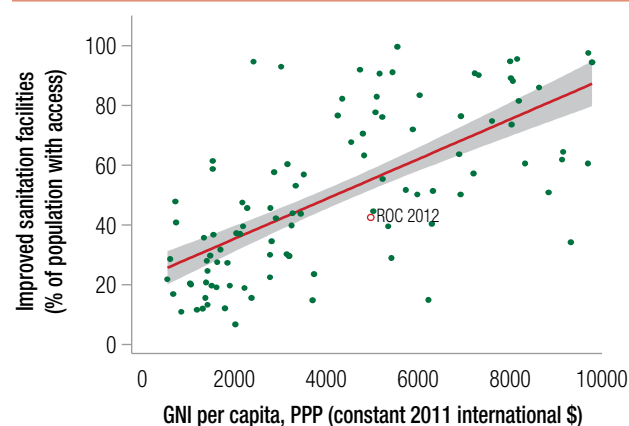
Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

FIGURE 29: Correlation between Access to Improved Water and Poverty

Source: Authors' estimates based on the 2011 ECOM survey.

performing below expectations with regard to access to a safe toilet. In 2014, only 43 percent of the population had access to improved sanitation. The situation is even worse in rural areas where only 13 percent of the population have access to an improved toilet. More of concern is the share of the population with no toilet at all. The situation is particularly of concern in four departments: Plateaux, Lékoumou, Cuvette, Cuvette-Ouest. The share of households with no toilet ranges from 42.8 to 30 percent in these departments. Here again, the gap between the two main cities and the rest of the country is very pronounced (Figure 30).

Information and communication technology

The Republic of Congo is performing very well with regard to the mobile cellular network, but performance is below expectations with regard to Internet access. ICT provides new opportunities to boost productivity and save costs. Moreover, applications in various areas such as education, agriculture, health, and so on have proven to be critical for economic development and well-being. For now, the country seems to have harvested the low hanging fruit as materialized by the strong performance of access to mobile phone network (Figure 31). The country is

still struggling to reach the next level. Access to Internet is very low and way below expectations (Figure 32). It is estimated that only 7 percent of the population were using the Internet in 2014. Beyond the low quality, prices remain far too high for the general public and could be the main reason for the low usage of Internet. At US$1,200, the Republic of Congo was ranked as one of the most expensive countries in the world with regard to the price of international bandwidth (Mbps/month) (Jacquelot, quote by World Bank 2016a).
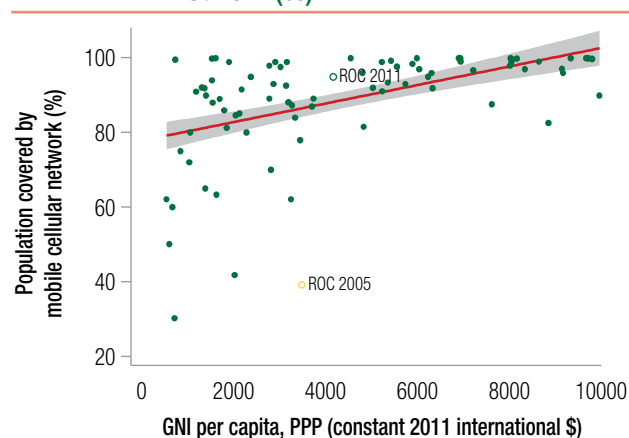
FIGURE 30: Correlation between Access to Improved Sanitation and Poverty
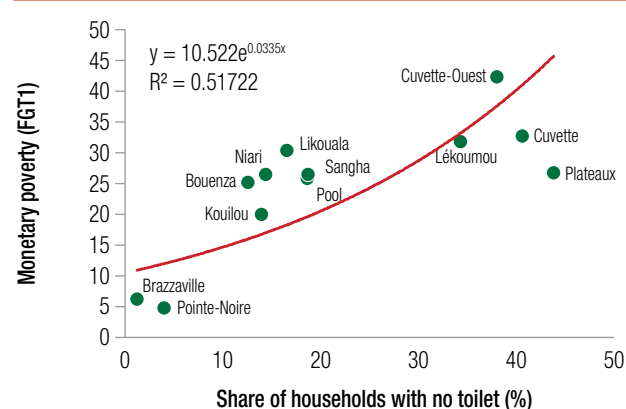
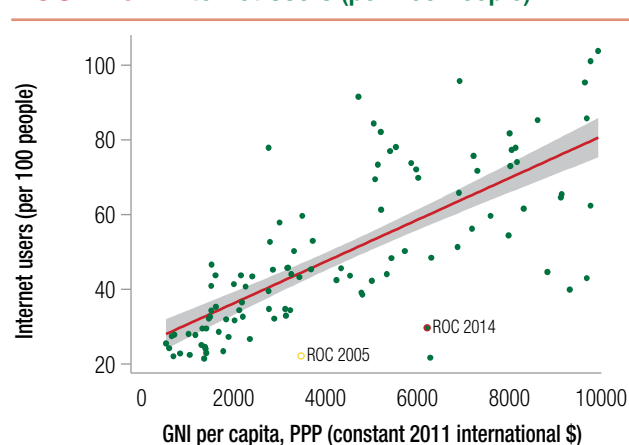*Source*: Authors' estimates based on the 2011 ECOM survey.

FIGURE 31: Population Covered by Mobile Cellular Network (%)

Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

FIGURE 32: Internet Users (per 100 People)

Source: Authors' calculation using the WDI data and based on the Gable, Lofgren, and Osorio-Rodarte (2015) approach.

Looking forward: how to overcome some of the many challenges

Going forward, one of the main development challenges for the country is to translate oil wealth into better services delivery, better human capital, and quality jobs for its population, and to support the poor and vulnerable so as to insure pro-poorness and inclusiveness of growth. The following five areas of actions can be derived from the analysis:

Investment in human capital

Skills and good health are prerequisites for success on the job market. Good health and education increase chances of finding a job and of being more productive, thus earning higher returns. Our analysis suggests that in the Republic of Congo, education really did not make a big difference below upper secondary. Thus, the fight against poverty should focus on dropouts and transition to secondary education. Educating and equipping the population with the necessary skills will be critical as the country moves ahead with its goal of achieving economic diversification.[14] Vocational training should also play a key role, especially in the short run, for those who already drop out.

Boost agricultural productivity and commercialization

Increasing agricultural productivity will be critical for rural poverty alleviation. The rural population relies heavily on agriculture as a main income source. The evidence suggests that the country depends on imports to satisfy food needs. Yet, availability of arable land and opportunities in the fishing and livestock areas provide huge opportunities for the country to achieve the food sovereignty. In doing so, the rural population could generate enough income to move out of poverty. For increased agricultural productivity to be effective, it should be accompanied with other actions such as improved connectivity to market, research and development for better inputs, and so on.

Expand coverage of formal social safety nets programs

Through a program such as LISUNGI, the Government could aim at providing cash transfers to the poor and vulnerable, including the autochthons. The financial cost for a hypothetical cash transfer could be quite high,

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[14] Commercial farming, agro processing, and services (ICT and tourism, among others).

about XAF 171.2 billion in 2011 prices, representing about 10 percent of the government budget. In 2011 prices, the national poverty line was estimated at XAF 274,113 per year and per equivalent adult. On average, the distance of the poor from the national poverty line is 15.4 percent. This indicates that if it was possible to perfectly target the poor, it will take average annual payments of XAF 103,260 to eliminate poverty in the Republic of Congo.[15] Overall, the budget for such a cash transfer program is estimated at XAF 171.2 billion in 2011 prices. This represents slightly less than 10 percent of the government budget and about 14 percent of annual oil revenues. Despite the high cost, such a program if linked to some conditionality could represent investment in human capital that will result in important medium- and long-term benefits for the country. In the case of a conditional cash transfer, for example, the likelihood of a household using the windfall in building human capital will be higher. This will, if all other conditions are also in place,[16] result in a better educated, better nourished, and healthier population.

Support the expansion of the private sector for job creation

The private sector is playing an important role in the Republic of Congo and will continue to do so. It will also be important to take measures to facilitate private investments aimed at creating jobs outside of the oil sector, including through efforts to improve electricity generation and distribution and increase access to credit for the private sector.

Provide better services to the population

As illustrated, the Republic of Congo is performing below expectations on most of the nonmonetary dimensions of well-being. The country is underperforming when compared to peers on access to education, health, electricity, safe water, sanitation, ICT, and roads. Improving the availability and quality of service to the population will help the country establish itself as a true middle-income country.

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[15] Of course this is just a hypothetical assumption, as there are many other factors at play, including education that takes time and the likelihood of some poor spending the allocation on useless items such as consumption of products associated with ill health.

[16] Such as quality of service delivery.

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